

Stake sale in JSW Neo could raise USD 1bn

Media reports suggest that JSW Energy plans to raise USD 1bn by monetising its stake in JSW Neo, which has an asset base of 5.9GW and is developing 3.4GWh energy storage, 1GW solar module manufacturing and a 3,800TPA green hydrogen manufacturing facility. With a vision of 20GW capacity by 2030, JSW Energy continues to pursue an opportunistic strategy; it acquired stressed but good-quality Mytrah Energy (1,331MW of wind and 422MW of solar) at an EV of INR 10.5bn. We anticipate that JSW Energy will sell 10% stake in JSW Neo, implying a valuation of INR 880bn-900bn, in line with our valuation. We continue to maintain our BUY rating on the stock, valuing it at an SOTP-based TP of INR 500 implying 13x Sep'25 blended EV/EBITDA.

- Business reorganisation:** In FY23, the company completed the reorganisation of its businesses into green and grey. This involved integrating existing and upcoming renewable energy ventures including hydropower, spanning generation, energy storage, PV modules, and green hydrogen/ammonia and its derivatives, all under JSW Neo Energy.
- Vision:** The company has a vision to install 20GW generating capacity, complemented by 40GWh/5GW of energy storage capacity by 2030 (10GW expected to be operationalised by CY24).
- JSW Neo:** JSW Energy has an installed power generation capacity of 6.8GW, with JSW Neo contributing 3.6GW (1.4GW Hydro/ 1.5GW Wind/ .68GW Solar). In addition to power generation, the company is developing energy storage (3.4GWh locked in; 2.4GWh Hydro Pumped Storage and 1GWh BESS), a 1GW solar module manufacturing unit (allocated under PLI-II), and a 3,800TPA green hydrogen manufacturing facility. The company has signed MoUs for 72 GWh of hydro pumped storage.
- Aggressive expansion:** In FY23, JSW Energy acquired a portfolio of 1,753MW (1,331MW of wind and 422MW of solar) of renewable energy generation capacity from Mytrah Energy (India) Pvt Ltd with long-term PPA and an average remaining life of 18 years at an EV of INR 10.5bn, after adjusting for net current assets.
- Capacity under construction and strategic plans:** Currently, 2,321MW of assets (240MW of hydro and 2,081MW of wind) are under construction, which the management expects to operationalise in CY24.
- Fundraise:** According to media reports, JSW Energy is in advanced stages of raising funds amounting to USD 1bn in tranches by monetising its stake in JSW Neo. We anticipate that JSW Energy will sell 10% stake in JSW Neo, implying a valuation of INR 880bn-900bn, in line with our valuation.
- Valuation:** We continue to maintain our BUY rating on the stock, valuing it at an SOTP-based target Price of INR 500 per share. This valuation implies a 13x Sep'25 blended EV/EBITDA, with JSW Neo contributing 88% to the value of JSW Energy.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	81,671	1,03,318	1,35,104	1,79,258	2,09,452
Sales Growth (%)	18.0	26.5	30.8	32.7	16.8
EBITDA	35,690	32,818	53,034	76,183	1,01,094
EBITDA Margin (%)	43.7	31.8	39.3	42.5	48.3
Adjusted Net Profit	17,286	13,578	15,649	23,749	34,528
Diluted EPS (INR)	10.5	8.3	9.5	14.5	21.0
Diluted EPS Growth (%)	117.1	-21.3	15.3	51.8	45.4
ROIC (%)	11.3	7.0	8.3	9.6	11.0
ROE (%)	10.8	7.5	8.1	11.4	14.9
P/E (x)	45.7	58.1	50.4	33.2	22.9
P/B (x)	4.5	4.2	4.0	3.6	3.2
EV/EBITDA (x)	23.8	28.8	18.9	14.5	11.0
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.8

Source: Company data, JM Financial. Note: Valuations as of 12/Jan/2024

Sudhanshu Bansal
sudhanshu.bansal@jmfl.com | Tel: (91 22) 66303128

Dhananjay Jain
dhananjay.jain@jmfl.com | Tel: (91 22) 62241879

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	500
Upside/(Downside)	3.4%
Previous Price Target	500
Change	0.0%

