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India | Equity Research | Q1FY25 results review

## JSW Energy

Power/Mining

### Strong accretion in renewables portfolio

JSW Energy (JSWE) has reported operating profit (EBITDA) of INR 14.2bn, up 16% YoY in Q1FY25, aided by new capacity addition - thermal at 0.4GW and renewables at 0.5GW and an increase in hydro power plant generation (+61% YoY). Also, other income was up 100% YoY (+INR 0.8bn). As a result, JSWE reported a profit of INR 5.2bn (+INR 2.4bn, +81% YoY). In Q1, it added 2.3GW in renewables portfolio – 1.3GW from PPA with JSW Steel, a group company, and 1GW from utilities. As a result, renewables (RE) locked in portfolio in MW terms has increased from 6.2GW to 8.4GW. We believe locked-in EBITDA from RE has increased by 25% to INR 78bn. The company may finalise another 4.6GW of PPA with group companies in FY25E. Maintain **HOLD** with SoTP-based revised TP of INR 708.

### Sharp rise in profit led by jump in hydro generation, new capacities

Revenue came in at INR 29bn (flat YoY), EBITDA grew 16% YoY to INR 14.2bn led by – a) new thermal capacity - +INR 1bn, b) new RE capacity of 0.5GW (+INR 1bn) and c) sharp jump in hydro generation (+INR 0.6bn). Other income grew to INR 1.6bn, +100% YoY due to sharp rise in cash in the balance sheet (QIP proceeds). As a result, PAT grew 81% YoY to INR 5.2bn in Q1FY25.

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### Strong accretion in RE portfolio

JSWE has increased its RE portfolio to 10.5GW – an increase of 2.2GW QoQ. In addition, it has an understanding to enter into PPA for additional 4.6GW with group companies. It also has storage tie up for 3.4GWh. We estimate EBITDA of INR 82bn of locked-in portfolio (10.5GW+ storage).

### Stronger balance sheet; fund raise through QIP

JSWE raised INR 50bn through QIP in Apr-'24 at INR 485 per share. The proceeds will be utilised to reduce debt. As a result, net worth will increase by 20% to INR 250bn and debt: equity will be ~1:1. We believe this may strengthen its balance sheet, given the large capex requirement for RE portfolio.

### Maintain HOLD with a revised TP of INR 708/share

We maintain **HOLD** rating on the stock with SoTP-based revised target price of INR 708/share (earlier 570/share) (revision on account of rising RE portfolio).

### Market Data

Market Cap (INR)	1,232bn
Market Cap (USD)	14,727mn
Bloomberg Code	JSW IN
Reuters Code	JSWE.BO
52-week Range (INR)	752 /285
Free Float (%)	26.0
ADTV-3M (mn) (USD)	36.7

Price Performance (%)	3m	6m	12m
Absolute	12.5	40.6	138.6
Relative to Sensex	2.2	28.2	118.4

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	103,318	114,859	158,876	171,893
EBITDA	32,818	53,818	80,370	90,217
EBITDA Margin (%)	31.8	46.9	50.6	52.5
Net Profit	13,578	17,227	23,254	28,426
EPS (INR)	8.3	10.5	13.3	16.3
EPS % Chg YoY	556.3	26.9	27.5	22.1
P/E (x)	85.1	67.1	52.6	43.1
EV/EBITDA (x)	39.8	25.3	18.4	16.2
RoCE (%)	5.6	7.0	7.8	7.9
RoE (%)	7.5	8.7	9.6	9.7

### Previous Reports

08-05-2024: [Q4FY24 results review](#)

## Outlook and valuation

JSWE is looking to step up its game to address the opportunities arising from energy transition. From being a thermal producer with 66% thermal capacity of its total installed capacity, it is now in the process of transitioning into a pure RE player in the next 2-3 years with presence across RE assets with backward integration of solar manufacturing capacity, utility scale power storage systems and now also producing green hydrogen for group captive utilisation. Note that the company also benefits from the demand from group companies to reduce their carbon emissions.

JSWE is looking to set up 20GW of capacity and storage capacity of 40Gwh by 2030. To meet these targets, the company intends to spend INR 750bn over the next seven years – some of its projects include pumped hydro storage, battery storage system and green hydrogen manufacturing.

However, we believe most of the upside is priced in at its current valuation and more clarity needs to emerge around the successful implementation of these projects.

