

## NTPC

NTPC is India's largest power producer with an installed capacity of 51 GW, accounting for ~16% share in overall capacity. In addition to this the company has ~21 GW under construction. The NTPC group contributed 24% to all India's generation during FY17. Over FY11-17 the company added nearly 16 GW of capacity.

**PLF to remain steady, while lower coal cost will reduce cost:** NTPC's coal station achieved Plant Load Factor of 78.6% against 59.9% at all India level. Compared to FY16 the coal based station's PLF has remained flat and we expect the same to remain steady going ahead. The PLF for Gas based plants marginally declined in FY17 to 24.4% vs 25.1%, which too is expected to bounce back. Further the company expects coal cost to come down due to rationalisation of coal linkages, re-grading of coal mines and implementation of GST. The above all factors should be margin accretive for the company.

**Next phase of growth likely on the back of new project commercialization:** During FY17 NTPC added 4,430 MW against 2,255 MW in FY16. During July 2017 NTPC commercialised 800 MW of capacity indicating it is on set for its next phase of high capacity addition. In FY18 the company targets to add another 4,543 MW and commercialise 3.6 GW of capacity.

**We expect earnings growth to be healthy backed by aggressive capacity addition as well as commercialisation:** NTPC had ~ ₹87,000 cr worth of CWIP on book and conversion of the same into gross block and resultant revenue growth should lead to healthy ~15% earnings CAGR over FY17-19. The rate of capitalisation of capacity is likely to be higher than the capex over the next two years and this is likely to be RoE accretive.

**Valuations & View:** The floor price of the issue has been fixed at ₹168/ share and retail investors are entitled for 5% discount on the floor price, which works out to ₹ 159.6. At the offer price the stock is valued at 1.2x its FY19 BV, which looks attractive and hence we recommend investors to SUBSCRIBE to the issue.

### Key Financials (Consolidated)

Y/E March (₹ cr)	FY14	FY15	FY16	FY17
Revenue	78,951	80,612	73,426	82,081
% chg	10	2	-9	12
Adj. net profit	11,438	9,856	10,900	10,757
% chg	-0	-14	11	-1
Adj. EPS (₹)	14	12	13	13
OPM (%)	25	21	25	27
P/E (x)	12	14	13	13
P/BV (x)	1.6	1.7	1.5	1.4
RoE (%)	13	12	12	11
RoCE (%)	9	6	7	7
EV/Sales (x)	2.5	2.8	3.1	2.9
EV/EBIDTA	10.2	13.0	12.3	10.8

Source: Company, Angel Research, Valuation ratios based on floor price.

## SUBSCRIBE

Issue Open: Aug 29, 2017  
 Issue Close: Aug 30, 2017

### Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹8245cr

Offer for Sale: \*\*41.23cr Shares

Post Eq. Paid up Capital: ₹8245cr

Issue size (amount): \*\*₹7000 cr

Price Band: ₹168

5% Discount for Retail

Promoters holding Pre-Issue: 70%

Promoters holding Post-Issue: 65%

\*\* if 5% OFS offered

### Book Building

MF/Insurance	25% of issue
Non-Retail	55% of issue
Retail	20% of issue

### Post Issue Shareholding Pattern

Promoters	65%
Others	35%

**Jaikishan J Parmar**

+022 39357600, Extn: 6810

Jaikishan.parmar@angelbroking.com

## Issue Details

The government is offering up to 5% in NTPC, the country's largest power producer, through an offer for sale (OFS) on Tuesday and Wednesday. The offer, at the minimum base price of Rs 168 per share, could bring in around ₹7,000cr into the exchequer. The government will sell a little over 41.22cr shares, consisting of 5% of the company, at a base price of ₹168 per share. If there is demand for additional shares during the OFS, the government could divest up to 5% more of the company.

The retail investors would get the discount of 5% on floor price. As a result, retail investor would get shares at ₹159.6 per share.

