

BSE SENSEX 78,248 S&P CNX 23,645

CMP: INR644

TP: INR816 (+27%)

Buy



Stock Info

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(USDb)	1124.7 / 13.1
52-Week Range (INR)	805 / 404
1, 6, 12 Rel. Per (%)	0/-11/49
12M Avg Val (INR M)	2334
Free float (%)	30.7

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	114.9	146.0	168.0
EBITDA	53.8	72.0	88.0
Adj. PAT	17.2	27.6	33.7
EPS (INR)	10.5	15.8	19.3
EPS Gr. (%)	24.2	50.4	22.1
BV/Sh.(INR)	127.0	132.5	148.8

Ratios

Net D:E	1.2	1.5	1.6
RoE (%)	8.7	12.5	13.7
RoCE (%)	7.7	9.3	9.6
Payout (%)	19.0	17.1	15.6

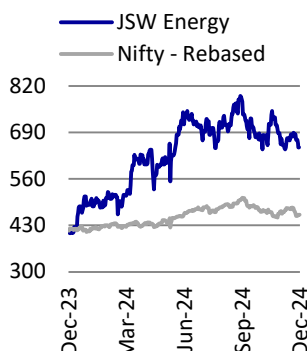
Valuations

P/E (x)	61.1	40.7	33.3
P/BV (x)	5.1	4.8	4.3
EV/EBITDA (x)	24.4	20.3	17.4
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	-4.4	-7.6	-6.0

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

Stock Performance (1-year)



Wind capacity advantage & PPA visibility: Key differentiators vs peers

Focus on sustaining returns in 2025; cash flow visibility

- While the 2024 YTD witnessed a broad-based rally, with the five power utility stocks in our coverage up 7-52%, we believe that in 2025, the valuation premium commanded by Renewable Energy (RE) generation players will be a function of: 1) the ability to sustain returns by up-trading into niche business models, e.g. Firm and Dispatchable Renewable Energy (FDRE), and 2) the ability to maintain high earnings/cash flow visibility, given the ongoing delays in PPA signings that have recently plagued the sector ([link](#)).
- On both these parameters, we highlight JSW Energy (JSWE) as our preferred pick in the power utility space. The company is set to raise its installed capacity to 20 GW (ex-KSK Mahanadi acquisition) by FY28-end (2QFY25-end: 7.7GW). JSWE's strong experience of operating wind assets (2.1GW operational vs 0.1/1.6GW for NTPC Green/Adani Green) is key to up-trading into FDRE bids, where tender announcements have been strong at ~9GW in 2024 YTD (2023: 11GW). With returns from plain vanilla solar/wind projects becoming commoditized, we believe FDRE tenders are critical for sustaining mid-to-high teen equity returns. Moreover, despite recent concerns over delays in PPA tie-ups, JSWE has secured PPAs for 66% (7.7GW) of its RE pipeline vs 34%/37% GW for NTPC Green/ Acme Solar, respectively.
- Our SOTP-based target of INR816 for JSWE values the renewable business at 15x FY27 EBITDA, the thermal business at 10x FY27 EBITDA, and the hydro business at 3x FY27 book value. We also highlight INR60 in option value relating to the KSK Mahanadi acquisition and INR57 relating to O2 Power acquisition ([link](#)).

JSWE's wind capacity advantage positions it strongly to win FDRE tenders

- Over 11 GW of FDRE tenders were issued in 2023, and this figure has remained strong at 9 GW till Dec'24, driven by nodal agencies such as SECI and SJVN. Given the need of discoms to meet base demand, we believe FDRE tenders could dominate future bids, becoming the preferred tendering model (over plain vanilla RE) for renewable energy procurement.
- FDRE tenders typically involve solar + wind + battery deployment. As such, an established track record in operating wind assets is crucial for successfully executing these tenders. As of 2QFY25, JSWE's total operational capacity was 7.7 GW, with wind accounting for 28% (2,166 MW). This places JSWE ahead of peers such as NTPC Green, where wind accounts for just 3% of operational capacity (100MW as of 1HFY25-end), and Adani Green, where wind accounts for only 15% (1,680 MW).
- While there have been recent concerns that solar + storage could replace the need for wind, ReNew, a leading RE player in India, estimates that adding wind to solar + storage reduces the levelized cost of energy by INR0.2-0.3/kWh and leads to ~1% higher project IRR.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Strong PPA backing ensures earnings/cash flow visibility

