



Quick Insight Update

NTPC Ltd.



Industry	Electric Utilities
CMP	₹147
M Cap	₹1,425.4bn
Buy Range	₹135-145
Target	₹180-190
Recommendation	BUY

Highlights

- NTPC posted standalone revenue growth of 24% YoY aided by higher generation which grew by 3%YoY to 79.9bn units (+10% QoQ) in Q4FY22 as power demand shot up on account of rising temperatures, Energy sold during the Q4FY22 was higher by 1.7% YoY to 73.9 BU due to commissioning of additional capacities, higher than expected growth in revenues owing to prior-period revenues of ₹13.8bn and lower tax outgo during the quarter with effective tax rate of 15%.
- PAT of ₹56.2bn was up 25.5% YoY in comparison to ₹44.8bn in Q4FY21 aligned with 7% YoY growth in regulated equity to ₹709bn.
- Core RoE stood at 20% in Q4FY22 on a regulated equity base of ₹709bn. EBITDA stood at ₹101.3bn, higher by 56% YoY. Margin during the quarter was higher by 626 bps YoY to 30.8% due to higher PLF and higher realization.
- Realisation was up 10.3% YoY to ₹4.2/unit due to rise in fuel prices. PLFs for thermal plants improved sequentially to 76% from 67% in Q3FY22, while dropping for gas (1% from 6.2%).
- During FY22, thermal PLF for NTPC stood higher at 70.74% than thermal PLF in India, which stood at only 58.76%.
- 3811 MW net capacity was added in the group level. As on Mar'22, total Standalone capacity stands at 54.6GW while group NTPC capacity stands at 69GW. Average Tariff for FY22 increased marginally by 5.6% YoY to ₹3.98per unit. Fixed Cost under recovery for FY22 decreased to ₹4.5bn from ₹6bn in FY21.
- NTPC will be adding 5 GW of capacity in FY23, of which 1.5 GW will renewable capacity. For FY24, NTPC is planning to add 6 GW of capacity of which 950 MW will be renewable capacities.
- Capex for renewable capacities to be added in FY23 will be ~₹80bn.

Q4FY22 Result Highlights

- **Q4FY22 Revenue growth aided by higher generation, PLF & realisation** – NTPC posted standalone revenue growth of 24% YoY aided by higher generation which grew by 3%YoY to 79.9bn units (+10% QoQ) in Q4FY22 as power demand shot up on account of rising temperatures, energy sold during the Q4FY22 was higher by 1.7% YoY to 73.9 BU due to commissioning of additional capacities, higher than expected growth in revenues owing to prior period revenues of ₹13.8bn, and lower tax outgo during the quarter with effective tax rate of 15%. PAT of ₹56.2bn was +25.5% YoY in comparison to ₹44.8bn in Q4FY21 aligned with 7% YoY growth in regulated equity to ₹709bn. Core RoE stood at 20% in Q4FY22 on a regulated equity base of ₹709 bn. EBITDA stood at ₹101.2bn, higher by ~56% YoY. Margin during the quarter was higher by 626 bps YoY to 30.8% due to higher PLF and higher realization. Realisation was up 10.3% YoY to ₹4.2/unit due to rise in fuel prices. PLFs for thermal plants improved sequentially to 76% from 67% in Q3FY22, while dropping for gas (1% from 6.2%).

During FY22, thermal PLF for NTPC stood higher at 70.74% than thermal PLF in India, which stood at only 58.76% and at the group level net capacity of 3811 MW net was added. As on Mar'22, total Standalone capacity stood at 54.6GW while group NTPC capacity stood at 69GW. Average Tariff for FY22 increased marginally by 5.6% YoY to ₹3.98 per unit. Fixed Cost under recovery for FY22 decreased to ₹4.5bn from ₹6bn in FY21. The company has declared a final dividend of ₹3/share along with interim dividend of ₹4/share.

