

# Techno-Funda Picks

Utilities

NTPC



July 28, 2023

For Private Clients

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# NTPC

CMP (Rs.): 202

Targets (Rs.): 235-240

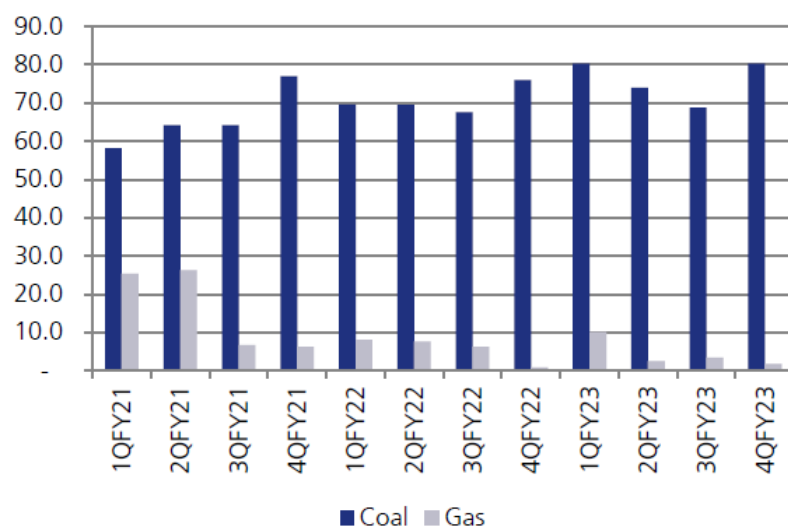
Bloom: NTPC IN

We find NTPC best placed for success in India's energy transition, similar to its successful global peers (Green & Grey: Together We Win), and it is poised for leadership in India's renewables market (target 60GW+ renewables by FY32) given i) visible pipeline of projects already won by it, ii) competitive advantage on debt cost at around 6% (vs. 8% for other industry players) and iii) benefit of scale (20GW of renewable capacity) under planning and development.

NTPC has an installed RE capacity of 3.2GW (1,352MW commissioned in FY23) with another 4.6GW under construction. Further, additional 12.6GW RE projects are under pipeline, which include a mix of ground mounted solar, floating solar, wind and some small hydro. NTPC Renewable Energy Ltd (NREL) has invited bids for interstate transmission system (ISTS)-connected energy storage projects of 9,000 MWh capacity with a minimum of 1,500MW capacity to be installed anywhere in India. The company intends to use the energy storage facility to meet its renewable RTC (round-the-clock)/peak power requirements complementing its wind and solar generation. With such projects, NTPC plans to supply round-the-clock electricity to the commercial and industrial (C&I) segment. The company has forayed into nuclear power with a JV with NPCIL and is executing two projects - (2X700MW Chutka, MP) in Madhya Pradesh and (4X700MW Mahi Banswara, Rajasthan) with a target of adding 2GW of nuclear capacity by FY32E.

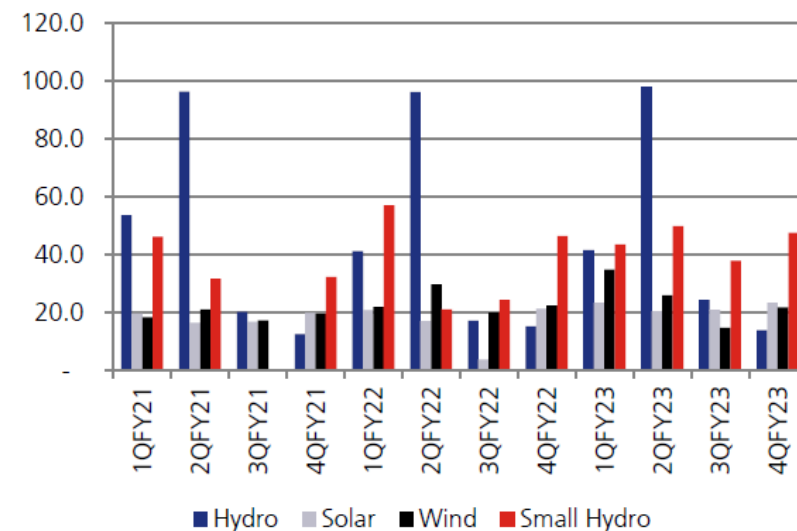
NTPC has unveiled plans to establish a green hydrogen hub in Pudimadaka (Andhra Pradesh), which will comprise 20GW of renewable capacity. The project, with an estimated cost of INR1,000bn, will see the installation of 13.4GW of solar capacity and 6.6GW of pumped storage. The project's first phase is scheduled for 2026/27, while full completion is expected in 2030.