- JSWE recently secured 445MW of C&I projects, bringing its total locked-in generation capacity to 20 GW. This includes 7.7 GW of operational capacity, 2.1 GW under construction (with commissioning expected by FY25-end), and a robust RE pipeline of ~10.2 GW. Note that this excludes 1.8 GW attributable to KSK Mahanadi, where JSWE's proposal has been declared the highest financial proposal received by the Resolution Professional.
- While there have been recent concerns around generation companies struggling to secure PPAs ([link](#)), JSWE has secured long-term PPAs for 66% (7.7GW) of its RE pipeline, with only 3.9GW of capacity still awaiting PPAs. This compares favorably with peers such as ACME Solar and NTPC Green, which have secured PPAs for 37% (1.6GW) and 34% (4.5GW) of their respective RE pipelines. Further, of the 3.9GW awaiting PPAs for JSWE, 1.5GW is related to Group captive projects while only 2.4GW pertains to third parties.

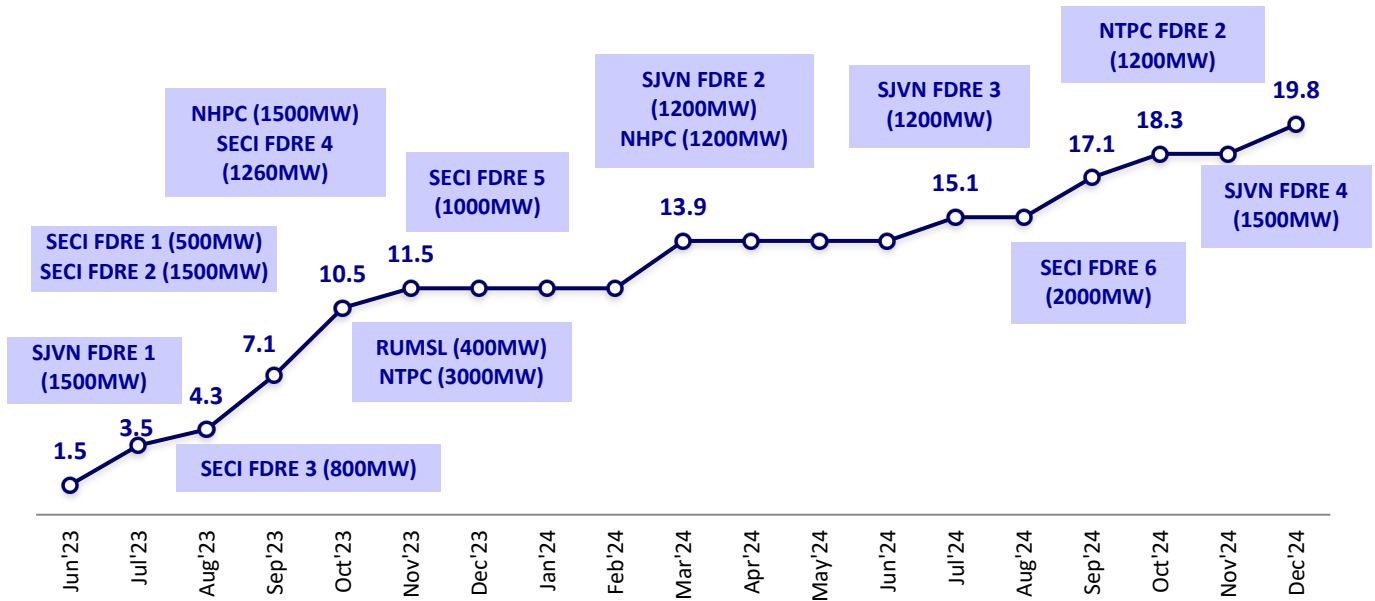
Valuation premium seems well-deserved in light of recent IPOs

- Historically, key investor pushback on JSWE has been centered around premium valuations, with the implied valuation for the RE portfolio at 15x EV/EBITDA (assuming thermal EBITDA is valued at 9-10x EV/EBITDA).
- In our SOTP-based valuation, JSWE's RE portfolio is valued at 15x FY27 EV/EBITDA (FY28 EBITDA discounted by one year). This valuation aligns closely with NTPC Green Energy, which is currently trading at ~16x FY27 EV/EBITDA.
- We acknowledge NTPC Green's superior financing cost advantage, with up to 1-1.5% lower borrowing costs over JSWE. However, we believe JSWE has an edge over NTPC Green due to its established track-record in operating wind assets, in-house EPC, and O&M, which help save costs and provide higher PPA visibility for its under-construction pipeline. JSWE's diverse capabilities also better position it to protect IRRs, especially as returns in plain vanilla solar/wind projects have been under pressure.
- According to our estimates, JSWE is trading at 13x FY27E vs 16x for NTPC Green.

