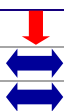


JSW Energy

Estimate change

TP change

Rating change



CMP: INR541

TP: INR655 (+21%)

Buy

EBITDA in line; higher-than-expected DDA and interest hurt PAT

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(US	945.2 / 10.7
52-Week Range	777 / 419
1, 6, 12 Rel. Per	0/-1/-24
12M Avg Val (INR)	2070

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	217.6	252.3	305.2
EBITDA	100.8	126.4	171.3
Adj. PAT	18.9	26.7	41.5
Adj. EPS (INR)	10.9	15.3	23.8
EPS Gr. (%)	1.8	41.0	55.3
BV/Sh.(INR)	166.5	180.1	202.0

Ratios

Net D:E	2.1	2.2	2.2
RoE (%)	6.7	8.8	12.4
RoCE (%)	8.2	7.7	8.8
Payout (%)	27.6	22.9	18.9

Valuations

P/E (x)	49.8	35.4	22.8
P/BV (x)	3.2	3.0	2.7
EV/EBITDA (x)	15.3	13.0	10.0
Div. Yield (%)	0.6	0.6	0.8

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	69.3	69.3	69.3
DII	11.4	10.9	9.2
FII	12.5	13.6	15.6
Others	6.8	6.2	5.9

FII includes depository receipts

- **Higher-than-expected depreciation and interest costs dampen PAT:** JSW Energy (JSWE)'s consolidated revenue at INR51.8b missed our est. by 9%. However, EBITDA was in line at INR29.9b, supported by a higher EBITDA margin of 58% vs. our est. of 53%. Adj. PAT was 16% below our estimate at INR7b, primarily due to lower-than-estimated other income and higher interest/depreciation expenses arising from additional capitalization of new assets during the quarter. The earnings impact was partly mitigated by a lower tax rate of 13.8%.
- **Strong EBITDA run rate amid contributions from KSK and O2Power:** In 2QFY26, the company commissioned 443MW (240MW Kutehr Hydro plant, 148MW Wind, and 56MW Solar) of organic RE capacity and reiterated its FY26 capacity addition target of 3GW (excluding 1.3GW O2 Power) with ~1GW of organic capacity added YTD. The company's open capacity exposure has now reduced to ~8% of its total installed base and is expected to decline further to 5% once the 400MW capacity under the Utkal plant (700 MW) is converted to a power purchase agreement (PPA), thereby improving cash flow visibility. JSWE remains on track to reach 30GW of generation and 40GWh of storage capacity by FY30.
- **Valuation and view:** We cut our FY26E APAT by 14% as we are building in increased depreciation and interest to align with the current run rate. We continue to like the stock and highlight that: 1) the full benefit of lower interest costs is yet to come through, and 2) JSWE has a strong RE pipeline backed by PPA, which gives visibility on growth. **Reiterate BUY with a TP of INR655, valuing the company's core renewable business at 12x FY28E EBITDA and its thermal business at 9x Dec'27E EBITDA.**

EBITDA in line; miss on APAT

Consolidated performance:

- JSWE's consolidated revenue missed our est. by 9% at INR51.8b (+60% YoY, flat QoQ), but EBITDA was in line with our estimate at INR29.9b (+78% YoY, +7% QoQ), supported by a higher EBITDA margin of 58% vs. our est. of 53%.
- Adj. PAT was 16% below our estimate at INR7b (-17% YoY, -5% QoQ) primarily due to lower-than-estimated other income and higher interest/depreciation expenses arising from additional capitalization of new assets during the quarter. The impact was partially offset by a lower effective tax rate of 13.8%.

Operational highlights:

- The total installed capacity stood at 13.2GW at the end of 2QFY26, up ~71% YoY.
- Net generation was up 52% YoY to 14.9 BUs. RE generation rose 42% YoY to 7.1BUs, led by organic wind capacity additions and contribution from O2 Power.
- Total contracted capacity under construction for which PPA is signed stood at 11.1GW, with 1.6GW/2.3GW/3.4GW/3.8GW coming from Thermal/Wind/Solar/Hybrid.