PLF trend (%) – fossil fuel-based generation



Source: Company, JM Financial

PLF trend (%) – non-fossil fuel-based generation



Source: Company, JM Financial

NTPC

Weekly chart



Source: falcon7

## Financial snapshot – Income Statement and Balance sheet

Income Statement (INR mn)					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Net Sales	11,15,312	13,26,693	17,62,069	17,85,965	18,91,871
Sales Growth	1.9%	19.0%	32.8%	1.4%	5.9%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>11,15,312</b>	<b>13,26,693</b>	<b>17,62,069</b>	<b>17,85,965</b>	<b>18,91,871</b>
Cost of Goods Sold/Op. Exp	6,11,487	7,53,377	10,59,807	10,50,703	11,28,985
Personnel Cost	59,539	63,101	65,283	69,025	73,508
Other Expenses	1,04,547	1,07,420	1,59,690	1,57,316	1,62,355
<b>EBITDA</b>	<b>3,39,738</b>	<b>4,02,796</b>	<b>4,77,289</b>	<b>5,08,920</b>	<b>5,27,024</b>
EBITDA Margin	30.5%	30.4%	27.1%	28.5%	27.9%
EBITDA Growth	7.7%	18.6%	18.5%	6.6%	3.6%
Deprn. & Amort.	1,24,503	1,37,878	1,47,923	1,52,296	1,57,958
EBIT	2,15,235	2,64,917	3,29,366	3,56,624	3,69,065
Other Income	40,157	23,250	17,702	18,000	20,000
Finance Cost	92,241	93,160	1,11,561	1,17,959	1,17,229
PBT before Excep. & Forex	1,63,151	1,95,008	2,35,508	2,56,665	2,71,836
Excep. & Forex Inc./Loss(-)	19,032	14,865	-4,131	7,432	7,432
PBT	1,82,183	2,09,873	2,31,377	2,64,097	2,79,269
Taxes	24,205	50,471	67,961	74,066	78,445
Extraordinary Inc./Loss(-)	-15,122	0	0	0	0
Assoc. Profit/Min. Int.(-)	10,186	13,045	9,886	9,886	9,886
Reported Net Profit	1,46,346	1,66,759	1,69,126	1,95,741	2,06,534
<b>Adjusted Net Profit</b>	<b>1,64,816</b>	<b>1,69,603</b>	<b>1,71,214</b>	<b>1,97,829</b>	<b>2,08,622</b>
Net Margin	14.8%	12.8%	9.7%	11.1%	11.0%
Diluted Share Cap. (mn)	9,696.7	9,696.7	9,696.7	9,696.7	9,696.7
<b>Diluted EPS (INR)</b>	<b>17.0</b>	<b>17.5</b>	<b>17.7</b>	<b>20.4</b>	<b>21.5</b>
Diluted EPS Growth	41.3%	2.9%	0.9%	15.5%	5.5%
Total Dividend + Tax	57,784	71,069	71,910	83,088	87,621
Dividend Per Share (INR)	6.0	7.3	7.4	8.6	9.0

