JSW Energy

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(USDb)	1172.8 / 13.9
52-Week Range (INR)	805 / 348
1, 6, 12 Rel. Per (%)	-9/3/52
12M Avg Val (INR M)	2316

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	114.9	151.9	170.7
EBITDA	53.8	79.6	95.2
Adj. PAT	17.2	31.0	37.4
Adj. EPS (INR)	10.5	18.9	22.8
EPS Gr. (%)	24.2	80.0	20.6
BV/Sh.(INR)	127.0	143.0	162.6
Ratios			
Net D:E	1.2	1.4	1.5
RoE (%)	8.7	14.0	14.9
RoCE (%)	7.7	9.6	9.9
Payout (%)	19.0	14.3	13.2
Valuations			
P/E (x)	50.4	35.4	29.4
P/BV (x)	4.2	4.7	4.1
EV/EBITDA (x)	21.0	18.0	15.7
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	-4.2	-6.5	-5.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	69.3	69.3	73.4
DII	9.8	9.2	9.9
FII	15.1	15.6	8.6
Others	5.8	5.9	8.1

FII Includes depository receipts

CMP: INR671 TP: INR900 (+34%) BUY

EBITDA miss but capacity ramp-up plans on track

- JSW Energy (JSWE) reported 2QFY25 EBITDA of INR16.8b, below our estimate of INR19.3b. While net generation was up 14% YoY, EBITDA was negatively affected by lower merchant spreads and a one-time tariff impact from the hydro business. Adjusted 2Q PAT was 20% above our estimate at INR8.5b (est. INR7b, +19% YoY), mainly due to higher other income and a lower tax rate.
- The management maintained its full-year capex guidance of INR150b and highlighted that locked-in capacity stands at 19.2GW and only 3.5GW capacity is awaiting PPA. JSWE also highlighted that transmission and land-related visibility has been achieved for 80% of the pipeline, which has secured PPAs. JSWE remains confident of achieving timely completion of the RE project pipeline.
- Considering its strong operational performance and market position, **we reiterate our BUY rating on the stock with a TP of INR900**, valuing JSWE's core business at 15x Dec'26E EBITDA.

EBITDA miss amid lower merchant spreads, one-time costs

- **Consolidated:**
  - JSWE reported consolidated 2Q revenue at INR32b (+5% YoY), which was 8% below our estimate of INR35b.
  - Adjusted 2Q PAT was 20% above our estimate at INR8.5b (est. INR7b, +19% YoY) mainly due to higher other income and a lower tax rate.
  - Consolidated EBITDA margin stood at 52% with EBITDA of INR16.8b, which was 13% lower than our est. of INR19.3b (-1% YoY).
  - Receivables on DSO basis improved to 70 days.
  - The company's project pipeline (entirely RE) stands at 5.8GW, with PPA yet to be signed for 3.5GW.
- **Standalone:**
  - JSWE reported standalone 2Q PAT of INR2.8b (+50% YoY, 13%QoQ).
  - Revenue dipped 15% YoY/8% QoQ to INR9.6b.
  - EBITDA margin stood at 25% with EBITDA of INR2.4b (- 37% YoY and 33% QoQ).
- **Operational:**
  - The company reported a 14% YoY increase in net generation to 9.8BUs. This growth was primarily driven by enhanced hydro generation, the addition of new wind capacity, and an increase in thermal generation.
  - RE generation increased by 14% YoY to 5Bus, largely aided by wind and hydro generation, which rose 37% and 5%, respectively.
  - Additionally, long-term PPA generation increased by 9% YoY.
  - The company commissioned 204MW of wind capacity, further expanding its RE portfolio.

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Key highlights from the management commentary

- JSWE now boasts a locked-in capacity of 19.2GW after winning RE bids of 3.7GW in 2QFY25.
- New PPAs of 3.8GW capacity were signed in 2Q, representing two-thirds of project wins in CY24.
- Construction of its 1GWh battery project remains on track for completion by Jun'25.
- Net generation in 2Q was up 14% YoY, with long-term PPA generation rising 9% YoY.
- Underlying EBITDA was up 4% YoY despite lower short-term sales.
- Sustainable net debt-to-EBITDA ratio (excluding CWIP) stood at 2.2x as of Sep'24 end.
- The target to reach 10GW in operational capacity was revised to FY25 end (from end CY24 earlier).
- 3.5GW of capacity, which is in the pipeline, is awaiting PPA; of this, ~ 1.3GW is awaiting PPA from JSW group entities, which are likely to be awarded by FY25 end.
- 350MW Utkal plant has stabilized now and generated 467m units in 2QFY25.
- EBITDA (excluding other income) was down 12% YoY, impacted by lower merchant spreads as peak power demand waned amid seasonality.

