

NTPC is one of the India's largest power generation company with 24% share in generation. Currently, it has an installed capacity of 47,178 MW. It has 43 power stations including 9 joint venture stations.

Key Developments

Current capacity of NTPC:

The total installed capacity of the company including JVs currently stands at 47,178 MW. The commercial capacity of the group in FY16 was 45,103 MW, an addition of ~2,000 MW as compared to last year.

Interestingly, NTPC's overall gross generation has grown at a modest pace of ~3% CAGR over FY10-15 and in FY16 the gross generation grew merely by ~1% YoY to 263.4 BUs (billion units) owing to lack of demand from SEBs.

Regulated business model:

NTPC works on a regulated business model with assured fuel supply and complete pass-through of fuel cost through tariffs and assured offtake from DISCOMS, thus ensuring a guaranteed return of 15.5% on a pre-tax basis. Further, NTPC is entitled for efficiency incentives on normative parameters (incentives income @ Rs. 0.50 per unit on power plants with PLF (Plant load factor) of more than 85%). Besides, NTPC has a triplate agreement with SEBs (State electricity boards) and Reserve Bank of India. This permits recourse to the central bank in case of a default.

Fuel security:

NTPC has long term coal supply agreements (CSA) with Coal India (CIL) and Singareni Collieries Company Ltd (SCCL). Further, the company has been allotted 10 captive coal mines, with a total estimated production capacity of ~100 MTPA. Besides, the company has recently started coal mining from its largest Pakri Barwadih Mine. It also has long term gas supply agreements with GAIL under APM (Administer Pricing mechanism) for all its gas based power plants.

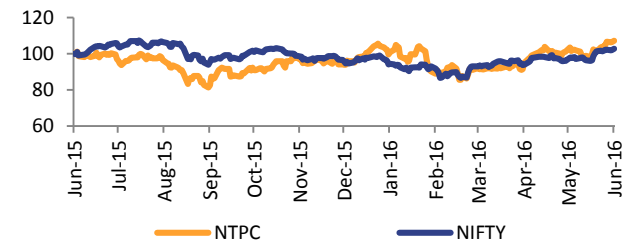
Market Data

CMP (Rs.)	152
Face Value	10.0
52 week H/L (Rs.)	155/107
Adj. all time High (Rs.)	291
Decline from 52WH (%)	1.9
Rise from 52WL (%)	42.0
Beta	0.6
Mkt. Cap (Rs. Cr)	125,413
Enterprise Value(Rs. Cr)	241,858

Fiscal Year Ended

	FY14	FY15	FY16
Total revenue (Rs. cr)	78,951	80,622	78,706
Net Profit (Rs. cr)	11,404	9,986	10,183
Share Capital (Rs. Cr)	8,245	8,245	8,245
EPS (Rs.)	13.8	12.1	12.3
P/E (x)	11.0	12.6	12.3
P/BV (x)	1.4	1.5	1.4
ROE (%)	13.5	11.8	11.9

One year Price Chart



Shareholding	Mar16	Dec15	Diff.
Promoters (%)	70.0	75.0	(5.0)
Public (%)	30.0	25.0	5.0
Others (%)	-	-	-

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NTPC Ltd: Business overview

Established in 1975, NTPC (a Maharatna company) is one of the largest power generation company in India. The company has presence in the entire value chain of the power generation business. From fossil fuels, it has forayed into generating power through hydro, nuclear and renewable energy sources. Currently, it has an installed capacity of 47,178 MW. It has 43 stations including 9 joint venture power stations. It has further diversified into consultancy, power trading, training of power professionals, rural electrification and ash utilisation. The company also has backward integration with 10 captive coal mines (five were allotted by the government of India and the rest are in joint ventures with states). NTPC has 17.73% of the total national power capacity and it contributes 24% to total power generation.