We maintain **HOLD** rating on the stock with SoTP-based revised target price of INR 708/share (earlier 570/share). Given the strong performance from Ind-Barath Unit-1 and expected commissioning of unit -2 in FY25, we raise the multiple to 20x (from 15x earlier).

**Key risks:** Delay in execution of RE projects and sharp increases in merchant prices and volumes.

### Exhibit 1: SoTP-based target price of INR 708/share

Projects	Methodology	Multiple (x)	Equity Value (INR mn)
JSWEL - Vijaynagar	NPV with discount rate of 10%	NA	43,425
JSWEL - Ratnagiri	NPV with discount rate of 10%	NA	29,189
RWPL	NPV with discount rate of 10%	NA	35,670
JPTL	NPV with discount rate of 10%	NA	19,254
Ind-Barath	FY26E PAT multiple	20	95,714
BLMCL Loan/JSW Mineral	NPV with discount rate of 10%	NA	42,841
<b>Hydro</b>			
Kutehr	NPV with discount rate of 10%	NA	27,611
Baspa	NPV with discount rate of 10%	NA	15,000
Karcham	NPV with discount rate of 10%	NA	64,500
<b>Renewables</b>			<b>741,862</b>
SECI IX & X	EV/EBITDA	16	80,646
Mytrah	EV/EBITDA	16	151,104
Captive RE	EV/EBITDA	16	67,219
SECI XII	EV/EBITDA	16	27,787
SECI-BESS	EV/EBITDA	16	32,354
RE bids in FY24	EV/EBITDA	16	393,985
<b>Total</b>			
Add: Cash			49,950
JSW Steel			70,400
<b>Total Value</b>			<b>1,235,415</b>
No. of shares			1,744
<b>Target price</b>			<b>708</b>

Source: I-Sec research

**Exhibit 2: Quarterly consolidated financials (INR m)**

INR mn	Q1FY24	Q4FY24	Q1FY25	% ch QoQ	% ch YoY
<b>Net sales</b>	<b>29,279</b>	<b>27,559</b>	<b>28,795</b>	<b>4%</b>	<b>-2%</b>
<b>Expenses</b>	<b>17,058</b>	<b>15,873</b>	<b>14,617</b>	<b>-8%</b>	<b>-14%</b>
<b>EBITDA</b>	<b>12,221</b>	<b>11,685</b>	<b>14,177</b>	<b>21%</b>	<b>16%</b>
OPM (%)	41.7	42.4	49.2	16 bps	18 bps
Other inc.	854	1,235	1,632	32%	91%
Interest	4,857	5,332	5,111	-4%	5%
Dep. & Amort.	3,979	4,267	3,755	-12%	-6%
PBT	4,238	3,321	6,944	109%	64%
<b>PAT</b>	<b>2,899</b>	<b>3,513</b>	<b>5,252</b>	<b>49%</b>	<b>81%</b>
Reported PAT	2,899	3,513	5,252	49%	81%
EPS (Rs)	1.8	2.1	3.2	49%	81%

Source: I-Sec research

**Exhibit 3: Standalone quarterly financials (INR m)**

INR mn	Q1FY24	Q4FY24	Q1FY25	% ch QoQ	% ch YoY
<b>Net sales</b>	<b>14,846</b>	<b>12,360</b>	<b>10,496</b>	<b>-15%</b>	<b>-29%</b>
<b>EBITDA</b>	<b>3,485</b>	<b>4,687</b>	<b>3,745</b>	<b>-20%</b>	<b>7%</b>
OPM (%)	23.5	37.9	35.7	-224 bps	52 bps
Other inc.	768	532	1,172	120%	53%
Interest	1,054	1,354	899	-34%	-15%
Dep. & Amort.	710	641	641	0%	-10%
PBT	2,489	3,223	3,377	5%	36%
<b>PAT</b>	<b>1,660</b>	<b>3,422</b>	<b>2,537</b>	<b>-26%</b>	<b>53%</b>

Source: I-Sec research

**Exhibit 4: Consolidated segmental highlights (INR m)**

Segmental Revenue	Q1FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Standalone	14,846	12,360	10,496	-15%	-29%
Rajwest Power	6,400	8,090	6,390	-21%	0%
Ind-Barath	40	1,230	2,650	115%	6525%
Karcham and Baspa	2,980	1,710	3,200	87%	7%
Renewables	500	870	1,460	68%	192%
Mytrah	4,180	2,940	4,320	47%	3%
Total	29,279	27,559	28,795	4%	-2%
Segmental EBITDA	Q1FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Standalone	4253.1	5218.4	4916.9	-6%	16%
Rajwest Power	2040	2580	1870	-28%	-8%
Ind-Barath	300	1080	260%	NA	NA
Karcham and Baspa	2820	1360	3070	126%	9%
Mytrah	600	810	1420	75%	137%
JSW PTC	3740	2440	3850	58%	3%