Other highlights:

- The company completed the strategic acquisition of KSK Water Infrastructure, locking in the Mahanadi plant's water resource security.
- JSWE entered into a Scheme of Arrangement with GE Power India to acquire its boiler manufacturing business, critical for its thermal business.
- The company signed an agreement with Statkraft to acquire the 150 MW under-construction Tidong HEP, at an EV of INR17.28b.
- The company is targeting 30GW of generation capacity and 40GWh of energy storage by 2030, of which 29.4GWh is locked in, coming primarily from PSP.
- JSW Energy (Utkal) Limited (subsidiary) has received an LoA from the Power Company of Karnataka Limited for a 400 MW, 25-year power supply arrangement from 1st Apr'26.

Highlights of JSWE's 2QFY26 performance

- **Installed capacity:** The quarter saw 443MW of organic renewable additions, comprising 240MW from the Kutehr Hydro Plant, 148MW of wind, and 56MW of solar capacity.
- **Generation performance:** Net generation increased 52% YoY to 14.9BUs, supported by a 42% YoY rise in renewable generation to 7.1BUs, driven by incremental wind capacity and contributions from O2 Power.
- **Project pipeline:** The contracted capacity under construction stood at 11.1GW, including 1.6GW thermal, 2.3GW wind, 3.4GW solar, and 3.8GW hybrid projects. The total under-construction portfolio stands at 12.5GW, fully backed by long-term PPAs, which will nearly double the total capacity to 26GW upon completion.
- **Financial highlights:**
 - PAT stood at INR 7 billion, down 17% YoY, primarily due to higher interest and depreciation from recent asset capitalization.
 - Cash profit increased 27% YoY to over INR15b.
 - Capex during the quarter stood at INR35b.
- **Key developments:**
 - The company received an LoA for 400MW linked to its 700MW Utkal plant, which currently operates as open capacity. Conversion to a PPA will enhance cash flow visibility and reduce open capacity exposure from 8% to 5%.
 - Of the total capacity under pending LoAs with PPAs yet to be signed, 900MW corresponds to pure solar projects.

Valuation and view

- The valuation of JSWE is based on SoTP:
- Thermal is valued at 9x Dec'27E EBITDA, and renewable energy at 12x FY28E EBITDA.
- Hydro is at 2x Dec'27E book value, and green hydrogen equity is at a 2x multiple.
- Additionally, the company's 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 INR655.

Consolidated performance
(INRb)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Net Sales	28.8	32.4	24.4	31.9	51.4	51.8	46.7	67.7	117.5	217.6	57.0	-9%	60%	1%
YoY Change (%)	-1.7	4.8	-4.1	15.7	78.6	59.9	91.5	112.3	3.8	85.3	76.0			
Total Expenditure	14.6	15.5	15.3	19.8	23.5	21.8	24.8	46.6	65.2	116.8	26.7			
EBITDA	14.2	16.8	9.1	12.0	27.9	30.0	21.9	21.1	52.2	100.8	30.3	-1%	78%	7%
Margin (%)	49.2	52.0	37.5	37.8	54.2	57.9	46.8	31.1	44.4	46.3	53.2			
Depreciation	3.8	3.9	4.1	4.8	7.4	8.1	8.1	8.2	16.5	31.7	7.8	4%	106%	10%
Interest	5.1	5.2	5.6	6.8	13.1	14.2	13.3	12.8	22.7	53.3	12.7	12%	174%	9%
Other Income	1.6	2.2	2.0	2.1	2.7	1.8	2.6	3.3	7.9	10.4	2.5	-25%	-17%	-31%
PBT before EO expense	6.9	10.0	1.4	2.6	10.1	9.5	3.1	3.3	20.9	26.1	12.3	-22%	-4%	-6%
Extra-Ord income/(exp.)	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0			
PBT	6.9	10.0	1.4	3.6	10.1	9.5	3.1	3.3	21.9	26.1	12.3	-22%	-4%	-6%
Tax	1.6	1.3	-0.1	-0.5	1.8	1.3	0.8	0.6	2.3	4.4	3.1			
Rate (%)	23.6	12.9	-5.1	-15.1	17.7	13.8	24.5	17.1	10.5	17.0	25.0			
Minority Interest	0.1	0.2	-0.1	0.1	0.9	1.2	0.2	0.6	0.3	2.9	0.9			
Share of JV & associates	0.0	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.1			
Reported PAT	5.2	8.5	1.7	4.1	7.4	7.0	2.1	2.3	19.5	18.9	8.4	-16%	-17%	-5%
Adj PAT	5.2	8.5	1.7	2.9	7.4	7.0	2.1	2.3	18.4	18.9	8.4	-16%	-17%	-5%
YoY Change (%)	80.0	19.0	-27.4	-16.6	42.4	-17.4	28.0	-21.0	15.6	3.2	-2.0			
Margin (%)	18.1	26.4	6.9	9.2	14.4	13.6	4.6	3.4	15.6	8.7	14.7			

