

Powering the Green Transition...

About the stock: NTPC is India's largest power generation company with a total installed capacity of ~73000 MW at the group level as of FY23.

- NTPC has 17% of total installed capacity in India with 24% generation share
- The company's vision is to become a 130 GW+ company by 2032 of which 60 GW would be contributed by renewable energy

Key Investment Thesis:

- Base business to grow and outperform other players in the medium term:** NTPC has been the only company which has added coal-based capacities over last 5 years and reached an installed base of 73000 MW on a consolidated basis. Going ahead, NTPC is having 9300 MW of coal-based plants under construction which will be commissioned by FY25-26. This we believe will lead to 11% generation growth supported by strong PLF's (averaging above national level PLF's) on thermal business and will help regulated equity growth at a CAGR of 9% from ₹ 77,628 crore in FY23 to ₹ 99,000 crore by FY26E.
- Strong focus and execution across green energy spectrum to help diversify from the grey business:** With an aggressive approach to expanding renewable energy, including green hydrogen, NTPC aims for nearly 45-50% of its capacity to come from non-fossil fuels by 2030, with the medium-term target of 60 GW of renewable capacity by 2032. Currently, the company has 3300 MW of installed renewable capacity and 5900 MW of projects under construction and ~11000 MW of projects in the pipeline. The management is fairly confident of reaching 20000 MW of renewable capacity by FY26E. Also NTPC is striving hard to diversify into areas like green hydrogen, Nuclear power (JV with NPCIL), C&I, etc.

Rating and Target Price

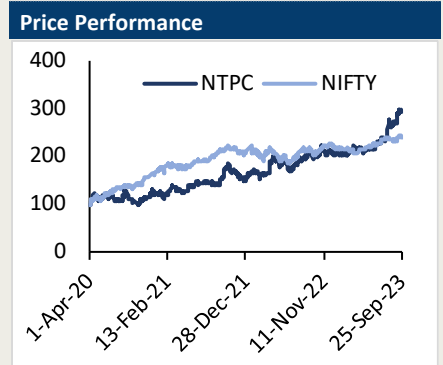
- NTPC has set out an aggressive renewable capacity addition plan to the tune of 16000 MW over FY24-FY26, which will scale up the green portfolio of the company and lead to rerating of the stock. Per year addition of 4000-5000 MW of renewable capacity and strong growth in regulated equity in the conventional thermal portfolio We estimate EBITDA and PAT to grow at 16.1%, and 16% CAGR respectively over FY23-25E
- We maintain our **BUY** rating on NTPC. We value the stock at ₹ 300 per share (based on 1.8x FY25 Book Value)



Particulars	
Particulars	₹ crore
Market Capitalisation	2,32,281
Debt (FY23)	1,85,000
Cash (FY23)	2,438
EV	4,14,843
52 week H/L (₹)	246/155
Equity capital	9,696.70
Face value (₹)	10

Shareholding Pattern				
	Sep-22	Dec-22	Mar-23	Jun-23
Promote	51.1%	51.1%	51.1%	51.1%
FII	15.0%	15.7%	15.6%	15.8%
DII	31.3%	30.5%	30.5%	30.2%
Others	2.6%	2.7%	2.8%	2.9%

Risks to our call	
1)	Slowdown in power demand
2)	Delay in execution of renewable capacity
3)	Adoption of new t



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Key Financial Summary

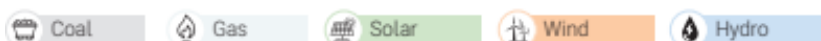
Key Financials	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	97,700.4	121,174.6	163,769.8	8.9%	179,606.7	201,484.3	10.9%
EBITDA	27,092.7	36,016.0	43,228.4	11.8%	50,458.8	58,227.1	16.1%
EBITDA Margins (%)	27.7	29.7	26.4		28.1	28.9	
Net Profit	10,112.8	16,273.0	17,196.7	8.3%	20,368.9	23,096.7	15.9%
EPS (₹)	10.2	16.4	17.4		20.6	23.3	
P/E	23.2	14.4	13.7		11.5	10.2	
RoNW (%)	8.9	11.5	12.9		13.8	14.3	
RoCE (%)	4.8	9.1	10.7		11.6	12.6	

Company Background

NTPC is India's largest power generation company with a total installed capacity of ~73000 MW at the group level as of FY23. NTPC has 17% of total installed capacity in India with 24% generation share. The company's vision is to become a 130 GW+ company by 2032 of which 60 GW would be contributed by renewable energy. The company has also successfully capitalised on the mining segment wherein it has 6 coal mines under production producing 23 million tonnes in FY23 (up 65% YoY) coupled with aggressive production targets set for FY24 (pegged at 34 million tonnes). NTPC has committed a cumulative capex of ₹ 9269 crores towards coal mining projects as of FY23. The company has 17463 MW of projects under construction out of which 9300 MW pertains to coal-based plants, 5900 MW for renewable and remaining in the Hydro segment.