Source: I-Sec research

**Conference call highlights**
**Financial highlights**

- Revenue in the quarter came in at INR 29bn (flat YoY) despite increase in generation due to lower fuel cost (pass through under long term PPAs). Long term thermal sales contributed 70% of total revenue.
- EBITDA grew 16% YoY to INR 14.2bn
  - Incremental EBITDA on YoY basis – Ind-Barath + INR 1bn, higher RE contribution at + INR 1.1bn.
- Other income grew to INR 1.6bn on higher income due to high cash on the balance sheet from QIP proceeds.
- Interest cost at INR 5.1bn (down QoQ) as net debt reduced to INR 233bn (vs INR 266bn QoQ).

- As a result, PAT grew to INR 5.2bn (vs INR 2.9bn YoY).

#### Locked-in capacity at 20GW

- JSWE currently has an operational capacity of 7.5GW and is likely to reach 10GW by FY25
  - Of which 350MW is thermal capacity of Unit-2 Ind-Barath and the rest is utility scale RE capacity for SECI, group captive and hydro capacity of 240MW.
- Additionally, it has RE pipeline of 5.6GW of which it has tie-up PPA capacity of 1GW (1GW each for solar and wind) and is likely to close the PPAs for the rest of the capacity by FY25.
- It is looking to sign another PPA with group companies for 4.6GW.

#### Other highlights

- JSWE had won a 1GWh BESS project which is expected to be commissioned by Mar'25.
- It has also won a 2.4GWh PSP project – PPA is yet to be signed.
- It has also entered into a licence agreement with SANY for manufacturing wind turbines.
- The group captive 3.8ktpa green H2 capacity is expected to commission by Jun'25.
- Net debt stood at INR 233bn as of Jun'24 (vs INR 266bn QoQ). It raised INR50bn through QIP in Apr'24.
- Cash stood at INR 61bn as of Jun'24.
- Receivable days down to 65days (vs 83 days YoY).

**Exhibit 5: Shareholding pattern**

%	Dec'23	Mar'24	Jun'24
Promoters	73.4	73.7	69.3
Institutional investors	18.1	17.9	24.5
MFs and others	0.7	0.9	1.2
FIs/Banks	0.0	0.0	0.2
Insurance	0.4	0.4	7.7
FII	17.0	16.6	15.4
Others	8.5	8.4	6.2

Source: Bloomberg

**Exhibit 6: Price chart**



Source: Bloomberg

## Financial Summary

### Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>103,318</b>	<b>114,859</b>	<b>158,876</b>	<b>171,893</b>
Operating Expenses	11,127	13,971	14,670	15,403
<b>EBITDA</b>	<b>32,818</b>	<b>53,818</b>	<b>80,370</b>	<b>90,217</b>
EBITDA Margin (%)	31.8	46.9	50.6	52.5
Depreciation & Amortization	11,692	16,334	21,792	23,972
<b>EBIT</b>	<b>21,126</b>	<b>37,484</b>	<b>58,578</b>	<b>66,245</b>
Interest expenditure	(8,443)	(20,534)	(32,062)	(34,383)
Other Non-operating Income	5,352	4,554	6,076	7,259
<b>Recurring PBT</b>	<b>18,036</b>	<b>21,504</b>	<b>32,592</b>	<b>39,121</b>
<b>Profit / (Loss) from Associates</b>	<b>193</b>	<b>165</b>	<b>85</b>	<b>85</b>
Less: Taxes	4,627	4,423	9,297	10,662
PAT	13,408	17,081	23,294	28,458
Less: Minority Interest	(24)	(19)	(126)	(117)
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>13,578</b>	<b>17,227</b>	<b>23,254</b>	<b>28,426</b>
<b>Net Income (Adjusted)</b>	<b>13,601</b>	<b>17,247</b>	<b>23,380</b>	<b>28,544</b>

