

# JSW Energy

BSE SENSEX

76,724

S&P CNX

23,213



## Stock Info

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(USDb)	981.4 / 11.4
52-Week Range (INR)	805 / 452
1, 6, 12 Rel. Per (%)	-11/-16/14
12M Avg Val (INR M)	2386
Free float (%)	30.7

## Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	137.6	164.4	195.6
EBITDA	65.0	84.0	109.3
Adj. PAT	25.1	30.9	32.6
EPS (INR)	14.4	17.7	18.7
EPS Gr. (%)	36.9	23.1	5.5
BV/Sh. (INR)	131.1	145.8	161.5

## Ratios

Net D:E	1.5	1.6	1.6
RoE (%)	11.5	12.8	12.2
RoCE (%)	8.3	9.3	10.1
Payout (%)	18.8	17.0	16.1

## Valuations

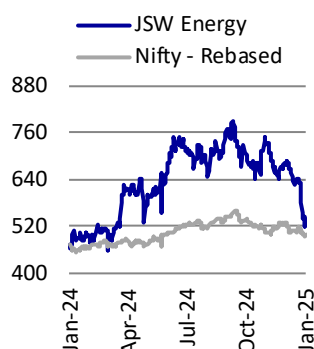
P/E (x)	39.1	31.7	30.1
P/BV (x)	4.3	3.9	3.5
EV/EBITDA (x)	20.4	16.6	13.0
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	-7.8	-6.2	-2.0

## 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

## Stock performance (one-year)



**CMP: INR562**

**TP: INR790 (+41%)**

**Buy**

## Concerns regarding the battery storage project overdone

JSW Energy (JSWE)'s share price has corrected ~18% over the past month amid a wider sell-off in the power utility space, which is likely attributable to the slower growth in power demand for 3QFY25. Regulatory uncertainty related to the battery storage project has also weighed on the stock. Consequently, we cut our FY26/27E EBITDA by 3%/4% as we: 1) remove earnings contribution from the 500MW battery energy storage project and 2) include earnings contribution from the acquisition of 125MW RE capacity from the Hetero Group. We also do not ascribe any value to the battery storage project in our SoTP valuation now. Reiterate BUY with a revised SoTP-based TP of INR790.

## Battery project uncertainty and soft power demand weigh on the stock

- JSWE's share price has been under pressure recently, down ~18% over the past month (vs. NTPC -12.5%, TPWR -16.7%, and PWGR -13.3%). We believe recent weakness is part of a broader sell-off in the power utility space, which in turn is likely attributable to a deceleration in power demand growth from 8-9% to ~5-6% recently.
- Further, the recent regulatory uncertainty related to the group's battery project has contributed to the share price volatility. We note that in a regulatory setback recently, the Central Electricity Regulatory Commission (CERC) declined to adopt the proposed tariff for the 500MW battery energy storage project contracted with the Solar Energy Corporation of India Limited (SECI). The CERC, in its order dated 2<sup>nd</sup> Jan'25, cited misalignment of the proposed tariff with prevailing market prices due to delays by SECI. JSWE, according to a company press release ([link](#)), is in the process of filing an appeal against this decision.

## Limited impairment risk; 4% of FY26E EBITDA attributable to the project

- The 500MW battery energy storage project in question was expected to contribute ~4-5% to JSWE's EBITDA in FY26/27.
- Despite the recent regulatory setback, we believe the risk of impairment appears to be low, as ~40% of the project's capacity (200MW) was intended for merchant operations, which is not affected by this decision.
- While we seek greater clarity from management, post-3Q result, regarding any battery-pack-related capex incurred, we believe JSWE can redeploy the battery pack in alternative projects.

## Limited downside risk on stress testing valuations

- We currently value the thermal and RE assets at 10x and 15x FY27 EBITDA, respectively. The valuation for RE assets is at a slight discount to the valuation multiple for NTPC Green despite: 1) higher PPA coverage for the awarded pipeline, 2) a better execution track record, and 3) an established wind track record, which is key to sustaining returns by up-trading into complex tenders ([link](#)).

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- In our stress case, we adjust the valuation multiples downward to 7x from 10x for thermal and 12x from 15x for RE, which results in a TP of INR551, representing downside of 2% from current levels.