### Exhibit 1: Pre and Post-OFS shareholding pattern (shares in cr)

	No of shares (Pre-issue)		No of shares (Post-issue)	
		%		%
Promoter (GOI)	575	70	534	65
Institution/Public	249	30	291	35
	825	100	825	100

*Considered 5% OFS offered*

## Objects of the offer

- The stake sale in NTPC is part of the government's comprehensive divestment plan to raise up to ₹72,500cr announced In the Budget. For fund its infrastructure and welfare projects.

**Exhibit 2: Profit & Loss Statement (Consolidated)**

Y/E March (₹ cr)	FY14	FY15	FY16	FY17
<b>Net Sales</b>	78,951	80,612	73,426	82,081
% chg	10	2	-9	12
<b>Total Expenditure</b>	59,310	63,283	55,003	59,613
Fuel cost	50,772	54,268	47,727	1,675
Employee Costs	5,037	4,882	4,694	5,676
Other Expenses	3,501	4,133	2,581	52,262
<b>EBITDA</b>	19,641	17,329	18,424	22,468
% chg	9	-12	6	22
(% of Net Sales)	25	21	25	27
Depreciation & Amortisation	4,770	5,565	5,771	6,693
<b>EBIT</b>	14,871	11,764	12,652	15,775
% chg	4	-21	8	25
(% of Net Sales)	19	15	17	19
Interest & other Charges	3,263	3,669	3,366	3,753
Other Income	2,879	2,365	1,332	1,738
<b>Profit before tax</b>	14,487	10,461	10,618	13,761
% chg	-13	-28	2	30
Tax Expense	3,082	464	-163	3,047
(% of PBT)	21	4	-2	22
<b>Recurring PAT</b>	11,405	9,997	10,781	10,714
Minority Interest	-0	6	-20	-6
Share of associates	-32	135	-99	-37
<b>Reported PAT</b>	11,438	9,856	10,900	10,757
<b>Adjusted PAT</b>	11,438	9,856	10,900	10,757
% chg	-0	-14	11	-1
(% of Net Sales)	14	12	15	13

**Exhibit 3: Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY14	FY15	FY16	FY17
<b>SOURCES OF FUNDS</b>				
Equity Share Capital	8,245	8,245	8,245	8,245
Reserves & Surplus	79,084	73,849	83,330	89,593
<b>Shareholder Funds</b>	<b>87,330</b>	<b>82,094</b>	<b>91,576</b>	<b>97,838</b>
<b>Minority Interest</b>	<b>680</b>	<b>888</b>	<b>793</b>	<b>803</b>
Total Loans	81,455	1,02,252	99,424	1,13,769
Deferred Tax Liability	6,913	8,098	8,153	10,066
Other Long term liabilities	5,588	6,068	6,302	5,746
<b>Total Liabilities</b>	<b>1,81,966</b>	<b>1,99,400</b>	<b>2,06,248</b>	<b>2,28,222</b>
<b>APPLICATION OF FUNDS</b>				
Gross Block	1,31,394	1,44,361	98,844	1,17,088
Less: Acc. Depreciation	47,186	52,508	5,915	12,556
<b>Net Block</b>	<b>84,208</b>	<b>91,853</b>	<b>92,929</b>	<b>1,04,532</b>
Capital Work-in-Progress	53,825	67,555	75,046	86,896
Goodwill				
Investments	3,300	1,902	6,473	7,802
<b>Current Assets</b>	<b>42,822</b>	<b>39,991</b>	<b>30,599</b>	<b>30,113</b>
Cash	17,051	14,252	4,938	3,301
Inventories	6,062	8,060	7,145	6,690
Debtor	6,726	9,250	8,289	8,964
Other	12,984	8,430	10,228	11,158
<b>Current liabilities</b>	<b>23,826</b>	<b>27,144</b>	<b>25,417</b>	<b>28,960</b>
<b>Net Current Assets</b>	<b>18,996</b>	<b>12,847</b>	<b>5,182</b>	<b>1,154</b>
Other Assets	21,637	25,243	26,618	27,839
<b>Total Assets</b>	<b>1,81,966</b>	<b>1,99,400</b>	<b>2,06,248</b>	<b>2,28,222</b>

Research Team Tel: 022 - 39357800

E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

Website: [www.angelbroking.com](http://www.angelbroking.com)

## DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.