JSWE’s wind capacity edge positions it strongly to win FDRE tenders

- In June’23, the Ministry of Power issued guidelines for the ‘Tariff Based Competitive Bidding Process for Procurement of FDRE from Grid Connected RE Power Projects with Energy Storage Systems (ESS).’ Since then, over 11 GW of FDRE tenders were issued in 2023, and this figure has remained strong at 9 GW by Dec’24, driven by nodal agencies such as SECI and SJVN. We believe FDRE is set to become the preferred model for renewable energy procurement in the future.

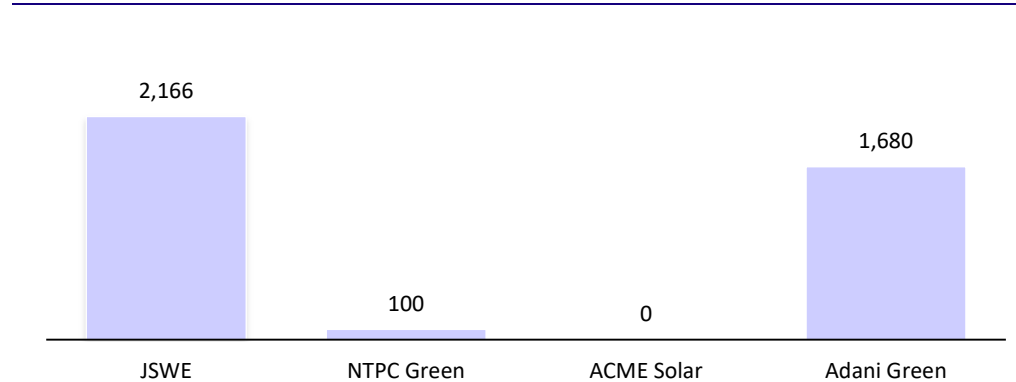
Exhibit 1: FDRE tenders – FY23-24 (GW)



Source: SECI, SJVN, JMK Research, MOFSL

- FDRE tenders typically involve solar + wind + battery deployment. Therefore, an established track record in installing and operating wind assets is crucial for successfully executing FDRE tenders. As of 2QFY25, JSWE's total operational capacity was 7.7 GW, with wind comprising 28% (2,166 MW). This positions JSWE ahead of peers such as NTPC Green, where wind accounts for just 3% (100MW) of operational capacity, Adani Green, where wind makes up only 15% (1,680 MW), and ACME Solar, which has no operational wind capacity.

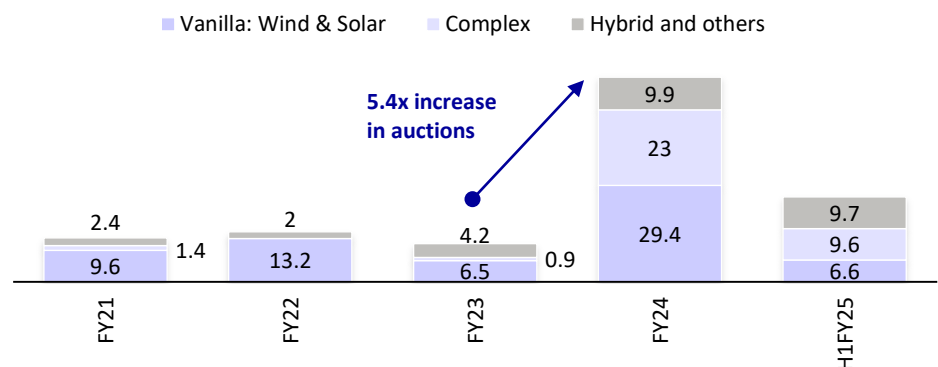
Exhibit 2: Current operational wind capacity (MW)



Source: Company, MOFSL

- **Wind generation profile matches the night demand:** While solar power is best suited for meeting daytime demand, wind is well suited for peak and base load demand at night, as India’s morning and evening peak power demand aligns well with the wind generation profile.
- **Mytrah acquisition was key to strengthening wind advantage:** In FY23, JSWEacquired the assets of Mytrah, totaling 1,753 MW in capacity (10 Wind SPVs with a generation capacity of 1,331 MW and 7 Solar SPVs with a generation capacity of 422 MW). The transaction valued the Mytrah Energy portfolio at INR105b, with the assets secured by long-term PPAs and an expected operational life of ~17 more years. The Mytrah asset played a crucial role in providing JSWE with valuable experience in turning around and operating wind assets.

