

22 July 2024

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.

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).

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 |

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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 |

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 |
| Hydro | | | |
| 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 |
| Renewables | | | 741,862 |
| 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 |
| Total | | | |
| Add: Cash | | | 49,950 |
| JSW Steel | | | 70,400 |
| Total Value | | | 1,235,415 |
| No. of shares | | | 1,744 |
| Target price | | | 708 |

Source: I-Sec research

Exhibit 2: Quarterly consolidated financials (INR m)

| INR mn | Q1FY24 | Q4FY24 | Q1FY25 | % ch QoQ | % ch YoY |
|------------------|---------------|---------------|---------------|------------|-------------|
| Net sales | 29,279 | 27,559 | 28,795 | 4% | -2% |
| Expenses | 17,058 | 15,873 | 14,617 | -8% | -14% |
| EBITDA | 12,221 | 11,685 | 14,177 | 21% | 16% |
| 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% |
| PAT | 2,899 | 3,513 | 5,252 | 49% | 81% |
| 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 |
|------------------|---------------|---------------|---------------|-------------|-------------|
| Net sales | 14,846 | 12,360 | 10,496 | -15% | -29% |
| EBITDA | 3,485 | 4,687 | 3,745 | -20% | 7% |
| 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% |
| PAT | 1,660 | 3,422 | 2,537 | -26% | 53% |

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 |
| 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

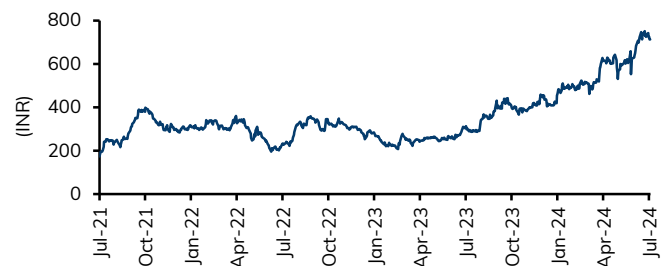
- JSWE had won a 1GWh BESS project which is expected to be commissioned by Mar'25.
- It has also won a 2.4GWh PSP project – PPA is yet to be signed.
- It has also entered into a licence agreement with SANY for manufacturing wind turbines.
- The group captive 3.8ktpa green H2 capacity is expected to commission 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 |
| FIIIs | 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 |
|--|----------------|----------------|----------------|----------------|
| Net Sales | 103,318 | 114,859 | 158,876 | 171,893 |
| Operating Expenses | 11,127 | 13,971 | 14,670 | 15,403 |
| EBITDA | 32,818 | 53,818 | 80,370 | 90,217 |
| EBITDA Margin (%) | 31.8 | 46.9 | 50.6 | 52.5 |
| Depreciation & Amortization | 11,692 | 16,334 | 21,792 | 23,972 |
| EBIT | 21,126 | 37,484 | 58,578 | 66,245 |
| Interest expenditure | (8,443) | (20,534) | (32,062) | (34,383) |
| Other Non-operating Income | 5,352 | 4,554 | 6,076 | 7,259 |
| Recurring PBT | 18,036 | 21,504 | 32,592 | 39,121 |
| Profit / (Loss) from Associates | 193 | 165 | 85 | 85 |
| 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) | - | - | - | - |
| Net Income (Reported) | 13,578 | 17,227 | 23,254 | 28,426 |
| Net Income (Adjusted) | 13,601 | 17,247 | 23,380 | 28,544 |

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 |
| Net Current Assets | 76,020 | 110,241 | 145,302 | 124,961 |
| 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 | - | - | - | - |
| Total Assets | 445,398 | 528,659 | 661,811 | 702,769 |
| Liabilities | | | | |
| Borrowings | 248,172 | 313,266 | 378,872 | 386,494 |
| Deferred Tax Liability | 8,042 | 8,526 | 4,263 | 4,263 |
| 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 |
| Total Net Worth | 188,066 | 205,581 | 277,352 | 310,654 |
| Minority Interest | 1,054 | 1,180 | 1,180 | 1,180 |
| Total Liabilities | 445,398 | 528,659 | 661,811 | 702,769 |

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

| | FY23A | FY24A | FY25E | FY26E |
|--|----------------|---------------|----------------|----------------|
| Operating Cashflow | 9,449 | 18,828 | 62,285 | 132,391 |
| Working Capital Changes | (24,095) | (35,121) | (14,864) | 45,577 |
| Capital Commitments | (140,567) | (55,532) | (119,883) | (85,271) |
| Free Cashflow | 150,015 | 74,361 | 182,169 | 217,662 |
| Other investing cashflow | - | - | - | - |
| 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) |
| Chg. in Cash & Bank balance | 25,586 | (900) | 20,198 | 25,236 |
| 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 |
|-----------------------------|-------|-------|-------|-------|
| Per Share Data (INR) | | | | |
| 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 |
| Growth (%) | | | | |
| 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 |
| Valuation Ratios (x) | | | | |
| 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 |
| Operating Ratios | | | | |
| 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 |
| Profitability Ratios | | | | |
| 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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