Valuation and view

- We value JSWE's core business at 15x Dec'26E EBITDA, reflecting its strong operational performance and market position (FY27 EBITDA discounted for three months at 9%).
- The stake in JSW Steel is valued at a 25% discount to the current market price, acknowledging the strategic significance of this holding while incorporating a conservative valuation approach.
- By aggregating the values from these different components, the total equity value of JSWE was determined, leading to a TP of INR900/share.

Consolidated performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Sales	**29,279**	**30,894**	**25,428**	**27,559**	**28,795**	**32,377**	**43,080**	**47,615**	**1,13,159**	**1,51,867**	**35,162**	**-8%**
YoY Change (%)	-3.3	29.4	13.1	3.2	-1.7	4.8	69.4	72.8	9.5	34.2	13.8	
EBITDA	**12,221**	**17,104**	**11,108**	**11,685**	**14,177**	**16,849**	**21,878**	**26,740**	**52,118**	**79,644**	**19,306**	**-13%**
Margin (%)	41.7	55.4	43.7	42.4	49.2	52.0	50.8	56.2	46.1	52.4	54.9	
Depreciation	3,979	4,087	4,001	4,267	3,755	3,918	5,790	7,077	16,334	20,539	5,562	-30%
Interest	4,857	5,137	5,208	5,332	5,111	5,183	6,644	6,916	20,534	23,854	5,608	-8%
Other Income	854	1,279	1,186	1,235	1,632	2,217	1,253	1,253	4,554	6,355	1,006	120%
PBT before EO expense	**4,238**	**9,159**	**3,086**	**3,321**	**6,944**	**9,965**	**10,696**	**14,000**	**19,804**	**41,606**	**9,143**	
Extra-Ord income/(exp.)	0	1,700	0	0	0	0	0	0	1,700	0	0	
PBT	**4,238**	**10,859**	**3,086**	**3,321**	**6,944**	**9,965**	**10,696**	**14,000**	**21,504**	**41,606**	**9,143**	**9%**
Tax	1,356	2,351	779	-64	1,641	1,282	2,825	4,238	4,423	9,985	2,078	-38%
Rate (%)	32.0	21.6	25.3	-1.9	23.6	12.9	26.4	30.3	20.6	24.0	22.7	
Minority Interest	5	66	9	-61	124	235	245	245	19	850	4.9	
Share of JV & associates	21	59	16	69	38	84	66	66	165	255	41	
Reported PAT	**2,904**	**8,568**	**2,322**	**3,453**	**5,342**	**8,768**	**7,937**	**9,829**	**17,247**	**31,875**	**7,106**	**23%**
Adj PAT	**2,899**	**7,170**	**2,313**	**3,513**	**5,218**	**8,533**	**7,692**	**9,583**	**15,896**	**31,025**	**7,106**	**20%**
YoY Change (%)	-25.3	57.0	23.9	24.6	80.0	19.0	232.5	172.8	21.0	95.2	-1.8	
Margin (%)	9.9	23.2	9.1	12.7	18.1	26.4	17.9	20.1	14.0	20.4	20.2	

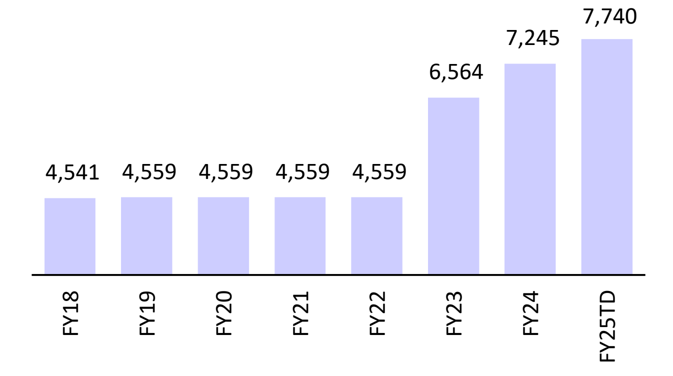
JSWE SoTP valuation

Particulars	Units	Amount
Core EBITDA - Dec-26	INR m	1,27,504
Valuation multiple	(x)	15
EV	INR m	19,69,930
Less: Net Debt	INR m	5,42,886
Market cap	**INR m**	**14,27,045**
JSW Steel stake*	INR m	50,236
Total Equity value	**INR m**	**14,77,280**
Target price	**INR/Share**	**900**
CMP	INR/share	671