Exhibit 1: State of the art Infrastructure

Location	Inst. Cap. (MW)	Gen (BU)	Inst. Cap. (MW)	Gen (BU)	Inst. Cap. (MW)	Gen (BU)	Inst. Cap. (MW)	Gen (BU)
1. Uttar Pradesh	11,450	75.43	1,493	0.91	295	0.58	32	0.11
2. Chhattisgarh	7,754	57.77	-	-	-	-	-	-
3. Bihar	8,410	55.21	-	-	-	-	-	-
4. Madhya Pradesh	8,280	54.35	-	-	300	0.47	-	-
5. Orissa	4,970	35.86	-	-	10	0.01	-	-
6. Maharashtra	3,640	20.61	1,967	0.32	10	0.004	-	-
7. Telangana	2,600	16.06	-	-	110	0.18	-	-
8. West Bengal	2,240	13.37	-	-	-	-	-	-
9. Andhra Pradesh	2,000	12.64	-	-	275	0.43	-	-
10. Karnataka	2,400	11.33	-	-	-	-	-	-
11. Tamil Nadu	1,500	9.79	-	-	230	0.15	-	-
12. Haryana	1,500	8.27	432	0.003	5	0.006	-	-
13. Assam	750	5.027	291	1.69	-	-	275	0
14. Arunachal Pradesh	-	-	-	-	-	-	1,115	4.82
15. Uttarakhand	-	-	-	-	-	-	1,400	4.54
16. Himachal Pradesh	-	-	-	-	-	-	800	3.13
17. Rajasthan	-	-	419	0.13	1,556	2.29	-	-
18. Tripura	-	-	236	1.59	5	0.007	-	-
19. Gujarat	-	-	1,313	0.53	66 煤	163 土	0.09 煤	0.32 土
20. Jharkhand	660	0.63	-	-	-	-	-	-
21. Kerala	-	-	360	0	142	0.27	-	-
22. Mizoram	-	-	-	-	-	-	60	0.2
23. Nagaland	-	-	-	-	-	-	75	0.18
24. A&N Islands	-	-	-	-	5	0.006	-	-
25. Bangladesh	660	0	-	-	-	-	-	-



