

Pick of the week



NTPC Ltd

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 106

Target Price

₹ 130

Potential Upside

22.64%

Investment Argument

- NTPC reported a comprehensive earnings performance, with Q1FY21 growth in adjusted PAT of Rs.3,140 cr (+20% yoy) aligned to the growth in underlying regulated equity.
- NTPC remains confident of a scheduled commissioning of 10 GW (1 GW = 1,000 MW) of capacities under construction that will help the company report 14% compounded annual growth rate (CAGR) in earnings between FY20 and FY23E.
- The company expects regulated equity to grow at a CAGR of 15% for the next three years based on capacity under construction. Current CWIP (Capital Work in progress) is 33% of regulated equity, that will propel growth up to FY23E.
- NTPC has installed renewable capacity of 1.1 GW which it plans to grow to 32 GW by 2032 through a combination of owned assets and JVs.
- NTPC currently has 20 GW of capacities under construction on a standalone-basis that will likely commission over the next four years, resulting in an increase in regulated equity to Rs86,000 cr by FY23E (Vs Rs62,860 cr currently).
- Maintain BUY rating with revised Fair Value of Rs130/share, noting inexpensive valuations at 0.7x Price/Book Value and 6x P/E on FY22E earnings. Company is considering a buyback however no plans have been finalized yet.