JSWE's SoTP valuation

Particulars	Units	Metric	Metric type	Valuation multiple	Amount
Thermal	INR m	46,643	EBITDA – Dec'27	9	4,10,460
Hydro	INR m	63,898	BV - Dec'27	2	1,27,796
Renewables	INR m	1,10,506	EBITDA - FY28	12	13,15,017
Green Hydrogen	INR m	1,438	Equity	2	2,875
EV	INR m				18,56,148
Less: Net Debt	INR m		FY28		7,74,475
Market cap	INR m				10,81,673
JSW Steel stake*	INR m				61,249
Total Equity value	INR m				11,42,922
Target price	INR/Share				655
CMP	INR/share				541
Upside/(Downside)					21%

*at a 25% discount



Highlights from the management commentary

■ Industry Highlights

- Power demand rebounded in 2QFY26 after a soft Q1 (which saw a 1.6% drop). 2Q demand grew 3.3% YoY (4.9 BU) and 1H demand by 0.8% YoY, against the backdrop of improved industrial activity, higher economic sentiment, and a favorable base effect. This occurred despite an extended monsoon, underscoring demand resilience.
- India's peak demand reached 230 GW in Aug'25, unchanged YoY.
- 48 GW was added to installed capacity over the last 12 months: 25 GW in H1, of which 22 GW was solar and 3 GW wind, demonstrating renewables' leading role in expansion.
- Thermal capacity stands at 245 GW. With 15 GW of projects awarded in FY25 and ~35 GW under construction, India's thermal capacity is expected to approach 300 GW by FY32.
- Wind PLFs (nationwide) rose to 34.9% from 31.7%, one of the strongest performances ever, and hydro generation surged 13% YoY to 68 BU, helped by favorable hydrology.
- Merchant market prices softened to INR 3.92/unit in DAM, reflecting record capacity addition and muted demand growth.
- Average coal prices moderated to USD 91/ton in 2QFY26 (vs. USD 110/ton in 1QFY26) and further softened to ~USD 81/ton post quarter-end, supporting improved dark spreads for JSWE's imported thermal portfolio.
- Renewable bidding activity remained healthy with ~5GW of generation and ~3GW of storage bids in 1HFY26.

■ Business & Operational Highlights

- Generation rose 52% YoY in 2Q (9.8 to 14.9 BU), and 60% YoY for H1 (17.7 to 28.4 BU), outpacing industry growth (3.3%).
- Capacity additions: JSW added 5.5 GW in 12 months, including 3.3 GW renewables (1.5 GW inorganic) and 1.8 GW thermal (inorganic).
- Current installed capacity is 13.2 GW, +71% YoY.
- New additions: Commissioned 240 MW Kutehr hydro.
- Kutehr hydro completed in under six years (amid COVID and adverse weather)—one of the fastest greenfield hydro builds in India.
- Under-construction portfolio: 12.5 GW with full long-term PPAs. On completion, JSW's capacity will nearly double to 26 GW.
- BESS & Green Hydrogen: Signed BESS locked in capacity of 29.4 GWh; green hydrogen pilot (3,800 TPA at Vijayanagar) near commissioning in 3Q FY26.
- Domestic coal-based exposure is now 788MW of the total merchant exposure of approximately 1.1 gigawatt.

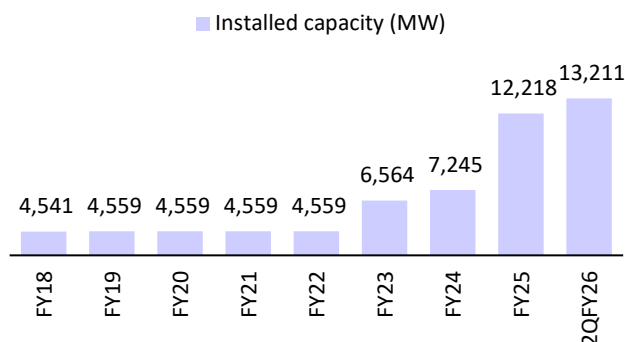
■ Financial Performance

- 2Q revenue: INR53b (+55% YoY); EBITDA: INR 32b (+67% YoY).
- PAT: INR7b (down 17% YoY) due to increased interest/depreciation from new asset capitalization.
- Cash profit rose 27% YoY to over INR15b.
- 1HFY26 EBITDA exceeded INR62b, already surpassing FY25's full-year EBITDA.
- 2Q capex: INR35b; Kutehr and other projects capitalized.
- Receivables: INR35b (64 days), an improvement over 70 days last year.
- Net debt stood at ~INR620b as of Sep'25, up INR25b as compared to June'25 end.

