

Pick of the week



NTPC

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 100

Target Price

₹ 125

Potential Upside

25%

Investment Argument

- NTPC plans to commercialize 4.4 GW of coal-based capacities in FY21 even as only 660 MW has been commercialized in 1HFY21. It plans to commercialize another 5.7 GW in FY22E and 5 GW in FY23E.
- We estimate regulated equity to grow at 11.6% CAGR between FY20 and FY23E to Rs.86,000 cr as NTPC adds 12 GW of incremental capacity over the next three years.
- Core ROE stood at 18% in 2QFY21 reflecting the underlying strength of the cost-plus business as regulated equity for the company increased 19% yoy to Rs.63,500 cr.
- NTPC has incorporated a new subsidiary NTPC renewable energy to increase the push towards renewables and have 25% share of renewables in the overall generation capacity. It has already commissioned 1.07 GW of renewable projects and has 2.4 GW of solar projects under implementation.
- Earnings growth has strong visibility over the next three years as 12 GW of under-construction coal-based capacities will likely be commissioned. Our Fair Value stands at Rs125/share noting inexpensive valuations of 0.75x Price/Book Value and 6.7x P/E on Mar'22 earnings.