Key Data – JSW IN

Current Market Price	INR484
Market cap (bn)	INR795.2/US\$9.6
Free Float	18%
Shares in issue (mn)	1,642.4
Diluted share (mn)	
3-mon avg daily val (mn)	INR1,989.9/US\$24.0
52-week range	485/205
Sensex/Nifty	72,568/21,895
INR/US\$	82.9

Price Performance

%	1M	6M	12M
Absolute	8.7	54.5	76.8
Relative*	4.1	39.2	46.1

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

JSW Neo Fundraise

Valuation

Exhibit 1. SOTP Valuation

Particulars	Capacity* (MW)	EBITDA (INR mn)	Parameter	Multiple	Total Value (INR mn)	Value/shr (INR)
Thermal Power - (Barmer, Ratnagiri, Vijaynagar, Utkal)	3,858	32,621	EV/EBITDA	8.0	2,60,971	159
JSW Neo					8,81,389	537
- Hydro Power - (Baspas, Karcham Wangtoo & Kutehr)	1,631	14,482	EV/EBITDA	11.0	1,59,305	97
- Renewables - (Wind + Captive Solar + Mytrah)	4,281	60,174	EV/EBITDA	12.0	7,22,084	440
Net Debt					3,21,803	196
Equity Value					8,20,557	500