- JSW Hydro Energy's EBITDA (incl. other income) stood at INR3.7b (vs. INR4.8b in 2QFY25), impacted by the shift of free power from merchant sales to supply to the Government of Himachal Pradesh under the implementation agreement.
- JSW Hydro Barmer's EBITDA (incl. other income) stood at INR1.58b (vs. INR .59b in 2QFY25), as in regulated return businesses, at the end of 12 years, the rate of depreciation changes, and correspondingly capacity charge goes down because debt repayments have happened. Barmer completed its 12 years last year. This impact will persist across all four quarters of FY26, establishing a new base thereafter.
- **Strategic Moves**
 - GE Power India boiler acquisition: Scheme of arrangement concluded to acquire boiler manufacturing business, ensuring timely supply (especially Salboni), and technology transfer.
 - KSK Water Infra: Majority stake acquired to guarantee water supply for both current (1,800 MW) and planned (1,800 MW) KSK Mahanadi expansions.
 - Battery Assembly Plant Pune: 5 GWh/p.a. capacity, to be operational in 3Q FY26, aimed at supporting BESS for DCR compliance (with initial focus on captive consumption, possible external supply as market matures).
 - Tidong acquisition: Signed definitive agreement to acquire 150 MW hydro (expected commissioning Oct '26). Of 150 MW, 75 MW is PPA-tied with UPPCL, and the rest is for the merchant market.
- **Additional Insights**
 - Salboni boiler to be done in-house; boiler facility can deliver the equivalent of 1.5 units per annum, with a typical project cycle at 18 months. Commissioning for Salboni is aligned for 2030.
 - The company is progressing with the 1,800MW KSK Mahanadi expansion project, where the Balance of Plant (BoP) is fully ready. Construction for the 5th unit is 40% complete, and work on the 6th unit has commenced. The project is targeted for commissioning before 2031.
 - LoA received for 400MW of its 700MW Utkal plant, which is currently operating as open capacity. Upon conversion of this LoA into a PPA, cash flow visibility will improve, reducing the share of open capacity from 8% to 5%.
 - Of JSWE's total capacity under pending LoAs with PPAs yet to be signed, only 900MW pertains to pure solar projects.
- **Regulatory and Industry Policy Developments**
 - GST Rationalization lowered capital costs for renewables and will translate to sharper tariffs. Removal of the INR400/tonne GST Compensation Cess on domestic coal will benefit thermal economics.
 - Draft Electricity Act Amendment (positive for the sector) and the new Renewable Consumption Obligations framework are set to drive further changes.

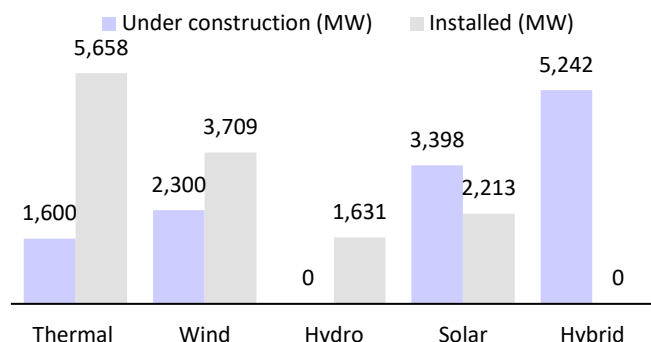
Story in charts – 2QFY26

Exhibit 1: Installed capacity (MW)