Exhibit 3: Increase in RE auctions (GW)



Source: ReNew, MOFSL

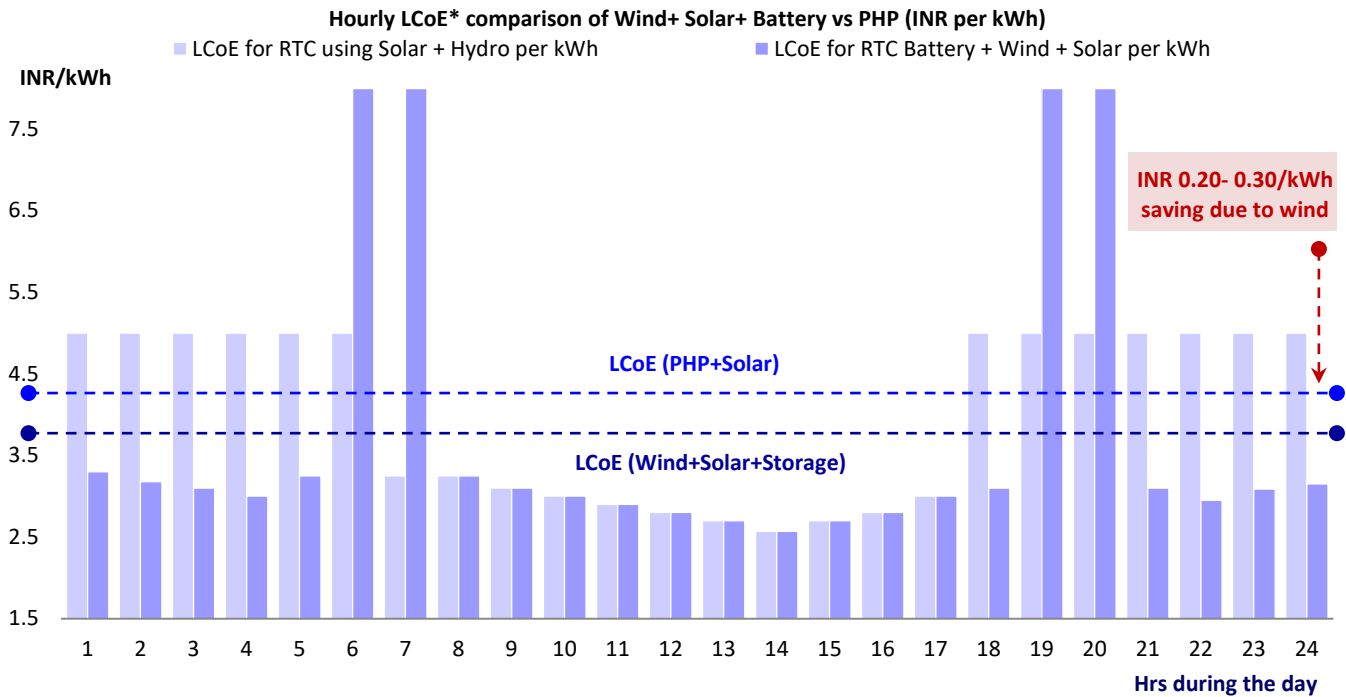
Exhibit 4: Key metrics across the renewable energy auction segments

Type of Project	Firm Power	Solar and Hybrid	Corporate PPAs	Vanilla Wind
GWs currently up for auction	8-10 GW	30-35 GW	Utility scale projects > 25 MW	5-6 GW
No. of competitors	4-5 (60% market share)	~12-14 (Large scale 6-8)	~6-8	~4-5 (Large scale 2-3)
Indicative range of IRRs	High teens	Mid to low teens	Mid-teens	Low teens
Counterparty/offtake	Central bidding agencies	Central + GUVNL	International and domestic corporates	Central + States

Source: ReNew, MOFSL

- While there have been recent concerns that solar + storage can replace the need for wind, ReNew, a leading RE player in India, estimates that adding wind to solar + storage reduces the levelized cost of energy by INR 0.2-0.3/kWh and leads to ~1% higher project IRR.