*At 25% discount Source: MOFSL

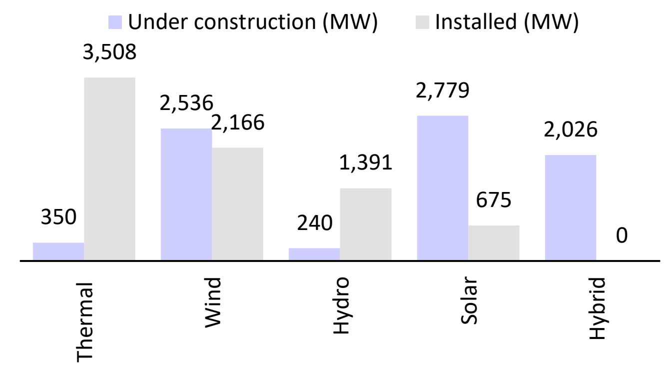
Story in charts – 2QFY25

Exhibit 1: Installed capacity (MW)



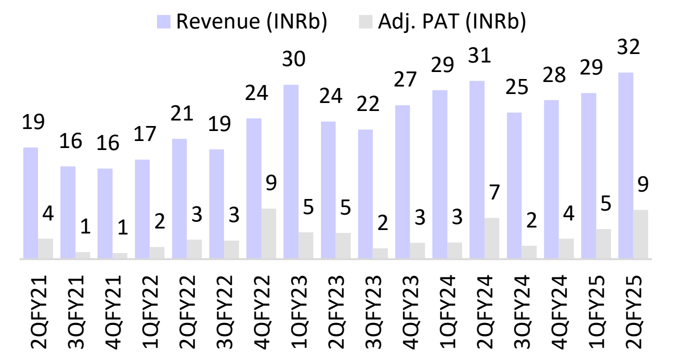
Source: Company, MOFSL

Exhibit 2: Capacity breakdown by 2QFY25 end



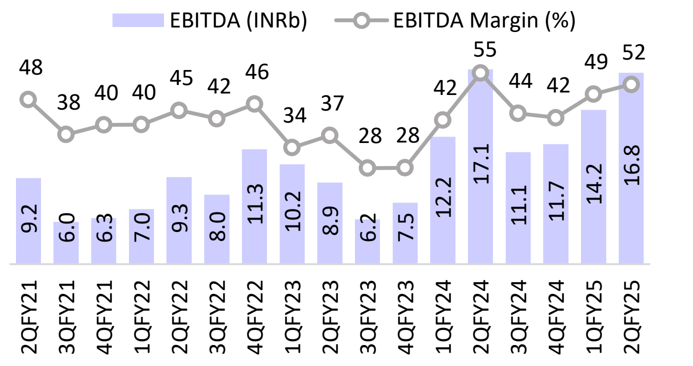
Source: Company, MOFSL

Exhibit 3: Consolidated revenue and adj. PAT



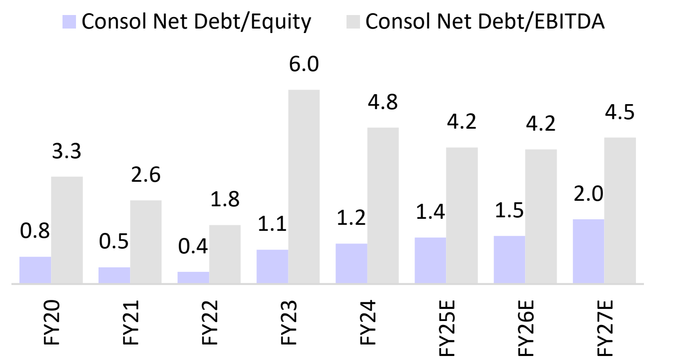
Source: Company, MOFSL

Exhibit 4: Consolidated EBITDA and EBITDA margin



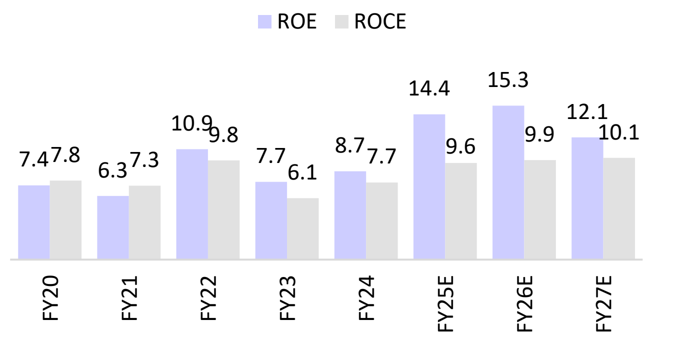
Source: Company, MOFSL

Exhibit 5: Consol. net debt/equity and net debt/EBITDA



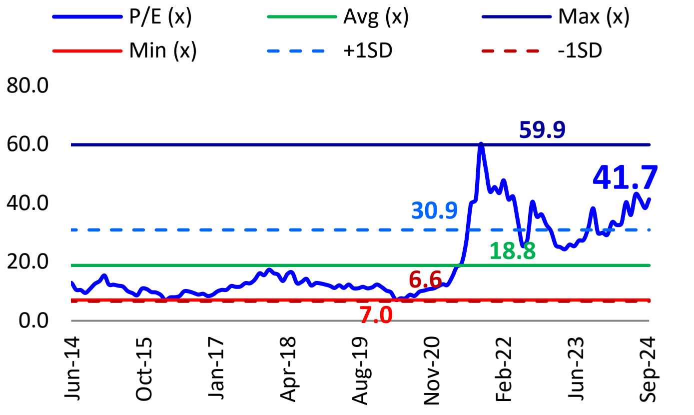
Source: Company, MOFSL

Exhibit 6: Consol. ROE and ROCE



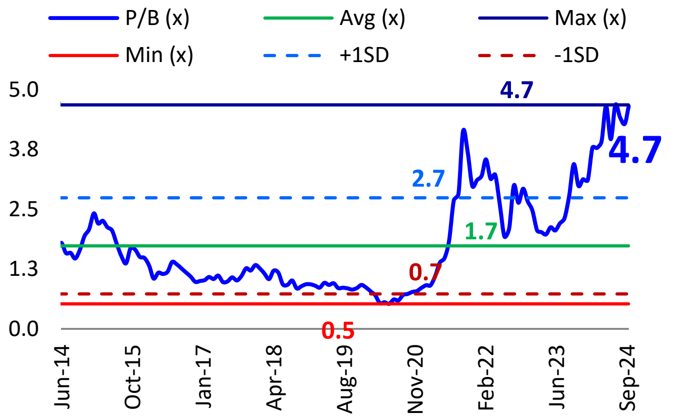
Source: Company, MOFSL

Exhibit 7: JSWE 1-yr FWD PE



Source: Company, MOFSL

Exhibit 8: JSWE 1-yr FWD PB



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement					(INR m)