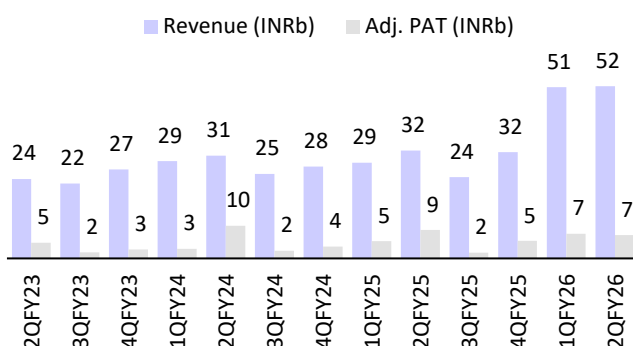
Source: Company, MOFSL

Exhibit 2: Capacity breakdown by 2QFY26-end



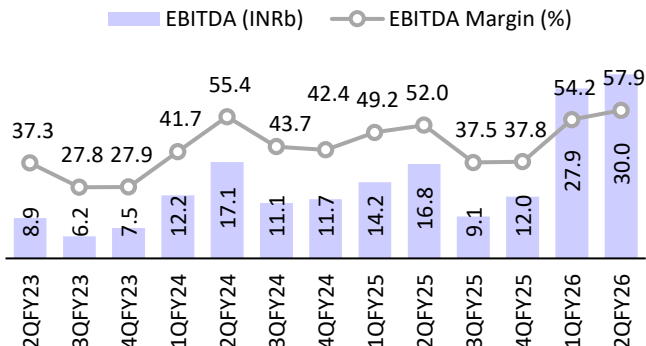
Source: Company, MOFSL

Exhibit 3: Consolidated revenue and Adj. PAT



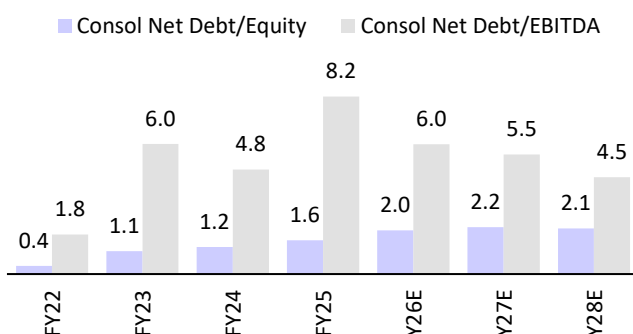
Source: Company, MOFSL

Exhibit 4: Consolidated EBITDA and EBITDA margin



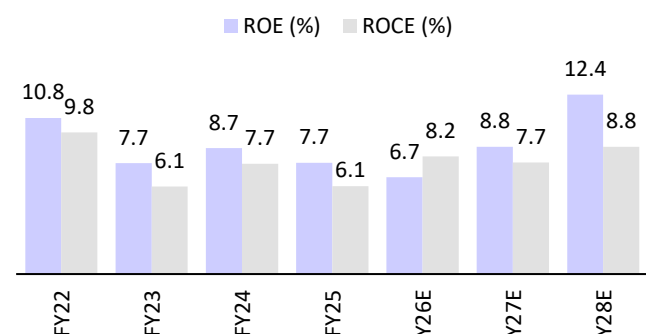
Source: Company, MOFSL

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



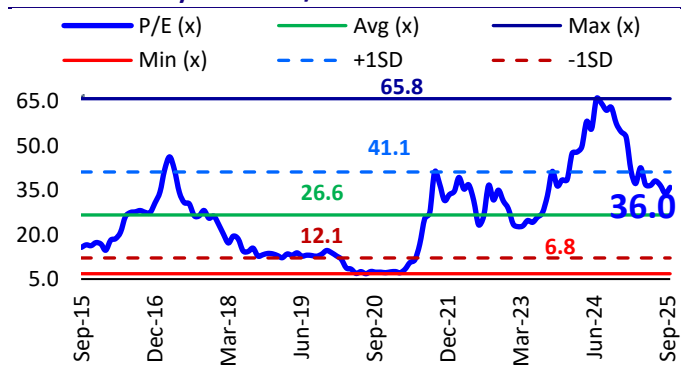
Source: Company, MOFSL

Exhibit 6: Consol. ROE and ROCE



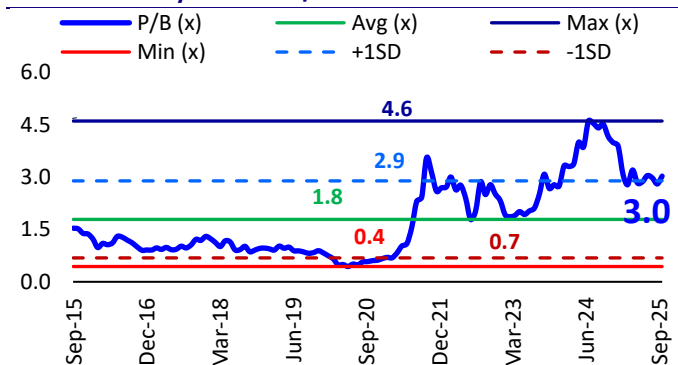
Source: Company, MOFSL

Exhibit 7: One-year FWD P/E



Source: Company, MOFSL

Exhibit 8: One-year FWD P/B



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,03,318	1,14,859	1,17,454	2,17,616	2,52,270	3,05,229
Change (%)	26.5	11.2	2.3	85.3	15.9	21.0
Total Expenses	70,500	61,041	65,247	1,16,803	1,25,904	1,33,890
EBITDA	32,818	53,818	52,206	1,00,813	1,26,366	1,71,339
% of Net Sales	31.8	46.9	44.4	46.3	50.1	56.1
Depreciation	11,692	16,334	16,546	31,738	45,868	62,778
EBIT	21,126	37,484	35,660	69,075	80,499	1,08,562
Net Interest	8,443	20,534	22,691	53,340	53,962	59,962
Other income	5,352	4,554	7,941	10,360	11,563	10,187
PBT before EO	18,036	21,504	20,910	26,095	38,100	58,786
EO expense	-1,200	0	-1,000	0	0	0
PBT after EO	19,236	21,504	21,910	26,095	38,100	58,786
Tax	4,627	4,423	2,310	4,436	8,763	13,521
Rate (%)	24.1	20.6	10.5	17.0	23.0	23.0
JV	193	165	228	228	228	228
Minority	-24	-19	-320	-2,946	-2,863	-4,028
Reported PAT	14,778	17,227	19,507	18,940	26,701	41,465
Adjusted PAT	13,866	17,227	18,613	18,940	26,701	41,465