#### JSWE moves one step closer to acquisition of KSK Mahanadi

- On 13<sup>th</sup> Jan'25, JSWE received a Letter of Intent from the resolution professional as its resolution plan for KSK Mahanadi Power Company Limited (KMPCL) was approved by the Committee of Creditors. KSK Mahanadi, a thermal asset with 1.8GW of operational capacity (95% of which is tied up under long- and medium-term PPAs), also offers an additional 1.8GW scope for brownfield expansion.
- JSWE has agreed to acquire KMPCL for a consideration of INR159.9b, implying an estimated EV/EBITDA multiple of ~6x. The completion of this transaction is contingent upon obtaining necessary regulatory approvals, including from the National Company Law Tribunal (NCLT) and the Competition Commission of India (CCI).

#### We cut our FY26/27E EBITDA by 3%/4%; SoTP-based TP revised to INR790

- We revise our earnings estimates for JSWE to reflect the recent developments. We have included earnings contribution from the acquisition of the 125MW RE capacity from Hetero Group. In addition, we have removed the earnings contribution from the 500MW battery energy storage project as we await further clarity. We also do not ascribe any value to the battery storage project in our SoTP valuation now.
- These changes result in a 3%/4% reduction in our EBITDA estimates for FY26/ FY27, and a corresponding 2% decline in our SoTP valuation, leading to a revised TP of INR790. **Reiterate BUY.**

#### Exhibit 1: KSK Mahanadi – EBITDA and valuation estimation

Particulars	Units	Amount
Capacity	MW	1,800
Generation	MU	12,614
EBITDA at INR2/unit	INRm	25,229
EV as per Transaction	INRm	1,59,850
<b>EV/EBITDA</b>	<b>(x)</b>	<b>6.34</b>
KSK Mahanadi EBITDA	INRm	25,229
Multiple - EV/EBITDA	(x)	9
Value	INRm	2,24,789
Net debt	INRm	1,20,000
Market Cap	INRm	1,04,789
<b>Per share impact</b>	<b>INR/share</b>	<b>60</b>

Source: Company, MOFSL

**Exhibit 2: Limited downside risk on stress testing valuations**

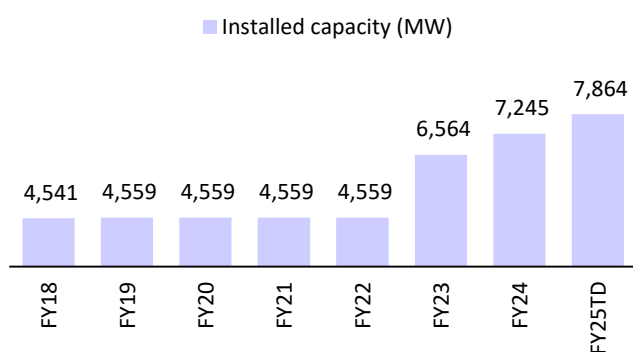
Particulars	Units	EBITDA - FY27	Valuation multiple	Amount
Thermal	INR m	29,676	7	2,07,731
Hydro BV - FY27	INR m	58,299	2	1,16,598
RE EBITDA - FY27 (FY28 EBITDA discounted by 1 yr)	INR m	83,554	12	10,02,645
Green Hydrogen Equity	INR m	1,438	2	3,522
<b>EV</b>	<b>INR m</b>			<b>13,30,496</b>
Less: Net Debt	INR m			4,16,010
<b>Market cap</b>	<b>INR m</b>			<b>9,14,485</b>
JSW Steel stake*	INR m			47,489
<b>Total Equity value</b>	<b>INR m</b>			<b>9,61,974</b>
<b>Target price</b>	<b>INR/Share</b>			<b>551</b>
CMP	INR/share			562
<b>Upside</b>				<b>-2%</b>

Source: Company, MOFSL

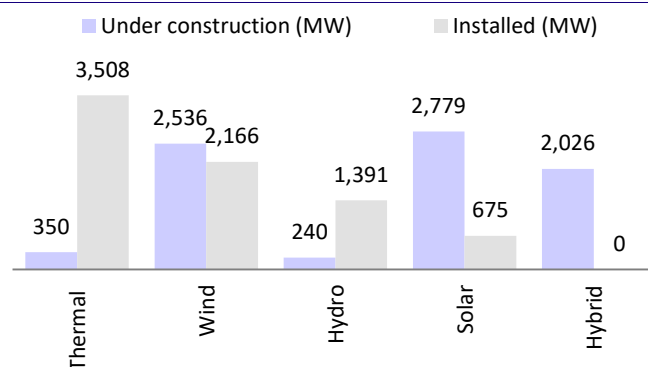
**Exhibit 3: JSWE SoTP-based valuation**