- **RE portfolio expansion and value unlocking** – NTPC plans to have ~15GW/60GW RE capacity by FY24/FY32. While the medium-term target might get slightly delayed due to issues like Covid, coal availability, land etc, but the company is on the right track to ride the RE wave in the country. NTPC expects to come up with either an IPO or invite a strategic investor for its RE portfolio in the medium term. NTPC currently has an operational renewable capacity of 1.8 GW with 3.4 GW of capacities under construction and 2.8GW under tendering. At the current capital cost of ₹35mn/MW, this would entail a capex of ₹2.1tn (equity investment of ₹420bn or ₹42/share). Lower cost of debt for NTPC does put it at an advantage of ₹0.1/kwh for every 100 bps differential in interest cost. NTPC plans to transfer identified renewable assets to an SPV – NTPC REL, which is planned to be listed by FY23, once the Government of India provides exemption from capital gains tax over the transfer.
- **More coal thermals planned** – NTPC plans to add 5 GW of capacity in FY23, of which 1.5 GW will renewable capacity. For FY24, NTPC is planning to add 6 GW of capacity of which 950 MW will be renewable capacities and is likely to incur capex of ₹600bn over the coming years. Capex for renewable capacities to be added in FY23 likely to be ~₹80bn.

View

Apart from the near-term triggers, for the long-term NTPC is well placed to tap the opportunity in the industry and RE growth, on the back of competitive advantages it enjoys in terms of low cost of debt and cash generation abilities. In the near-term, the only risk to NTPC is the adverse policies on thermal capacities and slow additions in renewables, although these situations will get sorted over a period of time. The company has created a separate entity (NTPC Green) so that it could strategically monetise its RE business in FY23 and start the process of transferring the RE assets for this monetisation. Increase of profit through the regulated thermal business brownfield project commissioning, FGD implementation through FY22-25 and future growth on renewables makes the company the best placed among the Indian gencos. **We maintain our BUY rating on the stock with a target range of ₹180-190 trading at P/B FY24E 0.9x based on improving RoE, transitory capacity additions in thermal and gradual transition into cleaner business.**

Nifty	16,125
Sensex	54,053
Key Stock Data	
CMP	₹147
Market Cap (₹ bn)	₹1,425.4
52W High/Low	₹166/ 108
Shares o/s (mn)	9,697
Daily Vol. (3M NSE Avg.)	58,318,803
Shareholding pattern (%) Mar'22	
Promoter	51.1
FII	14.7
DII	31.0
Public & Others	3.2

Source: Company, Way2Wealth

Particulars	FY20	FY21	FY22P
Revenues	1,143,361	1,134,343	1,341,558
EBITDA	364,086	358,770	417,660
EBITDA Margin (%)	31.8	31.6	31.1
Adj. Net Profit	136,609	152,026	166,759
EPS (₹)	13.8	15.7	17.2
DPS (₹)	3.2	6.2	7.0
RoE (%)	11.9	12.4	12.0
RoCE (%)	6.5	7.4	8.6
P/E (x)	10.7	9.4	8.5
EV/EBITDA (x)	9.3	9.6	7.5
P/BV (x)	1.2	1.1	1.1

Particulars	FY23E	FY24E
Revenues	1,483,110	1,628,248
EBITDA	424,556	461,771
EBITDA Margin (%)	28.6	28.4
Adj. Net Profit	177,564	196,668
EPS (₹)	18.3	20.3
DPS (₹)	7.5	8.0
RoE (%)	12.4	12.6
RoCE (%)	8.8	9.1
P/E (x)	8.0	7.2
EV/EBITDA (x)	7.8	7.5
P/BV (x)	1.0	0.9

