

July 6, 2020

# **NTPC Ltd**

# **Result Update Note**

# **Q4FY20**

### Key highlights of the quarter:

- NTPC reported steady set of numbers for Q4FY20, where lower gross energy production was offset by sharp jump in average realization. During Q4FY20, Revenue/EBITDA grew by 28.4%/57.6% YoY respectively, however, PAT declined by 71.2% YoY, mainly on account of one time tax payment under Vivad se Vishwas scheme of Rs.26614.7 mn. Company announced a dividend of Rs.2.65 per share.
- During the quarter, the gross generation for NTPC was down by 1.3% YoY and average realization was up by 15.4% YoY.
- Plant Load Factor (PLF) for coal based units for the quarter stood lower at 69.5% against 77.6% in Q4FY19, mainly due to lower power demand. However, Plant Availability Factor (PAF) improved to 94.3% vs 92.4% in Q4FY19 and 88.3% in Q3FY20 due to sharp improvement in availability of coal. This also helped to reduce under recovery on account of coal availability and thereby improving operating performance for NTPC.
- NTPC's installed capacity (group level) increased to 61.1 GW at the end of Q4FY20, with total addition of ~4.68 GW of capacity during Q4FY20 and 8.2 GW for FY20 vs target of 5 GW for full year FY20. Overall, on Standalone basis, NTPC commercialized 1.7 GW of new capacity during the quarter and 3.97 GW during the year FY20.
- Management has guided for capacity addition of ~4.4 GW in FY21 and another ~5.7 GW in FY22 which is expected to drive the regulated equity for the company. NTPC has about 15-20 GW capacity under construction and commercialization of the same in the next 3-5 years is likely to remain a key positive for the company.
- Management guided that the lower incentive income of Rs.2 bn vs Rs.3.5 bn in FY19 mainly to due coal availability issue which impacted the PAF for coal based power plants in FY20. However, management expects this is likely to improve as coal availability has improved for the company. While, recent direction of Min of Power to reduce surcharge from 18% to 12% due to Covid-19 linked lockdown, may have some impact on other income. NTPC earned ~Rs.16.3 bn in surcharge income in FY20 vs Rs.13 bn in FY19.
- For FY20, Revenue/EBITDA grew by 8.2%/19% YoY respectively and PAT declined by 13.9% YoY due to higher tax outgo.

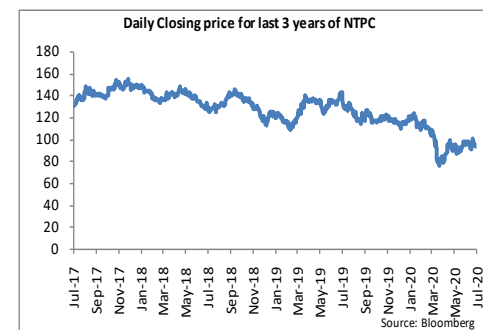
**View:** NTPC Ltd is the largest power generating company in India with an installed capacity of ~62.1 GW at the end of Q4FY20. NTPC's operating profitability was boosted in Q4FY20 on YoY basis due to lower fixed cost recovery on the back of higher plant availability led by improved coal supply conditions. While in the near term, sharp fall in power demand from Industrial and Commercial sector may impact the overall power demand in the country, but at the same time sharp rise in residential power demand and gradual improvement in industrial power demand may drive growth in the power demand from H2FY21. We believe NTPC is on track to achieve the targeted capacity addition of ~4.4 GW for FY21 and ~5.7 GW in FY22 and with many projects near completion, NTPC's capacity addition momentum is likely to continue in FY22 and beyond also. With strong pipeline of capacity addition in order to achieve its long term capacity guidance of 132 GW by 2032, growth visibility for the company remains promising. Stock is currently trading at an attractive valuation of ~1x P/B (on TTM basis) and any positive news with regards to the sector and improvement in cash availability in hands of discoms via Rs.900 bn package announced by Finance Minister may be positive for the stock. We have revised our earnings estimates for FY21E lower to accommodate the impact of Covid19 and rolled over our earnings estimate to FY22E. **We maintain a Buy rating on the stock with a revised target price of Rs.160 from Rs.191 earlier which is 1.2x (last 3Y average P/BV) FY22E book value of Rs.133/share.** Any revision in the target price would depend upon changes in the capacity addition/execution, PLF and general business momentum.

### Earnings Summary

Y/E	Sales	Growth	EBITDA	Margin	Net Profit	EPS	Growth	P/E	Div. Yield
31-Mar	Rs Bn	(%)	Rs Bn	(%)	Rs Bn	Rs	%	X	%
19A	903	8.2	228	25.2	117	11.9	13.6	7.9	5.3
20A	977	8.2	271	27.7	101	10.2	-13.9	9.2	3.2
21E	972	-0.5	264	27.1	101	10.3	0.4	9.2	3.2
22E	1235	27.0	352	28.5	140	14.1	37.8	6.7	3.2

### Key Details

52 week H/L(Rs)	144/74
Market Cap (Rs. Bn)	934
Book Value (Rs) YTD	117.5
FV (Rs)	10.0
PE (X) (TTM)	9.2
Dividend Yield (%)	3.2



### Quarterly Result Snapshot

Rs. in Bn.	Q4FY20	Q4FY19	% YoY
Revenue	272.5	212.2	28.4
EBITDA	73.2	46.4	57.6
EBITDAM	26.9%	21.9%	500 Bps
PAT	12.5	43.5	(71.2)
EPS (Rs.)	1.3	4.4	

Rating Interpretation	
Rating	Expected to
Buy	Appreciate more than 10% over 12-18 month period
Hold	Appreciate below 10% over 12-18 months period
Under Review	Rating under Review
Exit	Exited out of model portfolio

**About the company:** NTPC Ltd. (NTPC) is India's largest energy conglomerate to accelerate power development in India. NTPC has established itself as the dominant power major with presence in the entire value chain of the power generation business. From fossil fuels it has forayed into generating electricity via hydro, nuclear and renewable energy sources. The total installed capacity of the company is ~62.1 GW as on Mar 2020.

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