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	**1,03,318**	**1,14,859**	**1,51,867**	**1,70,685**	**2,10,176**
Change (%)	26.5	11.2	32.2	12.4	23.1
Total Expenses	70,500	61,041	72,223	75,530	79,804
Gross Profit	43,945	67,789	97,228	1,13,287	1,50,353
EBITDA	**32,818**	**53,818**	**79,644**	**95,155**	**1,30,372**
% of Net Sales	31.8	46.9	52.4	55.7	62.0
Depreciation	11,692	16,334	20,539	24,151	42,773
EBIT	**21,126**	**37,484**	**59,105**	**71,004**	**87,599**
Net Interest	8,443	20,534	23,854	27,354	48,998
Other income	5,352	4,554	6,355	6,355	6,355
PBT before EO	**18,036**	**21,504**	**41,606**	**50,005**	**44,956**
EO expense	-1,200	0	0	0	0
PBT after EO	**19,236**	**21,504**	**41,606**	**50,005**	**44,956**
Tax	4,627	4,423	9,985	12,001	11,239
Rate (%)	24.1	20.6	24.0	24.0	25.0
JV	192.9	165.1	255.0	255.0	255.0
Reported PAT	**14,801**	**17,247**	**31,875**	**38,259**	**33,972**
Minority	24	19	850	850	850
Adjusted PAT	**13,866**	**17,227**	**31,025**	**37,409**	**33,122**
Change (%)	-19.8	24.2	80.1	20.6	-11.5