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Shareholders' Fund	12,57,385	13,53,737	14,70,232	15,96,151	17,21,685
Share Capital	96,967	96,967	96,967	96,967	96,967
Reserves & Surplus	11,60,418	12,56,771	13,73,265	14,99,184	16,24,718
Preference Share Capital	0	0	0	0	0
Minority Interest	35,237	37,604	39,305	39,305	39,305
Total Loans	18,13,520	18,29,185	18,97,044	19,65,986	19,53,812
Def. Tax Liab. / Assets (-)	98,878	1,09,517	1,26,900	1,26,900	1,26,900
<b>Total - Equity &amp; Liab.</b>	<b>32,05,020</b>	<b>33,30,043</b>	<b>35,33,480</b>	<b>37,28,341</b>	<b>38,41,701</b>
Net Fixed Assets	30,00,022	31,53,690	32,97,243	34,12,670	33,70,267
Gross Fixed Assets	27,26,937	30,81,252	33,84,360	35,89,963	39,13,839
Intangible Assets	0	0	0	0	0
Less: Deprn. & Amort.	7,00,957	8,37,814	9,78,907	11,31,203	12,89,161
Capital WIP	9,74,042	9,10,252	8,91,790	9,53,909	7,45,590
Investments	1,08,383	1,13,066	1,38,848	1,38,848	2,38,848
Current Assets	8,80,472	8,98,412	10,24,123	10,48,293	11,06,996
Inventories	98,096	1,01,393	1,42,404	1,41,899	1,50,313
Sundry Debtors	2,81,998	2,73,421	2,88,252	3,18,048	3,36,909
Cash & Bank Balances	43,878	44,581	49,485	44,364	75,792
Loans & Advances	0	0	0	0	0
Other Current Assets	4,56,499	4,79,018	5,43,982	5,43,982	5,43,982
Current Liab. & Prov.	7,83,856	8,35,124	9,26,735	8,71,469	8,74,410
Current Liabilities	1,42,022	1,59,190	1,92,271	1,37,006	1,39,947
Provisions & Others	6,41,834	6,75,934	7,34,464	7,34,464	7,34,464
Net Current Assets	96,616	63,288	97,389	1,76,824	2,32,586
<b>Total - Assets</b>	<b>32,05,020</b>	<b>33,30,043</b>	<b>35,33,480</b>	<b>37,28,341</b>	<b>38,41,701</b>

Source: Company, JM Financial



# Financial snapshot – Cash Flow Statement, Dupont Analysis & Key Ratios

Cash Flow Statement					(INR mn)
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profit before Tax	1,92,896	2,23,114	2,38,248	2,65,621	2,80,792
Depn. & Amort.	1,24,503	1,37,878	1,47,923	1,52,296	1,57,958
Net Interest Exp. / Inc. (-)	57,724	79,466	1,10,921	1,17,959	1,17,229
Inc (-) / Dec in WCap.	8,286	19,141	-66,450	4,078	6,474
Others	-28,286	-20,986	10,630	-18,000	-20,000
Taxes Paid	-30,683	-20,731	-40,757	-74,066	-78,445
<b>Operating Cash Flow</b>	<b>3,24,441</b>	<b>4,17,882</b>	<b>4,00,516</b>	<b>4,47,888</b>	<b>4,64,009</b>
Capex	-2,32,820	-2,43,309	-2,47,202	-2,67,722	-1,15,556
Free Cash Flow	91,621	1,74,573	1,53,313	1,80,166	3,48,452
Inc (-) / Dec in Investments	-5,000	5,000	-8,573	0	-1,00,000
Others	27,475	9,927	-5,297	0	0
<b>Investing Cash Flow</b>	<b>-2,10,345</b>	<b>-2,28,382</b>	<b>-2,61,072</b>	<b>-2,67,722</b>	<b>-2,15,556</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-57,784	-71,069	-72,479	-83,088	-87,621
Inc / Dec (-) in Loans	1,08,575	7,234	81,458	68,943	-12,174
Others	-1,61,282	-1,27,880	-1,50,524	-1,71,142	-1,17,229
<b>Financing Cash Flow</b>	<b>-1,10,491</b>	<b>-1,91,716</b>	<b>-1,41,545</b>	<b>-1,85,287</b>	<b>-2,17,024</b>
Inc / Dec (-) in Cash	3,605	-2,216	-2,101	-5,121	31,428
Opening Cash Balance	40,273	46,797	51,587	49,485	44,364
Closing Cash Balance	43,878	44,581	49,485	44,364	75,792

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Net Margin	14.8%	12.8%	9.7%	11.1%	11.0%
Asset Turnover (x)	0.3	0.3	0.4	0.4	0.4
Leverage Factor (x)	3.2	3.1	3.1	3.0	2.8
RoE	13.5%	13.0%	12.1%	12.9%	12.6%

Key Ratios					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
BV/Share (INR)	129.7	139.6	151.6	164.6	177.6
ROIC	6.4%	6.7%	7.4%	7.7%	7.8%
ROE	13.5%	13.0%	12.1%	12.9%	12.6%
Net Debt/Equity (x)	1.4	1.3	1.3	1.2	1.1
P/E (x)	10.2	9.9	9.8	8.5	8.0
P/B (x)	1.3	1.2	1.1	1.1	1.0
EV/EBITDA (x)	10.3	8.7	7.5	7.1	6.8
EV/Sales (x)	3.1	2.6	2.0	2.0	1.9
Debtor days	92	75	60	65	65
Inventory days	32	28	29	29	29
Creditor days	41	45	40	39	37

Source: Company, JM Financial

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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