Exhibit 5: Hourly LCoE* comparison of Wind + Solar + Battery vs PHP (INR per kWh)



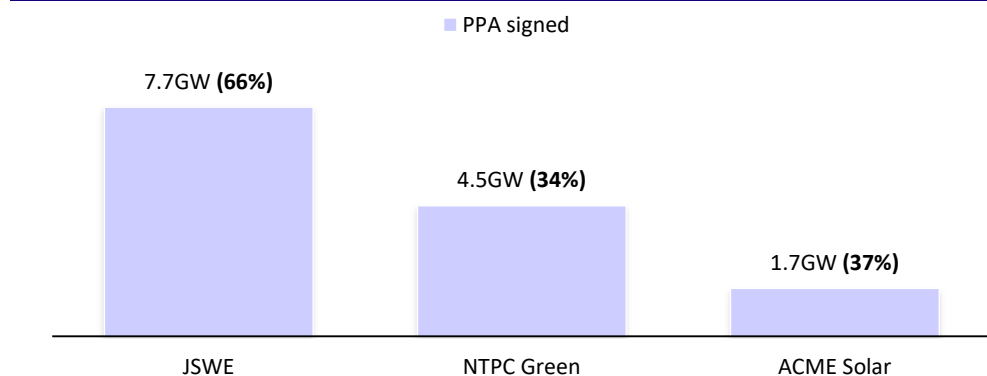
Source: ReNew, MOFSL

- **Backward integration to enable better operational and cost control:** In Oct'24, JSWE further enhanced its wind capabilities through a technology licensing agreement with SANY Renewable Energy Co. Ltd. for the manufacturing of wind turbine blades in India, ensuring cost efficiencies, quality control, and timely equipment supply.

20 GW capacity locked in; capacity backed by PPAs higher than peers

- JSWE recently secured 445MW of C&I projects, achieving a total locked-in generation capacity of 20 GW. This includes 7.7 GW of operational capacity, 2.1 GW under construction (with commissioning expected by FY25-end), and a robust RE pipeline of ~10.2 GW.
- While there have been recent concerns around generation companies struggling to secure PPAs ([link](#)), JSWE has secured long-term PPAs for 66% (7.7GW) of its RE pipeline, with only 3.9GW of capacity still awaiting PPAs. This compares favorably with peers such as ACME Solar and NTPC Green, which have achieved PPAs for 37% (1.6GW) and 34% (4.5GW) of their respective RE pipelines.

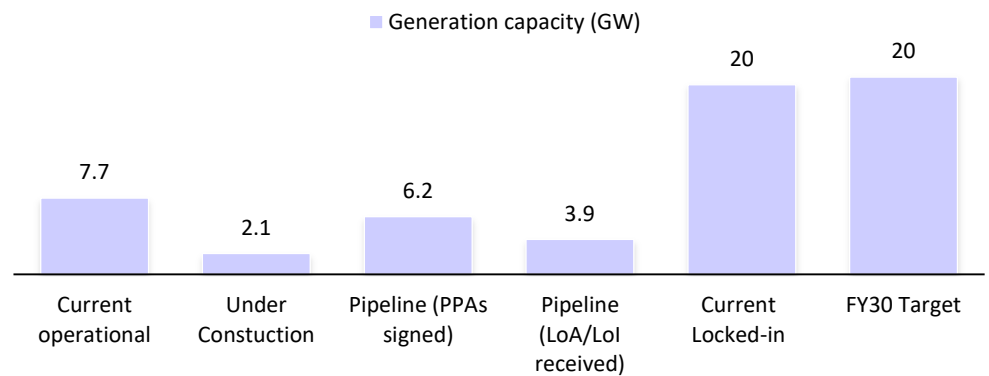
Exhibit 6: PPA signed as a % of the total RE pipeline



Source: Company, MOFSL

- JSWE is expected to witness strong growth, with its operational capacity of 7.7 GW set to expand to 10 GW by FY25-end, ~11 GW by FY26, and ~14.4 GW by FY27. The potential addition of 1.8 GW from KSK assets upon deal completion further amplifies its growth trajectory, bringing the operational capacity to ~16 GW by the end of FY27.
- With an ambitious target to achieve 20 GW of installed RE capacity by 2030, JSWE is well on track to meet—and likely exceed—this goal ahead of schedule.