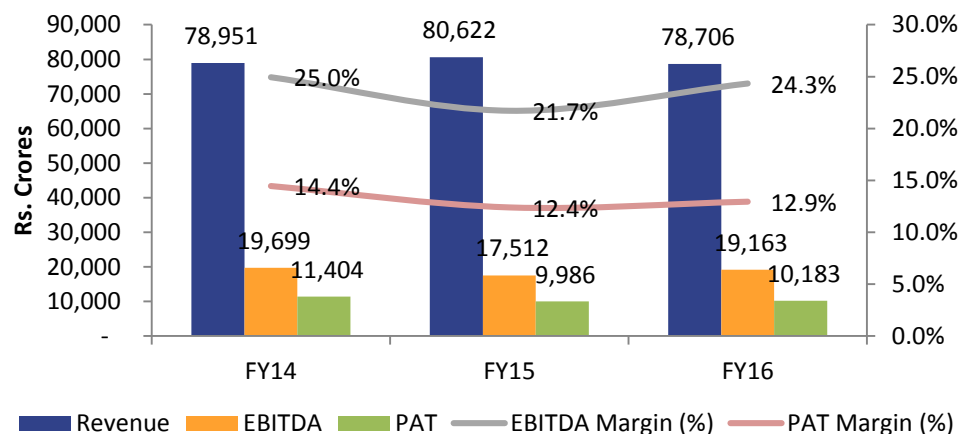
For power trading, the company has formed a subsidiary – 'NTPC Vidyut Vyapar Nigam Ltd'. It is one of the major power trading company in the country. Further, NTPC has set up a wholly owned subsidiary – 'NTPC Electric Supply Company Ltd.' (NESCL), for distribution and supply of power.

It has also entered into power equipment manufacturing business. For this, NTPC has formed joint venture with BHEL and Bharat Forge Ltd. NTPC has also acquired stake in Transformers and Electricals Kerala Ltd. (TELK) for manufacturing and repair of transformers.

NTPC's installed capacity

	No. of plants	Capacity (MW)
NTPC Owned		
Coal	18	35,085
Gas/Liquid Fuel	7	4,017
Hydro	1	800
Renewable energy projects (Solar PV)	9	310
Total	35	40,012
Owned by JVs/Subsidiaries		
Coal & Gas	9	6,966
Total	43	47,178

Financial snapshot of NTPC Ltd.

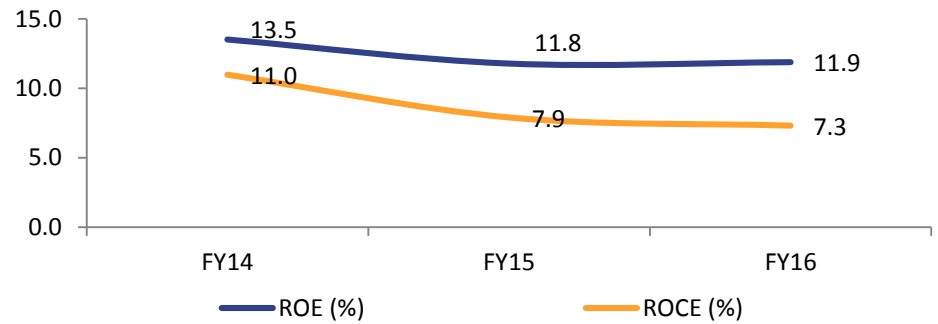


Source: Company, In-house research

In FY16, out of its annual coal requirement of ~160 MT, NTPC imported only around 9 MT, the rest of the requirement was met by CIL and SCCL.

The total installed capacity of the company including JVs currently stands at 47,178 MW.