Inst. Cap.: Installed Capacity Gen: Generation

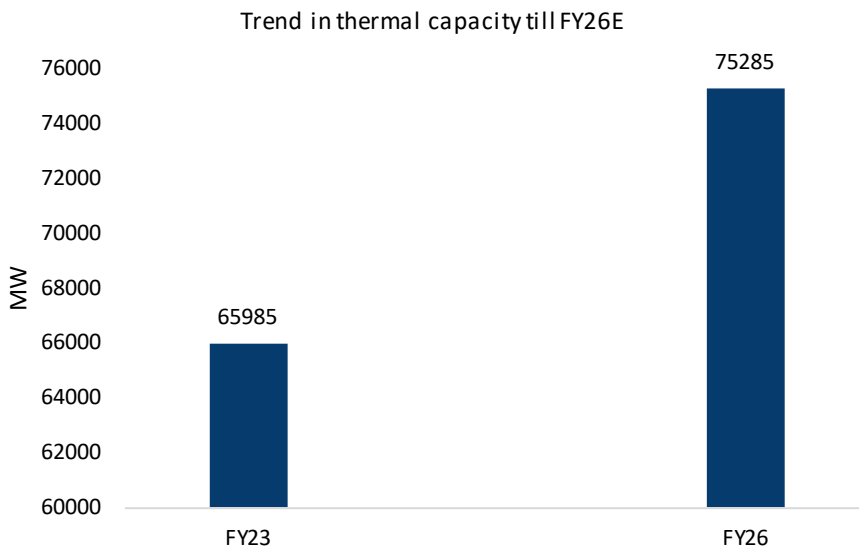
Source: Company, ICICI Direct Research

Investment Rationale

Base business to grow and outperform other players in the medium term

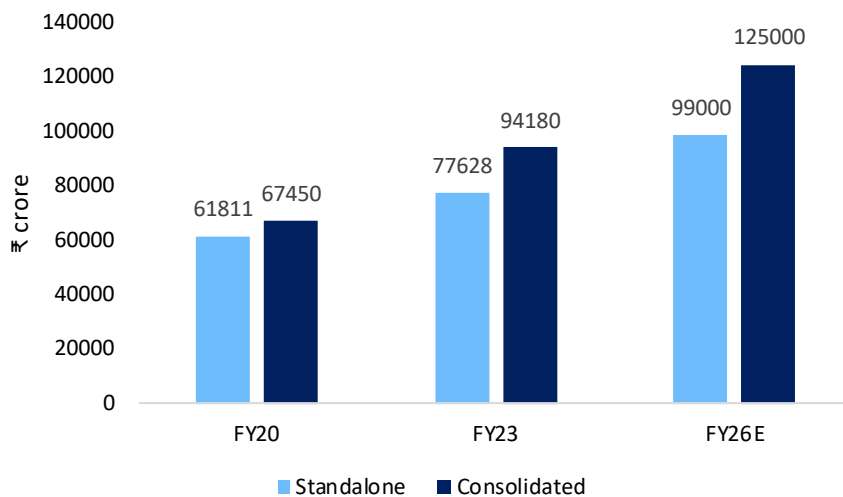
NTPC has been the only company which has added coal-based capacities over last 5 years and reached an installed base of 73000 MW on a consolidated basis. Going ahead, NTPC is having 9300 MW of coal-based plants under construction which will be commissioned by FY25-26. This we believe will lead to 11% generation growth supported by strong PLF's (averaging above national level PLF's) on thermal business and will help regulated equity growth at a CAGR of 9% from ₹ 77,628 crore in FY23 to ₹ 99,000 crore by FY26E (assets worth ₹ 80,000 crores will capitalised under gross block by FY26E). The company is one of the few in the industry which has already committed capex for pollution control equipment for Sox and Nox and is expecting to commission FDG across 60000 MW of coal-based capacity with an estimated capitalisation of ₹ 30,000 crore. Apart from the projects under construction, the company also has plans to add brownfield coal-based capacities to the tune of 7000 MW which will come up in phases by 2030 and the ordering for same will take place by FY25. The under-construction projects and under pipeline projects will further increase the market share of NTPC in the coal-based power plant segment which currently stands at 17% as of FY23.