Particulars	Units	EBITDA - FY27	Valuation multiple	Amount
Thermal	INR m	29,676	10	2,96,759
Hydro BV - FY27	INR m	58,299	3	1,74,897
RE EBITDA - FY27 (FY28 EBITDA discounted by 1 yr)	INR m	83,554	15	12,71,688
Green Hydrogen Equity	INR m	1,438	2	3,522
<b>EV</b>	<b>INR m</b>			<b>17,46,865</b>
Less: Net Debt	INR m			4,16,010
<b>Market cap</b>	<b>INR m</b>			<b>13,30,855</b>
JSW Steel stake*	INR m			47,489
<b>Total Equity value</b>	<b>INR m</b>			<b>13,78,344</b>
<b>Target price</b>	<b>INR/Share</b>			<b>790</b>
CMP	INR/share			562
<b>Upside</b>				<b>41%</b>

\* At 25% discount Source: Company, MOFSL

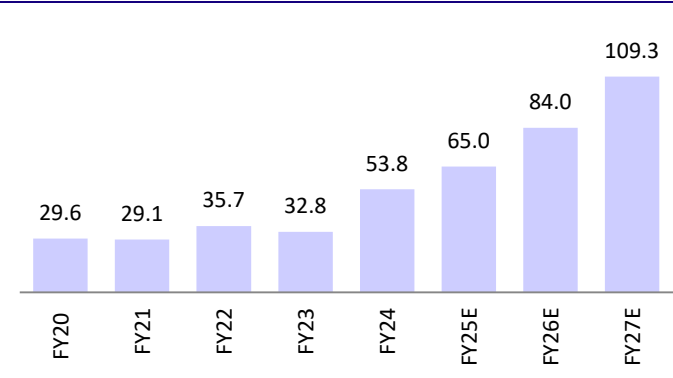
**Exhibit 4: Installed capacity growth**

Source: Company, MOFSL

**Exhibit 5: Capacity breakdown by 2QFY25-end**

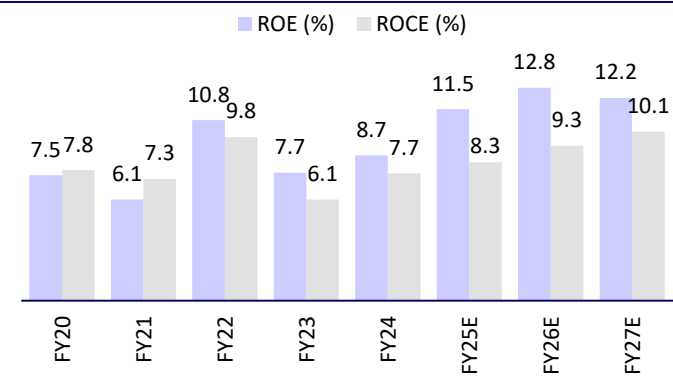
Source: Company, MOFSL

Exhibit 6: Consol. EBITDA (INRb)