Return Ratios Trend



Source: Company, In-house research

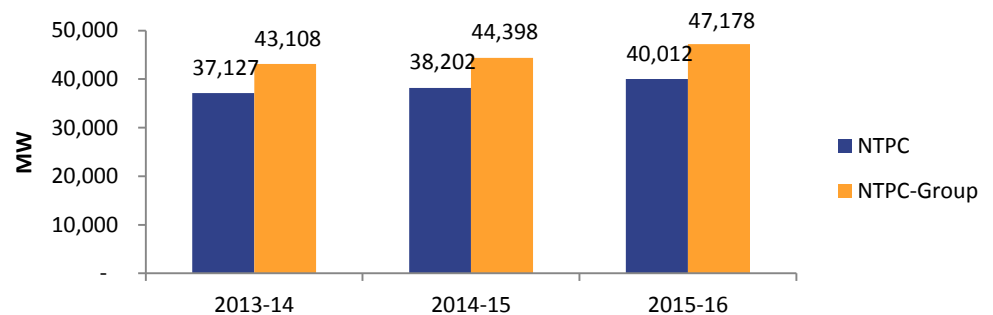
Fuel security for NTPC

NTPC is one of the largest thermal power generating company in the country with an installed capacity (coal based) of 35,085 MW. In order to secure fuel supplies for its coal based power plants, NTPC has long term CSA with CIL and SCCL. NTPC has 18 coal based power stations. In FY16, out of its annual coal requirement of ~160 MT, NTPC imported only around 9 MT, the rest of the requirement was met by CIL and SCCL. The company also has backward integration with 10 captive coal mines (five were allotted by the government of India and the rest are in joint ventures with states) with a total estimated production capacity of ~100 MTPA to ensure fuel security. It has recently started coal mining from its largest Pakri Barwadiah Mine. Besides, the company has long term gas supply agreements with GAIL under APM (Administer Pricing mechanism) for all its gas based power plants.

Capacity addition

The total installed capacity of the company including JVs stood at 47,178 MW as against 44,398 MW in FY15. The commercial capacity of the group in FY16 was 45,103 MW, an addition of ~2,000 MW as compared to last year.

Installed capacity over the years



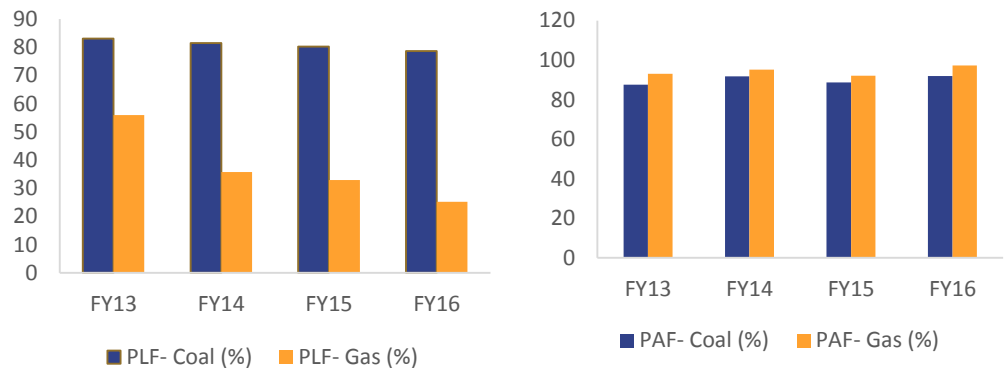
Source: Company, In-house research

Flat gross generation in FY16

NTPC's overall gross generation has grown at a modest pace of ~3% CAGR over FY10-15 and in FY16 the gross generation grew merely by ~1% YoY to 263.4 BUs owing to lack of demand from SEBs.

Besides, NTPC's plant availability (PAF) for coal-fired capacity was 91.9% in FY16 (88.7% in FY15) and gas-fired capacity was 97.3% (92.2% in FY15). While the capacity utilisation (PLF) for coal-fired capacity stood at 78.6% (80.2% in FY15) and for gas-fired capacity was 25.1% (32.9% in FY15). The fall in PLF was on the back of incremental capacity addition of 1,960 MW (commercial) and weak demand in FY16. Although the generation was flat in FY16, NTPC witnessed increase in PLF incentives led by higher PLFs reported in certain plants having lower fuel costs. The company received PLF related incentives income of Rs. 2.7 bn as against Rs. 1.9 bn in FY15. The company reduced its imported coal consumption by 42.19% in FY16 to 9.47 MMT from 16.38 MMT in FY15. Further, its efforts for coal linkages, reduction in imported coal consumption, enforcement of third party sampling of coal and other measures have resulted in lowering energy charges of coal stations by nearly 20% during second half of FY16.