Source Company data, I-Sec research

### Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	90,693	72,681	141,287	171,955
of which cash & cash eqv.	50,850	49,950	70,148	95,384
Total Current Liabilities & Provisions	14,674	(37,560)	(4,015)	46,994
<b>Net Current Assets</b>	<b>76,020</b>	<b>110,241</b>	<b>145,302</b>	<b>124,961</b>
Investments	49,616	59,458	59,458	59,458
Net Fixed Assets	250,292	289,490	363,683	417,813
ROU Assets	-	-	-	-
Capital Work-in-Progress	47,795	47,795	71,693	78,862
Total Intangible Assets	-	-	-	-
Other assets	21,676	21,676	21,676	21,676
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>445,398</b>	<b>528,659</b>	<b>661,811</b>	<b>702,769</b>
<b>Liabilities</b>				
Borrowings	248,172	313,266	378,872	386,494
<b>Deferred Tax Liability</b>	<b>8,042</b>	<b>8,526</b>	<b>4,263</b>	<b>4,263</b>
provisions	-	-	-	-
other Liabilities	65	107	145	179
Equity Share Capital	16,423	16,405	17,440	17,440
Reserves & Surplus	171,643	189,175	259,911	293,213
<b>Total Net Worth</b>	<b>188,066</b>	<b>205,581</b>	<b>277,352</b>	<b>310,654</b>
Minority Interest	1,054	1,180	1,180	1,180
<b>Total Liabilities</b>	<b>445,398</b>	<b>528,659</b>	<b>661,811</b>	<b>702,769</b>

Source Company data, I-Sec research

### Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>9,449</b>	<b>18,828</b>	<b>62,285</b>	<b>132,391</b>
Working Capital Changes	(24,095)	(35,121)	(14,864)	45,577
Capital Commitments	(140,567)	(55,532)	(119,883)	(85,271)
<b>Free Cashflow</b>	<b>150,015</b>	<b>74,361</b>	<b>182,169</b>	<b>217,662</b>
<b>Other investing cashflow</b>	-	-	-	-
Cashflow from Investing Activities	(140,567)	(55,532)	(119,883)	(85,271)
Issue of Share Capital	4	(18)	1,035	-
Interest Cost	(8,443)	(20,534)	(32,062)	(34,383)
Inc (Dec) in Borrowings	161,305	52,376	99,883	10,442
Dividend paid	(1,312)	(1,312)	(1,312)	(1,312)
Others	5,150	5,292	10,252	3,369
Cash flow from Financing Activities	156,704	35,804	77,795	(21,884)
<b>Chg. in Cash &amp; Bank balance</b>	<b>25,586</b>	<b>(900)</b>	<b>20,198</b>	<b>25,236</b>
Closing cash & balance	50,850	49,950	70,148	95,384

Source Company data, I-Sec research

### Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	8.3	10.5	13.4	16.4
Adjusted EPS (Diluted)	8.3	10.5	13.3	16.3
Cash EPS	15.4	20.5	25.8	30.0
Dividend per share (DPS)	0.8	0.8	0.8	0.8
Book Value per share (BV)	114.5	125.3	159.0	178.1
Dividend Payout (%)	9.6	7.6	5.6	4.6
<b>Growth (%)</b>				
Net Sales	34.7	11.2	38.3	8.2
EBITDA	41.8	64.0	49.3	12.3
EPS (INR)	556.3	26.9	27.5	22.1
<b>Valuation Ratios (x)</b>				
P/E	85.1	67.1	52.6	43.1
P/CEPS	45.8	34.5	27.3	23.5
P/BV	6.2	5.6	4.4	4.0
EV / EBITDA	39.8	25.3	18.4	16.2
P / Sales	11.2	10.1	7.7	7.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Operating Ratios</b>				
Gross Profit Margins (%)	42.5	59.0	59.8	61.4
EBITDA Margins (%)	31.8	46.9	50.6	52.5
Effective Tax Rate (%)	25.7	20.6	28.5	27.3
Net Profit Margins (%)	13.0	14.9	14.7	16.6
NWC / Total Assets (%)	0.1	0.1	0.1	0.0
Net Debt / Equity (x)	0.8	1.0	0.9	0.7
Net Debt / EBITDA (x)	4.5	3.8	3.1	2.6
<b>Profitability Ratios</b>				
RoCE (%)	5.6	7.0	7.8	7.9
RoE (%)	7.5	8.7	9.6	9.7
RoIC (%)	5.6	7.0	7.8	7.9
Fixed Asset Turnover (x)	0.5	0.4	0.5	0.4
Inventory Turnover Days	40	28	70	63
Receivables Days	94	28	95	85
Payables Days	52	0	92	82

Source Company data, I-Sec research

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