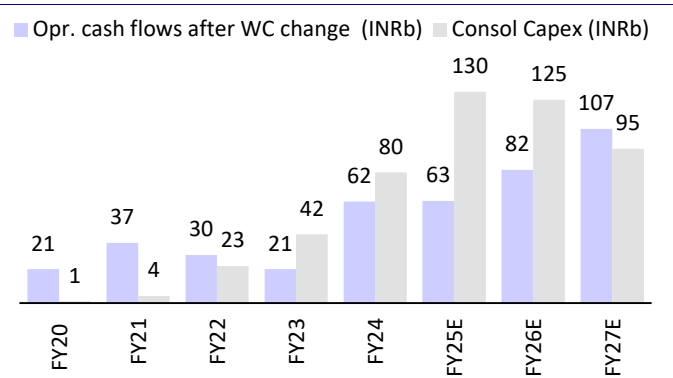
Source: Company, MOFSL

Exhibit 7: Consol. RoE and RoCE

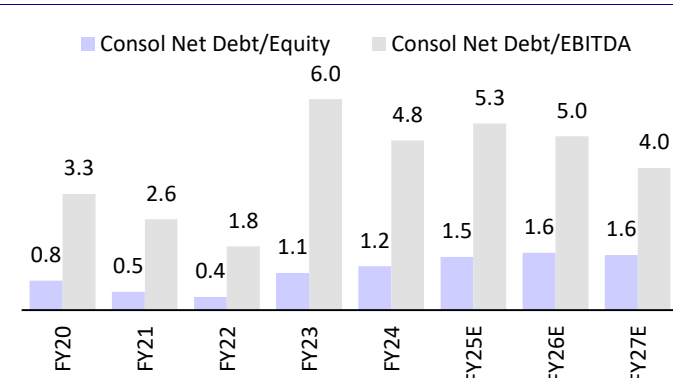


Source: Company, MOFSL

Exhibit 8: Capex ramp-up driven by the 20GW capacity target      Exhibit 9: Leverage trending up amid capacity expansions



Source: Company, MOFSL



Source: Company, MOFSL

## Financials and valuations

### Consolidated Income Statement

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>1,03,318</b>	<b>1,14,859</b>	<b>1,37,616</b>	<b>1,64,370</b>	<b>1,95,626</b>
Change (%)	26.5	11.2	19.8	19.4	19.0
<b>EBITDA</b>	<b>32,818</b>	<b>53,818</b>	<b>65,047</b>	<b>84,010</b>	<b>1,09,254</b>
% of Net Sales	31.8	46.9	47.3	51.1	55.8
Depreciation	11,692	16,334	18,400	22,071	32,990
<b>EBIT</b>	<b>21,126</b>	<b>37,484</b>	<b>46,647</b>	<b>61,939</b>	<b>76,264</b>
Net Interest	8,443	20,534	22,150	30,057	42,386
Other income	5,352	4,554	8,090	8,090	9,090
<b>PBT before EO</b>	<b>18,036</b>	<b>21,504</b>	<b>32,587</b>	<b>39,971</b>	<b>42,968</b>
EO expense	-1,200	0	0	0	0
<b>PBT after EO</b>	<b>19,236</b>	<b>21,504</b>	<b>32,587</b>	<b>39,971</b>	<b>42,968</b>
Tax	4,627	4,423	7,006	8,594	9,883
Rate (%)	24.1	20.6	21.5	21.5	23.0
JV	193	165	255	255	255
Minority	24	19	750	750	750
<b>Reported PAT</b>	<b>14,778</b>	<b>17,227</b>	<b>25,086</b>	<b>30,882</b>	<b>32,590</b>
<b>Adjusted PAT</b>	<b>13,866</b>	<b>17,227</b>	<b>25,086</b>	<b>30,882</b>	<b>32,590</b>
Change (%)	-19.8	24.2	45.6	23.1	5.5

### Consolidated Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	16,405	16,412	16,412	16,412	16,412
Reserves	1,69,883	1,91,905	2,12,308	2,38,015	2,65,431
<b>Net Worth</b>	<b>1,86,288</b>	<b>2,08,317</b>	<b>2,28,720</b>	<b>2,54,428</b>	<b>2,81,843</b>
Minority Interest	1,054	1,825	2,575	3,325	4,075
Total Loans	2,48,172	3,13,266	3,68,266	4,33,266	4,78,266
Deferred Tax Liability	10,784	13,390	14,530	15,929	18,078
<b>Capital Employed</b>	<b>4,46,298</b>	<b>5,36,798</b>	<b>6,14,092</b>	<b>7,06,948</b>	<b>7,82,262</b>
Gross Block	3,29,615	3,85,207	4,14,810	5,44,813	6,54,816
Less: Accum. Deprn.	85,809	1,02,143	1,20,543	1,42,614	1,75,604
<b>Net Fixed Assets</b>	<b>2,43,807</b>	<b>2,83,064</b>	<b>2,94,266</b>	<b>4,02,198</b>	<b>4,79,211</b>
Capital WIP	47,795	1,02,851	2,03,248	1,98,245	1,83,242
Goodwill	6,485	6,398	6,398	6,398	6,398
Investments	49,616	59,458	59,458	59,458	59,458
<b>Curr. Assets</b>	<b>1,39,714</b>	<b>1,30,920</b>	<b>1,00,144</b>	<b>95,622</b>	<b>1,15,887</b>
Inventories	9,871	8,307	9,049	9,907	9,647
Account Receivables	16,314	10,205	9,426	9,007	10,719
Cash and Bank Balance	50,850	52,957	22,217	17,256	36,068
Others	62,679	59,452	59,452	59,452	59,452
<b>Curr. Liability &amp; Prov.</b>	<b>41,119</b>	<b>45,893</b>	<b>49,423</b>	<b>54,973</b>	<b>61,934</b>
Account Payables	12,741	13,437	16,966	22,516	29,478
Provisions & Others	28,378	32,456	32,456	32,456	32,456
<b>Net Curr. Assets</b>	<b>98,595</b>	<b>85,028</b>	<b>50,721</b>	<b>40,649</b>	<b>53,952</b>
<b>Appl. of Funds</b>	<b>4,46,298</b>	<b>5,36,798</b>	<b>6,14,092</b>	<b>7,06,948</b>	<b>7,82,262</b>