Consolidated Balance Sheet					(INR m)
	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	16,405	16,412	16,412	16,412	16,412
Reserves	1,69,883	1,91,905	2,18,248	2,50,482	2,78,429
Net Worth	**1,86,288**	**2,08,317**	**2,34,660**	**2,66,894**	**2,94,841**
Minority Interest	1,054	1,825	2,675	3,525	4,375
Total Loans	2,48,172	3,13,266	3,68,266	4,13,266	6,18,266
Deferred Tax Liability	10,784	13,390	15,886	18,886	22,033
Capital Employed	**4,46,298**	**5,36,798**	**6,21,487**	**7,02,571**	**9,39,515**
Gross Block	3,29,615	3,85,207	5,13,646	5,43,249	7,72,852
Less: Accum. Deprn.	85,809	1,02,143	1,22,682	1,46,833	1,89,606
Net Fixed Assets	**2,43,807**	**2,83,064**	**3,90,964**	**3,96,416**	**5,83,246**
Capital WIP	47,795	1,02,851	1,04,412	1,99,809	2,45,206
Goodwill	6,485	6,398	6,398	6,398	6,398
Investments	49,616	59,458	59,458	59,458	59,458
Curr. Assets	**1,39,714**	**1,30,920**	**1,11,435**	**96,328**	**1,09,334**
Inventories	9,871	8,307	9,986	10,288	10,365
Account Receivables	16,314	10,205	10,402	9,353	11,516
Cash and Bank Balance	50,850	52,957	31,595	17,236	28,001
Others	62,679	59,452	59,452	59,452	59,452
Curr. Liability & Prov.	**41,119**	**45,893**	**51,180**	**55,838**	**64,127**
Account Payables	12,741	13,437	18,723	23,381	31,670
Provisions & Others	28,378	32,456	32,456	32,456	32,456
Net Curr. Assets	**98,595**	**85,028**	**60,256**	**40,491**	**45,208**
Appl. of Funds	**4,46,298**	**5,36,798**	**6,21,487**	**7,02,571**	**9,39,515**

Financials and valuations

Ratios					
	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	**8.5**	**10.5**	**18.9**	**22.8**	**20.2**
Cash EPS	15.6	20.5	31.4	37.5	46.2
BV/Share	113.6	127.0	143.0	162.6	179.7
DPS	2.0	2.0	2.7	3.0	3.0
Payout (%)	23.7	19.0	14.3	13.2	14.9
Dividend yield (%)	0.8	0.4	0.4	0.4	0.4
Valuation (x)					
P/E	28.3	50.4	35.4	29.4	33.2
Cash P/E	15.3	25.9	21.3	17.9	14.5
P/BV	2.1	4.2	4.7	4.1	3.7
EV/EBITDA	18.0	21.0	18.0	15.7	13.0
Dividend Yield (%)	0.8	0.4	0.4	0.4	0.4
FCF (pre-interest) to EV (%)	-3.7	-1.6	-3.8	-2.2	0.8
Return Ratios (%)					
RoE	7.7	8.7	14.0	14.9	11.8
RoCE (post-tax)	6.1	7.7	9.6	9.9	10.1
RoIC (post-tax)	7.0	9.8	12.2	12.9	12.9
Working Capital Ratios					
Fixed Asset Turnover (x)	0.4	0.4	0.4	0.4	0.4
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2
Debtor (Days)	58	32	25	20	20
Inventory (Days)	35	26	24	22	18
Working Capital Turnover (Days)					
Leverage Ratio (x)					
Net Debt/EBITDA	6.0	4.8	4.2	4.2	4.5
Debt/Equity	1.1	1.2	1.4	1.5	2.0

Consolidated Cash Flow Statement					(INR m)
	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	**32,818**	**53,818**	**79,644**	**95,155**	**1,30,372**
FX gain/loss	0	0	0	0	0
WC	-11,336	10,085	3,411	5,405	6,048
Others	2,833	2,290	0	0	0
Direct taxes (net)	-3,473	-3,857	-7,489	-9,001	-8,092
CF from Op. Activity	**20,843**	**62,336**	**75,565**	**91,559**	**1,28,328**
Capex	-42,363	-80,328	-1,30,000	-1,25,000	-1,15,000
FCFF	**-21,520**	**-17,991**	**-54,435**	**-33,441**	**13,328**
Interest income	2,342	1,894	0	0	0
Others	-30,074	-4,743	6,355	6,355	6,355
CF from Inv. Activity	**-70,095**	**-83,177**	**-1,23,645**	**-1,18,645**	**-1,08,645**
Share capital	24	0	0	0	0
Borrowings	87,278	-1,77,098	55,000	45,000	45,000
Finance cost	-10,758	-23,082	-23,854	-27,354	-48,998
Dividend	-3,288	-3,468	-4,428	-4,920	-4,920
Others	1,581	2,26,596	0	0	0
CF from Fin. Activity	**74,838**	**22,947**	**26,718**	**12,726**	**-8,918**
(Inc)/Dec in Cash	**25,586**	**2,106**	**-21,361**	**-14,360**	**10,765**
Opening balance	25,265	50,850	52,957	31,595	17,236
Closing balance (as per B/S)	**50,850**	**52,957**	**31,595**	**17,236**	**28,001**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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