Exhibit 2: Capacity addition trend for NTPC



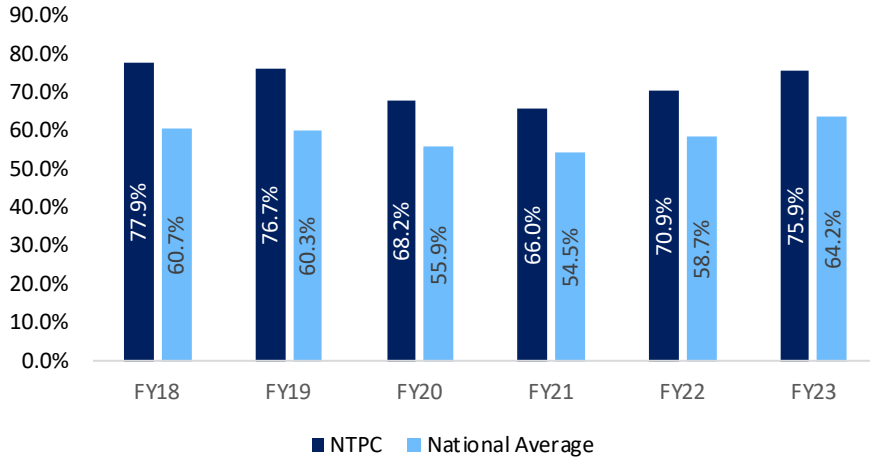
Source: Company, ICICI Direct Research

Exhibit 3: Regulated Equity of NTPC



Source: Company, ICICI Direct Research

Exhibit 4: NTPC's PLF vs. National average



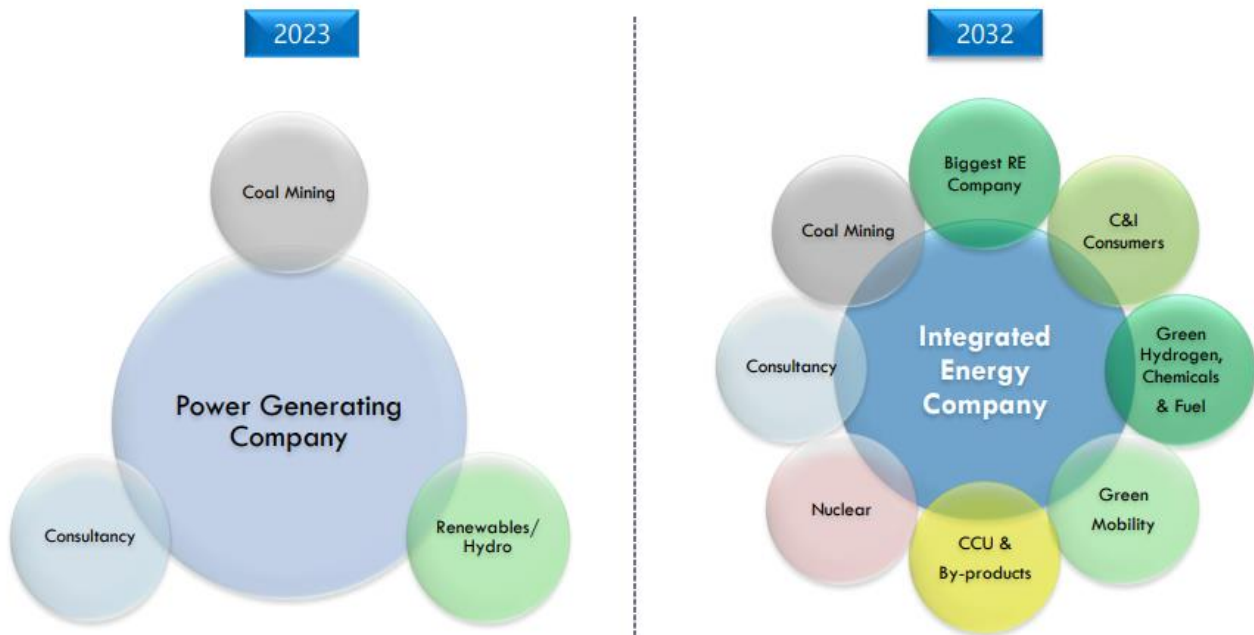
Source: Company, ICICI Direct Research

Strong focus and execution across green energy spectrum to help diversify from the grey business

With an aggressive approach to expanding renewable energy, including green hydrogen, NTPC aims for nearly 45-50% of its capacity to come from non-fossil fuels by 2030, with the medium-term target of 60 GW of renewable capacity by 2032. Currently, the company has 3300 MW of installed renewable capacity and 5900 MW of projects under construction and ~11000 MW of projects in the pipeline. The management is fairly confident of reaching 20000 MW of renewable capacity by FY26E. Also, NTPC is striving hard to diversify into areas like green hydrogen, nuclear power (JV with NPCIL), C&I, etc.


With capacity addition plan of 16000 MW over FY24-FY26E, we believe NTPC will capitalised assets to the tune of ₹ 85,000-90000 crore and take the cumulative renewable capacity to 20000 MW by FY26E from 3300 MW in FY23, thereby making it one of the largest players in the Indian renewable space.

Exhibit 5: Roadmap of transition from Grey to Green



Source: Company, ICICI Direct Research

Exhibit 6: Aggressive capacity addition in the medium to long term on the renewable side

NTPC RE@PRESENT	GW		60 GW Renewable Capacity by 2032
Installed	3.3		
Under Construction	5.9		
Under Pipeline (Bids won/ Bilateral tie-ups)	10.8		
Total	20.0		

Source: Company, ICICI Direct Research

With capacity addition plan of 16000 MW over FY24-FY26E, the same will be executed via NTPC's wholly owned subsidiary, NTPC Green energy Ltd. The company also plans to monetise this asset to raise growth capital on one hand and hit primary markets via an IPO, which will further unlock value for the shareholders of the company.