Exhibit 7: JSWE's capacity (GW)



Source: Company, MOFSL

Valuation comparable to peers; execution & PPA visibility higher than peers

- Historically, key investor pushback on JSWE has centered around expensive valuations, with the implied valuation for the RE portfolio at 15x EV/EBITDA (assuming thermal EBITDA is valued at 9-10x EV/EBITDA).
- In our SOTP-based valuation, JSWE's RE portfolio is valued at 15x FY27 EV/EBITDA (FY28 EBITDA discounted by one year). This valuation aligns closely with NTPC Green Energy, which is currently trading at ~16x FY27 EV/EBITDA.
- We acknowledge NTPC Green's superior financing cost advantage (up to 1-1.5% lower borrowing costs) over JSWE. However, we believe JSWE has an edge over NTPC Green in the following areas: 1) As highlighted in this report, JSWE has an established track record in operating wind assets, which we believe will be critical for sustaining mid-teen IRRs on its RE portfolio going forward; 2) Unlike NTPC Green, which outsources EPC and O&M for all RE projects, JSWE handles these internally, leading to significant savings over the asset's life. This, we believe, offsets some of the interest cost advantage that NTPC Green enjoys; 3) Only 4.4 GW (34%) of JSWE's RE pipeline lacks PPA visibility vs 66% for NTPC Green.
- Additionally, the thermal segment has been valued at 10x EV/EBITDA, which is consistent with NTPC's trading multiple.
- The final approval for the KSK Mahanadi acquisition is expected by end-FY25/1QFY26. As such, earnings from this acquisition have not been built into our estimates. Should we include the earnings and consequent debt from this acquisition, it would further enhance our TP by INR60/share.

Exhibit 8: KSK Mahanadi EBITDA and 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
EV/EBITDA	(x)	6.34
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
Per share impact	INR/share	60

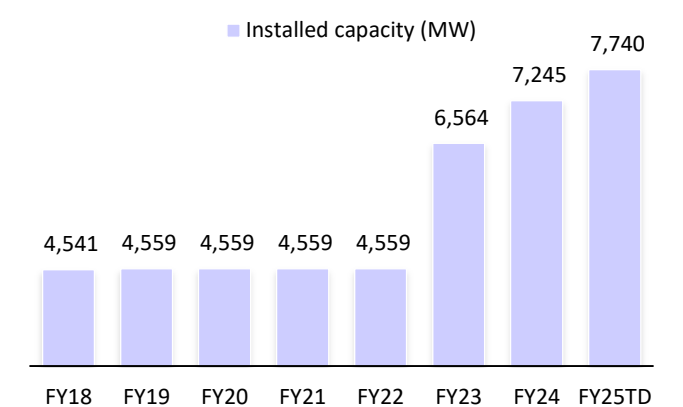
Source: Company, MOFSL

Exhibit 9: JSWE SoTP-based valuation

Particulars	Units	EBITDA - FY27	Valuation multiple	Amount
Thermal	INR m	29,672	10	2,96,719
Hydro BV - FY27	INR m	60,775	3	1,82,326
RE EBITDA - FY27 (FY28 EBITDA dicounted by 1 yr)	INR m	83,017	15	12,82,609
Green Hydrogen Equity	INR m	1,438	2	3,522
Battery- NPV Basis	INR m			21,191
EV	INR m			17,86,366
Less: Net Debt	INR m			4,10,711
Market cap	INR m			13,75,655
JSW Steel stake*	INR m			48,038
Total Equity value	INR m			14,23,693
Target price	INR/Share			816
CMP	INR/share			642
Upside				27%

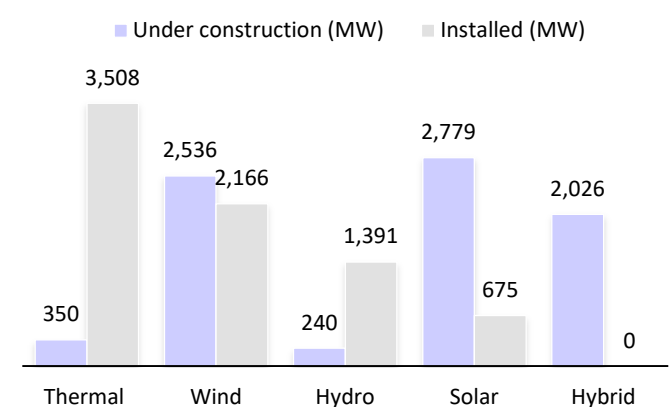
* At 25% discount Source: Company, MOFSL