NTPC's coal and gas based power plants PLF & PAF (%)



Source: Company, In-house research

Regulated business model

NTPC works on a regulated business model with assured fuel supply, complete pass-on of fuel cost through tariffs and assured offtake from DISCOMS. This shields it from the fuel price volatility and lower demand from DISCOMS. Its cost plus model ensures sustained profitability. According to CERC tariff regulation, power plants with PAF of more than 83% will be allowed for recovery of fixed costs. Further, the robust long term power purchase agreements (PPAs) for nearly its entire capacity ensures assured revenue. Tariffs are determined by CERC (allow recovery of costs), guaranteeing return of 15.5% on a pre-tax basis.

The company does not have any exposure to merchant power (immune from volatile merchant power prices). Moreover, NTPC is entitled for efficiency incentives on normative parameters (incentives income @ Rs. 0.50 per unit on power plants with PLF of more than 85%). Besides, NTPC has a triplate agreement with SEBs and Reserve Bank of India. This permits recourse to the central bank in case of a default.

The regulated business model assured fuel supply, complete pass-through of fuel cost through tariffs, thus ensuring a guaranteed return of 15.5% on a pre-tax basis.

Balance Sheet (Consolidated)

(Rs. Cr)	FY14	FY15	FY16
Share Capital	8,245	8,245	8,245
Reserve and surplus	79,084	73,849	80,951
Net Worth	87,330	82,094	89,197
Minority Interest	680	888	893
Deferred Revenue	1,610	1,394	1,947
Total Debt	81,455	102,252	114,380
Other non-current liabilities	5,218	5,891	6,085
Total Equity & Liabilities	176,293	192,519	212,500
Net Fixed Assets	84,213	91,883	105,016
Capital WIP	53,819	67,524	81,029
Goodwill	1	1	-
Investments	3,300	1,902	358
Net current assets	18,996	12,847	6,264
Deferred tax assets (net)	-	-	-
Other non-current assets	15,963	18,363	19,832
Total Assets	176,293	192,519	212,500

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
Net profit/loss before tax & extraordinary items	14,486	10,456	10,104
Net cashflow from operating activities	16,531	14,746	15,819
Net cash used in investing activities	(15,509)	(15,834)	(30,004)
Net cash used from financing activities	(2,709)	(1,475)	4,662
Net inc/dec in cash and cash equivalents	(1,687)	(2,563)	(9,523)

Financial performance snapshot

Net sales of the company stood at Rs. 78,706 Crores in FY16, a de-growth of 2.4% as compared to Rs. 80,622 Crores in FY15. The operating expenses of the company decreased by 5.7% YoY to Rs. 59,542 Crores from Rs. 63,110 Crores during the year. The company's EBITDA grew by 9.4% YoY to Rs. 19,163 Crores in FY16 from Rs. 17,512 Crores in FY15. EBITDA margin expanded by 263 bps to 24.3% in FY16 from 21.7% in FY15. Net profit increased by 2.0% to Rs. 10,183 Crores in FY16 from Rs. 9,986 Crores in FY15. The NPM expanded by 55 bps to 12.9% from 12.4% during the above period.

Profit & Loss Account (Consolidated)

(Rs. Cr)	FY14	FY15	FY16
Net revenue	78,951	80,622	78,706
Expenses	59,252	63,110	59,542
EBITDA	19,699	17,512	19,163
Depreciation	4,770	5,565	6,153
EBIT	14,929	11,948	13,010
Interest cost	3,203	3,570	4,151
Other Income	2,760	2,079	1,245
Profit Before Tax	14,486	10,456	10,104
Tax	3,082	464	(59)
Profit After Tax	11,403	9,992	10,162
Minority Interest	(0)	6	(20)
P/L from Associates	-	-	-
Adjusted PAT	11,404	9,986	10,183
E/o expense / (income)	-	-	-
Reported Profit	11,404	9,986	10,183

Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	25.0	21.7	24.3
EBIT Margin (%)	18.9	14.8	16.5
NPM (%)	14.4	12.4	12.9
ROCE (%)	11.0	7.9	7.3
ROE (%)	13.5	11.8	11.9
EPS (Rs.)	13.8	12.1	12.3
P/E (x)	11.0	12.6	12.3
BVPS(Rs.)	105.9	99.6	108.2
P/BVPS (x)	1.4	1.5	1.4
EV/EBITDA (x)	9.7	12.2	12.3



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