Apart from renewables, NTPC is trying to further augment its green portfolio by foraying into areas like Green Hydrogen and chemicals, Nuclear Power, C&I segment etc.

Exhibit 7: NTPC's initiatives on Green Hydrogen Space

Green Hydrogen

- First Green hydrogen blending with Piped Natural Gas project commissioned in Gujarat
- First Green Hydrogen Mobility project under implementation at Leh and another at Delhi
- MoU with Indian Army for setting up Green Hydrogen Projects in its establishments

Carbon Capture & Utilization (CCU)

- Setting up 10 TPD Flue Gas CO₂ to Methanol demonstration plant at NTPC Vindhyachal
- Development of Indigenous Catalyst for hydrogenation of CO₂ to Methanol by NETRA
- Setting up 10 TPD Flue gas CO₂ to Ethanol demonstration plant at NTPC Lara

Green Chemicals/Fuel

- MOU with GACL and NFL for synthesizing Green Ammonia & Green Methanol
- MOU with Tecnimont to explore commercial scale green methanol production at NTPC
- MOU with Chempolis for exploring the setting up of bamboo based biorefinery

Hydrogen Hub

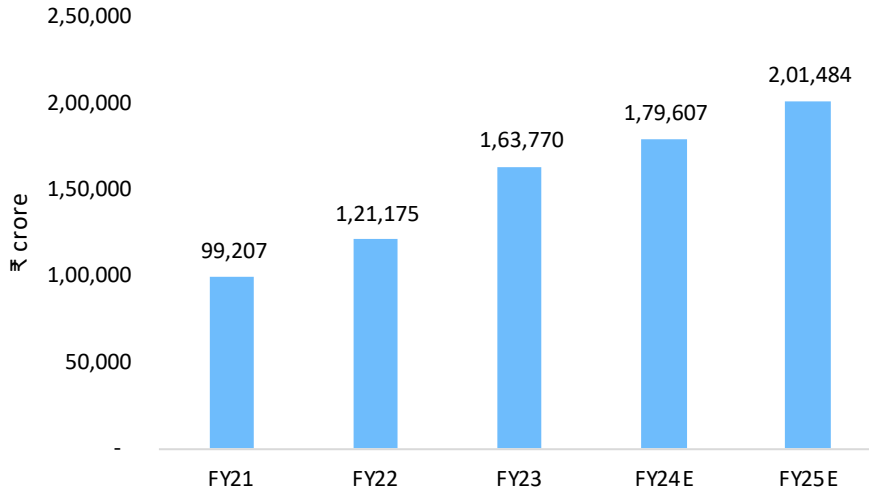
- Conceptualised setting up of a Green Hydrogen Hub near Visakhapatnam
- Involves Manufacturing facility for Hydrogen related equipment and production & export of Green Hydrogen
- MOU with govt. of AP signed, project DPR and execution strategy under finalisation

Source: Company, ICICI Direct Research

Revenue growth expected at 11% CAGR over FY23-25E

With strong capacity addition in excess of 5000 MW each over FY24-FY25 and higher PLF on account of power demand, we believe NTPC's standalone generation growth is expected to grow at a CAGR of 11% over FY23-25E. Coupled with stable realisations, we expect revenues to also grow at 11% CAGR over FY23-25E to ₹ 2,01,484 crore.