Exhibit 10: Installed capacity growth



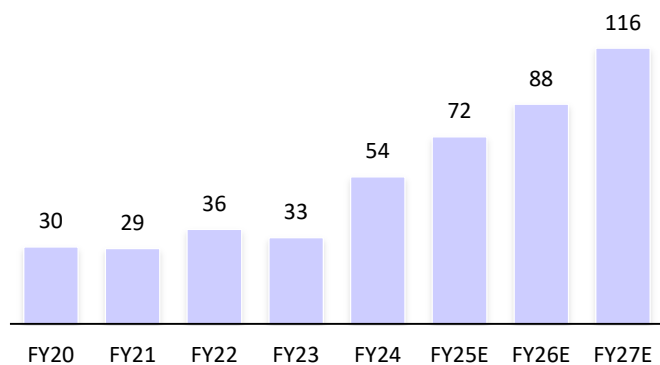
Source: Company, MOFSL

Exhibit 11: Capacity breakdown at 2QFY25 end



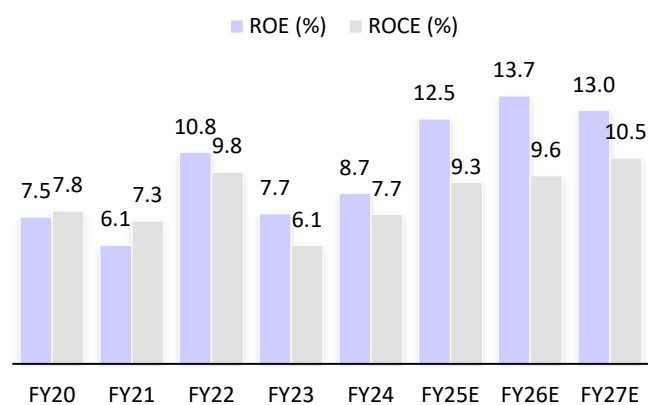
Source: Company, MOFSL

Exhibit 12: Consol. EBITDA (INRb)