Source: Company, Way2Wealth

25th May 2022

Financial Performance

Standalone	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY22	FY21	YoY (%)
	(₹mn)							
Revenue	329,050.2	265,668.6	23.9	288,647.9	14.0	1,161,373.3	992,067.2	17.1
Fuel Cost	178,448.6	156,120.6	14.3	156,319.6	14.2	641,636.8	528,496.4	21.4
Electricity Purchases for Trading	9,227.3	8,067.4	14.4	7,989.8	15.5	34,502.2	30,312.5	13.8
Employee Exps	13,709.0	10,214.7	34.2	13,264.9	3.3	52,895.1	49,421.9	7.0
Other Exps	26,459.7	26,187.8	1.0	20,455.0	29.4	93,882.2	95,802.8	(2.0)
EBITDA	101,205.6	65,078.1	55.5	90,618.6	11.7	338,457.0	288,033.6	17.5
EBITDA Margin (%)	30.8	24.5	626	31.4	(64)	29.1	29.0	11
Other Income	12,250.3	16,729.6	(26.8)	9,723.4	26.0	39,051.0	43,459.9	(10.1)
Exps Item Income/(Exps)	-	-	#DIV/0!	-	#DIV/0!	-	(13,630.0)	(100.0)
Depreciation	29,459.0	27,972.2	5.3	28,913.8	1.9	112,341.4	104,118.0	7.9
Finance Cost	19,122.1	15,943.4	19.9	17,338.1	10.3	73,509.1	74,590.3	(1.4)
PBT	64,874.8	37,892.1	71.2	54,090.1	19.9	191,657.5	139,155.2	37.7
Tax	10,053.9	(9,824.3)	(202.3)	12,199.6	(17.6)	43,663.9	19,253.9	126.8
Regulatory Deferral Balances	1,398.0	(2,924.2)	(147.8)	(570.6)	(345.0)	13,120.6	17,793.9	(26.3)
Net Profit	56,218.9	44,792.2	25.5	41,319.9	36.1	161,114.2	137,695.2	17.0
EPS (₹)	5.8	4.6	25.5	4.3	36.1	16.6	14.2	17.0
As % of Sales	Q4FY22	Q4FY21	BPS	Q3FY22	BPS	FY22	FY21	BPS
Fuel Cost	54.2	58.8	(453)	54.2	8	55.2	53.3	198
Electricity Purchases	2.8	3.0	(23)	2.8	4	3.0	3.1	(8)
Employee Exps	4.2	3.8	32	4.6	(43)	4.6	5.0	(43)
Other Exps	8.0	9.9	(182)	7.1	95	8.1	9.7	(157)

Source - Company, Way2Wealth

Segmental Revenue (₹ mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY22	FY21	YoY (%)
Generation	322,938.9	264,188.4	22.2	282,737.9	14.2	1,137,552.7	984,608.6	15.5
Others	17,741.3	14,469.3	22.6	15,256.1	16.3	62,413.2	49,724.5	25.5
EBIT (₹ mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY22	FY21	YoY (%)
Generation	77,191.9	45,039.6	71.4	62,616.3	23.3	253,412.5	237,937.3	6.5
Others	1,239.8	(2,353.9)	152.7	1,245.8	(0.5)	4,612.1	(343.4)	1,443.1
EBIT Margin (%)	Q4FY22	Q4FY21	BPS	Q3FY22	BPS	FY22	FY21	BPS
Generation	23.9	17.0	685	22.1	176	22.3	24.2	(189)
Others	7.0	(16.3)	2,326	8.2	(118)	7.4	(0.7)	808

Source - Company, Way2Wealth

Financials & Valuations

(₹mn)

	FY19	FY20	FY21	FY22P	FY23E	FY24E
Revenue	906,369	1,143,361	1,134,343	1,341,558	1,483,110	1,628,248
YoY Growth (%)	3.3	26.1	(0.8)	18.3	10.6	9.8
EBITDA	199,086	364,086	358,770	417,660	424,556	461,771
EBITDA Margin (%)	22.0	31.8	31.6	31.1	28.6	28.4
YoY Growth (%)	(13.4)	82.9	(1.5)	16.4	1.7	8.8
Adjus. PAT	114,614	136,609	152,026	166,759	177,564	196,668
PAT Margin (%)	12.6	11.9	13.4	12.4	12.0	12.1
YoY Growth (%)	30.3	19.2	11.3	9.7	6.5	10.8
EPS (₹)	11.6	13.8	15.7	17.2	18.3	20.3
DPS (₹)	5.4	3.2	6.2	7.0	7.5	8.0
RoE (%)	10.7	11.9	12.4	12.0	12.4	12.6
RoCE (%)	6.7	6.5	7.4	8.6	8.8	9.1
P/E (x)	12.7	10.7	9.4	8.5	8.0	7.2
EV/ EBITDA (x)	15.1	9.3	9.6	7.5	7.8	7.5
P/BV (x)	1.3	1.2	1.1	1.1	1.0	0.9
Cash Balances	27,823	32,143	48,878	24,556	18,680	58,993
FCFF	(33,877)	65,207	91,621	175,953	231,469	284,119

Source - Company, Way2Wealth

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Name of the Security	NTPC Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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