Exhibit 8: Healthy revenue growth ahead

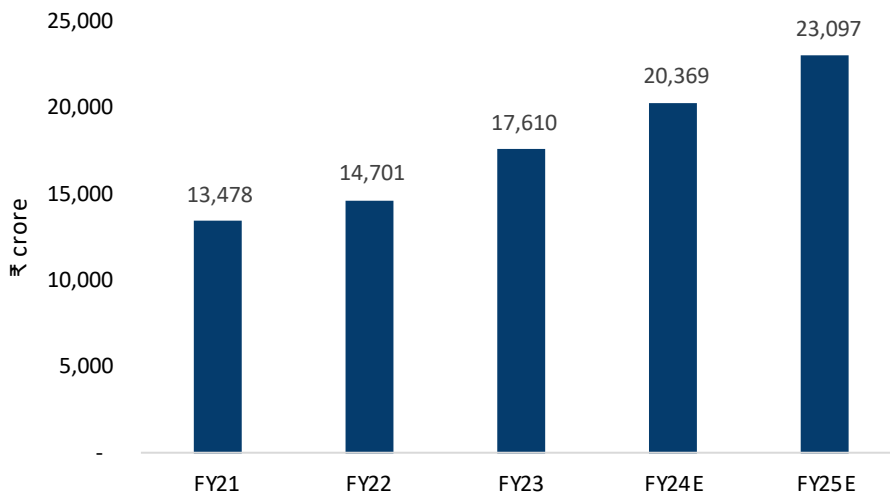


Source: Company, ICICI Direct Research

PAT expected to grow by 16% CAGR over FY23-FY25E

With strong operational performance in terms of capacity addition and higher than national PLF's we expect NTPC's PAT to grow at CAGR of 16% over FY23-25E. We expect NTPC to report a PAT of ₹ 20,369 crore and ₹ 23,097 crore in FY24E and FY25E, respectively.

Exhibit 9: PAT to grow at 16% CAGR over FY23-25E

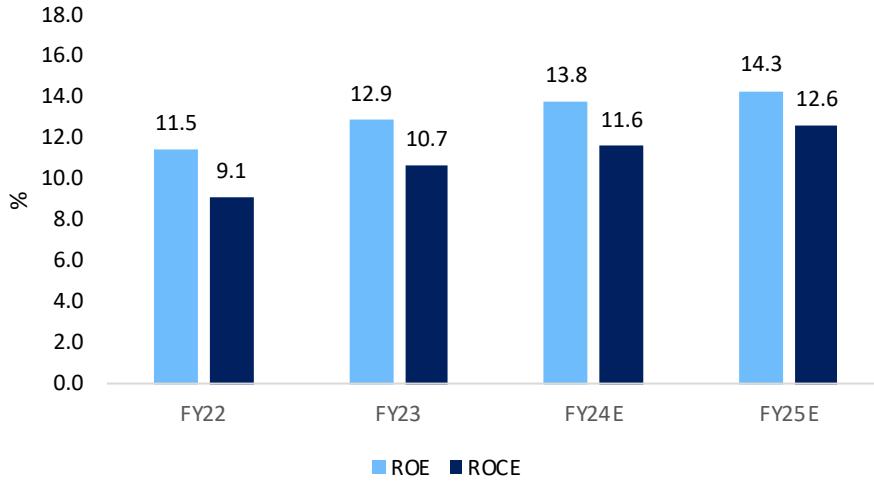


Source: Company, ICICI Direct Research

ROE's to hit double digit mark as capex intensity undergoes a transition

With capex intensity relating to high gestion coal based plants on the decline we believe the increased capitalisation of regulated ROE generating assets coming into play (company is expected to capitalise thermal assets to the tune of ₹ 80,000 crore till FY26), ROE's of the company will see a meaningful improvement from 12.9% in FY23 to 14.3% in FY25E.

Exhibit 10: Return ratios to trend higher



Source: Company, ICICI Direct Research

Key risk and concerns

Slow-down in demand for power can impact PLS's adversely

Any slowdown in the demand for electricity on account of lower economic activity or backdowns from SEB's can adversely impact PLF's for the company and hence profitability.

Slower than expected execution on the renewable capacity addition

The key rerating of the company's stocks depends on how swiftly and efficiently the company is able to execute its capacity addition programme on the renewable side. Any delay in the same will impact growth plans of the company and hence profitability and valuations.

Adverse impact on regulated ROE in the multiyear tariff order

CERC is suppose to come with its MYT order for the next 5 years. Any cut in regulated ROE or any other adverse provision in the order will dent the profitability of the regulated portfolio of the company.

Financial summa

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Total operating Income	121,175	163,770	179,607	201,484
Grow th (%)	24	35	10	12
Raw Material Expenses	70,020	100,508	107,000	118,770
Employee Expenses	5,421	5,559	6,226	6,973
Other expenses	9,717	14,475	15,922	17,514
Total Operating Expend	85,159	120,541	129,148	143,257
EBITDA	36,016	43,228	50,459	58,227
Grow th (%)	51	34	33	34
Depreciation	12,058	13,137	15,267	17,328
Interest	8,217	9,979	12,034	14,104
Other Income	3,575	3,955	4,000	4,000
PBT	19,316	24,067	27,159	30,796
Others	1,414	(591)	0	0
Total Tax	4,458	6,279	6,790	7,699
PAT	16,273	17,197	20,369	23,097
Adjusted PAT	16,273	17,197	20,369	23,097
Grow th (%)	61	6	18	13
EPS	16.4	17.4	20.6	23.3