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>					
<b>EPS</b>	<b>8.5</b>	<b>10.5</b>	<b>14.4</b>	<b>17.7</b>	<b>18.7</b>
Cash EPS	15.6	20.5	24.9	30.3	37.6
BV/Share	113.6	127.0	131.1	145.8	161.5
DPS	2.0	2.0	2.7	3.0	3.0
Payout (%)	23.7	19.0	18.8	17.0	16.1
Dividend yield (%)	0.4	0.4	0.5	0.5	0.5
<b>Valuation (x)</b>					
P/E	66.4	53.5	39.1	31.7	30.1
Cash P/E	36.0	27.4	22.5	18.5	14.9
P/BV	4.9	4.4	4.3	3.9	3.5
EV/EBITDA	34.1	21.9	20.4	16.6	13.0
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.5
FCF (pre-interest) to EV (%)	-1.9	-1.5	-5.1	-3.1	0.8
<b>Return Ratios (%)</b>					
RoE	7.7	8.7	11.5	12.8	12.2
RoCE (post-tax)	6.1	7.7	8.3	9.3	10.1
RoIC (post-tax)	7.0	9.8	11.5	13.0	12.7
<b>Working Capital Ratios</b>					
Fixed Asset Turnover (x)	0.4	0.4	0.5	0.4	0.4
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.3
Debtor (Days)	58	32	25	20	20
Inventory (Days)	35	26	24	22	18
Working Capital Turnover (Days)					
<b>Leverage Ratio (x)</b>					
Net Debt/EBITDA	6.0	4.8	5.3	5.0	4.0
Debt/Equity	1.1	1.2	1.5	1.6	1.6

### Consolidated Cash Flow Statement

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>EBITDA</b>	<b>32,818</b>	<b>53,818</b>	<b>65,047</b>	<b>84,010</b>	<b>1,09,254</b>
FX gain/loss	0	0	0	0	0
WC	-11,336	10,085	3,567	5,111	5,509
Others	2,833	2,290	0	0	0
Direct taxes (net)	-3,473	-3,857	-5,866	-7,195	-7,734
<b>CF from Op. Activity</b>	<b>20,843</b>	<b>62,336</b>	<b>62,748</b>	<b>81,926</b>	<b>1,07,028</b>
Capex	-42,363	-80,328	-1,30,000	-1,25,000	-95,000
<b>FCFF</b>	<b>-21,520</b>	<b>-17,991</b>	<b>-67,252</b>	<b>-43,074</b>	<b>12,028</b>
Interest income	2,342	1,894	0	0	0
Others	-30,074	-4,743	8,090	8,090	9,090
<b>CF from Inv. Activity</b>	<b>-70,095</b>	<b>-83,177</b>	<b>-1,21,910</b>	<b>-1,16,910</b>	<b>-85,910</b>
Share capital	24	0	0	0	0
Borrowings	87,278	-1,77,098	55,000	65,000	45,000
Finance cost	-10,758	-23,082	-22,150	-30,057	-42,386
Dividend	-3,288	-3,468	-4,428	-4,920	-4,920
Others	1,581	2,26,596	0	0	0
<b>CF from Fin. Activity</b>	<b>74,838</b>	<b>22,947</b>	<b>28,422</b>	<b>30,023</b>	<b>-2,306</b>
<b>(Inc)/Dec in Cash</b>	<b>25,586</b>	<b>2,106</b>	<b>-30,740</b>	<b>-4,961</b>	<b>18,812</b>
Opening balance	25,265	50,850	52,957	22,217	17,256
<b>Closing balance (as per B/S)</b>	<b>50,850</b>	<b>52,957</b>	<b>22,217</b>	<b>17,256</b>	<b>36,068</b>

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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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