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	81,671	1,03,318	1,35,104	1,79,258	2,09,452	
Sales Growth	18.0%	26.5%	30.8%	32.7%	16.8%	
Other Operating Income	0	0	0	0	0	
Total Revenue	81,671	1,03,318	1,35,104	1,79,258	2,09,452	
Cost of Goods Sold/Op. Exp	35,742	59,373	64,566	80,647	79,790	
Personnel Cost	2,642	3,076	4,053	5,051	5,942	
Other Expenses	7,598	8,051	13,450	17,377	22,627	
EBITDA	35,690	32,818	53,034	76,183	1,01,094	
EBITDA Margin	43.7%	31.8%	39.3%	42.5%	48.3%	
EBITDA Growth	22.8%	-8.0%	61.6%	43.6%	32.7%	
Depn. & Amort.	11,311	11,692	19,425	25,008	30,673	
EBIT	24,379	21,126	33,610	51,175	70,421	
Other Income	5,687	5,352	6,755	7,093	7,448	
Finance Cost	7,769	8,443	19,997	26,756	31,953	
PBT before Excep. & Forex	22,297	18,036	20,368	31,512	45,916	
Excep. & Forex Inc./Loss(-)	0	-1,200	0	0	0	
PBT	22,297	16,836	20,368	31,512	45,916	
Taxes	4,948	4,627	4,888	7,931	11,557	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	234	217	217	217	217	
Reported Net Profit	17,434	12,401	15,672	23,773	34,552	
Adjusted Net Profit	17,286	13,578	15,649	23,749	34,528	
Net Margin	21.2%	13.1%	11.6%	13.2%	16.5%	
Diluted Share Cap. (mn)	1,644.0	1,640.5	1,640.5	1,640.5	1,640.5	
Diluted EPS (INR)	10.5	8.3	9.5	14.5	21.0	
Diluted EPS Growth	117.1%	-21.3%	15.3%	51.8%	45.4%	
Total Dividend + Tax	3,287	3,288	3,482	4,279	6,219	
Dividend Per Share (INR)	2.0	2.0	2.1	2.6	3.8	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	22,383	19,428	20,368	31,512	45,916	
Depn. & Amort.	11,311	11,692	19,425	25,008	30,673	
Net Interest Exp. / Inc. (-)	4,257	6,993	13,242	19,663	24,505	
Inc (-) / Dec in WCcap.	-4,375	-11,336	1,345	-1,174	-2,068	
Others	333	-2,462	169	169	169	
Taxes Paid	-4,388	-3,473	-4,888	-7,931	-11,557	
Operating Cash Flow	29,520	20,843	49,660	67,247	87,638	
Capex	-22,941	-42,363	-98,609	-1,44,809	-64,709	
Free Cash Flow	6,580	-21,520	-48,948	-77,562	22,928	
Inc (-) / Dec in Investments	5,397	-31,289	9,919	0	-1,576	
Others	3,621	3,557	6,755	7,093	7,448	
Investing Cash Flow	-13,922	-70,095	-81,934	-1,37,716	-58,838	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-3,287	-3,288	-3,482	-4,279	-6,219	
Inc / Dec (-) in Loans	3,924	87,278	60,223	89,978	25,498	
Others	-9,686	-5,940	-20,005	-26,756	-31,946	
Financing Cash Flow	-9,049	78,050	36,736	58,942	-12,667	
Inc / Dec (-) in Cash	6,549	28,798	4,463	-11,527	16,132	
Opening Cash Balance	4,792	11,341	40,139	44,601	33,075	
Closing Cash Balance	11,341	40,139	44,601	33,075	49,207	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	1,74,149	1,86,288	1,98,455	2,17,926	2,46,234	
Share Capital	16,397	16,405	16,405	16,405	16,405	
Reserves & Surplus	1,57,752	1,69,883	1,82,050	2,01,520	2,29,829	
Preference Share Capital	0	0	0	0	0	
Minority Interest	21	1,054	1,054	1,054	1,054	
Total Loans	69,951	1,95,312	2,55,535	3,45,513	3,71,010	
Def. Tax Liab. / Assets (-)	8,923	10,784	10,784	10,784	10,784	
Total - Equity & Liab.	2,53,043	3,93,438	4,65,828	5,75,276	6,29,082	
Net Fixed Assets	1,69,212	2,98,087	3,77,271	4,97,072	5,31,108	
Gross Fixed Assets	2,05,443	3,12,608	3,79,824	5,15,767	6,77,540	
Intangible Assets	14,078	19,555	19,555	19,555	19,555	
Less: Depn. & Amort.	71,215	81,958	1,01,382	1,26,390	1,57,063	
Capital WIP	20,906	47,882	79,274	88,140	-8,924	
Investments	65,438	70,537	70,537	70,537	70,537	
Current Assets	74,674	1,18,793	1,17,758	1,13,454	1,37,367	
Inventories	9,010	9,871	11,104	14,734	17,215	
Sundry Debtors	6,702	15,319	18,507	22,100	25,823	
Cash & Bank Balances	11,341	40,139	44,601	33,075	49,207	
Loans & Advances	0	0	0	0	0	
Other Current Assets	47,621	53,465	43,545	43,545	45,121	
Current Liab. & Prov.	56,281	93,979	99,738	1,05,786	1,09,929	
Current Liabilities	16,113	16,664	22,430	28,479	32,615	
Provisions & Others	40,168	77,316	77,307	77,307	77,314	
Net Current Assets	18,393	24,814	18,021	7,668	27,437	
Total - Assets	2,53,043	3,93,438	4,65,828	5,75,276	6,29,082	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	21.2%	13.1%	11.6%	13.2%	16.5%	
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.3	
Leverage Factor (x)	1.8	2.2	2.7	3.0	3.1	
RoE	10.8%	7.5%	8.1%	11.4%	14.9%	

Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	105.9	113.6	121.0	132.8	150.1	
ROIC	11.3%	7.0%	8.3%	9.6%	11.0%	
ROE	10.8%	7.5%	8.1%	11.4%	14.9%	
Net Debt/Equity (x)	0.3	0.8	1.1	1.4	1.3	
P/E (x)	45.7	58.1	50.4	33.2	22.9	
P/B (x)	4.5	4.2	4.0	3.6	3.2	
EV/EBITDA (x)	23.8	28.8	18.9	14.5	11.0	
EV/Sales (x)	10.4	9.2	7.4	6.2	5.3	
Debtor days	30	54	50	45	45	
Inventory days	40	35	30	30	30	
Creditor days	85	66	82	87	97	

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chery, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.