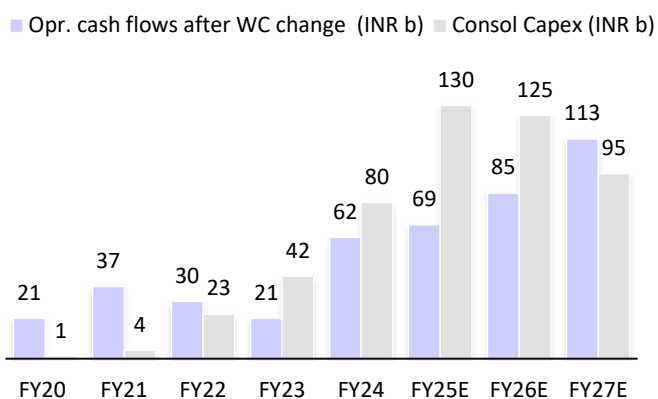
Source: Company, MOFSL

Exhibit 13: Consol. ROE and ROCE



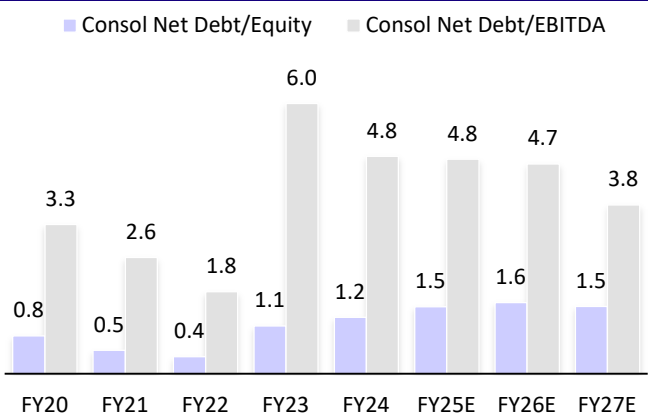
Source: Company, MOFSL

Exhibit 14: Capex ramp-up driven by 20GW capacity target



Source: Company, MOFSL

Exhibit 15: Leverage trending up amid capacity expansion



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	1,46,017	1,67,956	2,01,476
<i>Change (%)</i>	26.5	11.2	27.1	15.0	20.0
EBITDA	32,818	53,818	72,044	88,031	1,15,539
<i>% of Net Sales</i>	31.8	46.9	49.3	52.4	57.3
Depreciation	11,692	16,334	16,800	20,152	32,990
EBIT	21,126	37,484	55,244	67,878	82,549
Net Interest	8,443	20,534	25,557	30,057	43,298
Other income	5,352	4,554	7,855	7,855	7,855
PBT before EO	18,036	21,504	37,541	45,676	47,106
EO expense	-1,200	0	0	0	0
PBT after EO	19,236	21,504	37,541	45,676	47,106
Tax	4,627	4,423	9,385	11,419	10,834
<i>Rate (%)</i>	24.1	20.6	25.0	25.0	23.0
JV	193	165	255	255	255
Minority	24	19	850	850	850
Reported PAT	14,778	17,227	27,561	33,662	35,677
Adjusted PAT	13,866	17,227	27,561	33,662	35,677
<i>Change (%)</i>	-19.8	24.2	60.0	22.1	6.0

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	2,14,783	2,43,270	2,73,772
Net Worth	1,86,288	2,08,317	2,31,195	2,59,682	2,90,184
Minority Interest	1,054	1,825	2,675	3,525	4,375
Total Loans	2,48,172	3,13,266	3,68,266	4,33,266	4,78,266
Deferred Tax Liability	10,784	13,390	16,018	19,215	21,570
Capital Employed	4,46,298	5,36,798	6,18,154	7,15,688	7,94,395
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	1,18,943	1,39,095	1,72,085
Net Fixed Assets	2,43,807	2,83,064	2,95,866	4,05,717	4,82,731
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
Curr. Assets	1,39,714	1,30,920	1,03,642	1,01,334	1,25,382
Inventories	9,871	8,307	9,601	10,123	9,936
Account Receivables	16,314	10,205	10,001	9,203	11,040
Cash and Bank Balance	50,850	52,957	24,587	22,555	44,954
Others	62,679	59,452	59,452	59,452	59,452
Curr. Liability & Prov.	41,119	45,893	50,458	55,464	62,816
Account Payables	12,741	13,437	18,002	23,008	30,359
Provisions & Others	28,378	32,456	32,456	32,456	32,456
Net Curr. Assets	98,595	85,028	53,183	45,870	62,567
Appl. of Funds	4,46,298	5,36,798	6,18,154	7,15,688	7,94,395

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	8.5	10.5	15.8	19.3	20.4
Cash EPS	15.6	20.5	25.4	30.8	39.3
BV/Share	113.6	127.0	132.5	148.8	166.3
DPS	2.0	2.0	2.7	3.0	3.0
Payout (%)	23.7	19.0	17.1	15.6	14.7
Dividend yield (%)	0.3	0.3	0.4	0.5	0.5
Valuation (x)					
P/E	76.0	61.1	40.7	33.3	31.4
Cash P/E	41.2	31.4	25.3	20.8	16.3
P/BV	5.7	5.1	4.8	4.3	3.9
EV/EBITDA	38.1	24.4	20.3	17.4	13.5
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.5
FCF (pre-interest) to EV (%)	-1.7	-1.4	-4.2	-2.6	1.1
Return Ratios (%)					
RoE	7.7	8.7	12.5	13.7	13.0
RoCE (post-tax)	6.1	7.7	9.3	9.6	10.5
RoIC (post-tax)	7.0	9.8	13.0	13.5	13.7
Working Capital Ratios					
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)					
Leverage Ratio (x)					
Net Debt/EBITDA	6.0	4.8	4.8	4.7	3.8
Debt/Equity	1.1	1.2	1.5	1.6	1.5

Consolidated Cash Flow Statement

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
					(INR m)
EBITDA	32,818	53,818	72,044	88,031	1,15,539
FX gain/loss	0	0	0	0	0
WC	-11,336	10,085	3,475	5,281	5,703
Others	2,833	2,290	0	0	0
Direct taxes (net)	-3,473	-3,857	-6,757	-8,222	-8,479
CF from Op. Activity	20,843	62,336	68,761	85,090	1,12,762
Capex	-42,363	-80,328	-1,30,000	-1,25,000	-95,000
FCFF	-21,520	-17,991	-61,239	-39,910	17,762
Interest income	2,342	1,894	0	0	0
Others	-30,074	-4,743	7,855	7,855	7,855
CF from Inv. Activity	-70,095	-83,177	-1,22,145	-1,17,145	-87,145
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	-25,557	-30,057	-43,298
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	25,015	30,023	-3,218
(Inc)/Dec in Cash	25,586	2,106	-28,370	-2,032	22,400
Opening balance	25,265	50,850	52,957	24,587	22,555
Closing balance (as per B/S)	50,850	52,957	24,587	22,555	44,954

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

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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