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit Before Tax	16,273	17,197	20,369	23,097
Add: Depreciation	12,058	13,137	15,267	17,328
(Inc)/dec in Current Assets	(15,447)	(16,371)	(9,685)	(13,712)
Inc/(dec) in CL and Provis	7,378	23,718	4,734	7,760
Others	8,217	9,979	12,034	14,104
CF from operating activities	44,617	32,965	52,620	60,480
(Inc)/dec in Investments	4,246	27,739	10,000	(10,000)
(Inc)/dec in Fixed Assets	(25,000)	(28,000)	(25,000)	(27,000)
Others	0	1	2	3
CF from investing activities	(20,754)	(260)	(14,998)	(36,997)
Issue/(Buy back) of Equity	0	1	2	3
Inc/(dec) in loan funds	54,164	29,015	11,706	16,819
Dividend paid & dividend t	(8,041)	(8,902)	(9,189)	(9,764)
Inc/(dec) in Sec. premium	3	4	5	6
Others	(8,217)	(9,979)	(12,034)	(14,104)
CF from financing activities	37,910	10,139	(9,510)	(7,039)
Net Cash flow	11,565	(15,301)	(1,367)	5,256
Opening Cash	10,145	21,710	6,409	5,775
Closing Cash	21,710	6,409	5,775	14,769

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Liabilities				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	118,258	126,553	137,732	151,065
Total Shareholders fund	128,153	136,447	147,627	160,960
Total Debt	172,294	180,909	188,145	193,789
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	303,545	320,454	338,870	357,848
Assets				
Gross Block	303,995	323,995	343,995	363,995
Less: Acc Depreciation	95,919	95,919	96,432	96,959
Net Block	208,076	228,076	247,563	267,036
Capital WIP	63,067	73,067	88,067	98,067
Total Fixed Assets	271,143	301,143	335,629	365,103
Investments	12,293	12,293	12,293	12,293
Inventory	12,774	18,081	19,372	21,489
Debtors	15,147	16,377	17,961	20,148
Loans and Advances	36,352	40,942	44,902	50,371
Other Current Assets	24,235	29,479	32,329	36,267
Cash	21,710	6,409	5,775	14,769
Total Current Assets	110,218	111,288	120,301	142,856
Creditors	12,774	19,889	21,309	23,637
Other Liabilities	29,805	46,408	49,722	55,154
Provisions	7,466	7,466	7,466	7,466
Total Current Liabilities	50,045	73,764	78,498	86,258
Net Current Assets	60,172	37,524	41,944	57,289
Others Assets	0	1	2	3
Application of Funds	303,545	320,454	340,399	363,923

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (Rs)				
EPS	16.4	17.4	20.6	23.3
Cash EPS	28.6	30.7	36.0	40.9
BV	129.5	137.9	149.2	162.7
DPS	7.0	7.8	8.0	8.5
Cash Per Share	21.9	6.5	5.8	14.9
Operating Ratios (%)				
EBITDA Margin	29.7	26.4	28.1	28.9
PBT / Total Operating inco	15.9	14.7	15.1	15.3
PAT Margin	13.4	10.5	11.3	11.5
Inventory days	66.6	65.7	66.1	66.0
Debtor days	45.6	36.5	36.5	36.5
Creditor days	10.1	10.1	10.1	10.1
Return Ratios (%)				
RoE	11.5	12.9	13.8	14.3
RoCE	9.1	10.7	11.6	12.6
RoC	9.3	11.1	12.3	13.5
Valuation Ratios (x)				
P/E	14.6	13.8	11.7	10.3
EV / EBITDA	10.7	9.5	8.2	7.0
EV / Net Sales	3.2	2.5	2.3	2.1
Market Cap / Sales	2.0	1.5	1.3	1.2
Price to Book Value	1.9	1.7	1.6	1.5
Solvency Ratios				
Debt/EBITDA	4.8	4.2	3.7	3.3
Debt / Equity	1.3	1.3	1.3	1.2
Current Ratio	2.6	1.7	1.7	1.8
Quick Ratio	0.5	0.1	0.1	0.2

Source: Company, ICICI Direct Research

RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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