Change (%)	-19.8	24.2	8.0	1.8	41.0	55.3

Consolidated Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	16,405	16,412	17,453	17,453	17,453	17,453
Reserves	1,69,883	1,91,905	2,56,162	2,73,128	2,96,953	3,35,066
Net Worth	1,86,288	2,08,317	2,73,614	2,90,580	3,14,405	3,52,518
Minority Interest	1,054	1,825	17,236	20,182	23,046	27,074
Total Loans	2,48,172	3,13,266	4,96,213	6,79,489	7,59,489	8,39,489
Deferred Tax Liability	10,784	13,390	30,834	30,573	32,478	35,417
Capital Employed	4,46,298	5,36,798	8,17,898	10,20,824	11,29,418	12,54,498
Gross Block	3,29,615	3,84,671	6,53,428	8,33,108	10,01,598	12,81,232
Less: Accum. Deprn.	85,809	1,01,607	1,18,274	1,50,011	1,95,879	2,58,657
Net Fixed Assets	2,43,807	2,83,064	5,35,154	6,83,097	8,05,719	10,22,576
Capital WIP	47,795	1,02,851	1,02,809	1,52,809	1,64,319	64,685
Goodwill	6,485	6,398	6,398	6,398	6,398	6,398
Investments	49,616	59,458	76,537	76,537	76,537	76,537
Curr. Assets	1,39,714	1,30,920	1,78,491	1,94,269	1,73,003	1,87,390
Inventories	9,871	8,307	9,053	12,168	11,664	14,276
Account Receivables	16,314	10,205	13,198	13,827	16,200	19,828
Cash and Bank Balance	50,850	52,957	67,968	80,003	56,866	65,014
Others	62,679	59,452	88,272	88,272	88,272	88,272
Curr. Liability & Prov.	41,119	45,893	81,492	92,286	96,559	1,03,088
Account Payables	12,741	13,437	14,095	24,888	29,161	35,690
Provisions & Others	28,378	32,456	67,398	67,398	67,398	67,398
Net Curr. Assets	98,595	85,028	96,999	1,01,983	76,444	84,302
Appl. of Funds	4,46,298	5,36,798	8,17,898	10,20,824	11,29,418	12,54,498

Financials and valuations

Ratios

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	8.5	10.5	10.7	10.9	15.3	23.8
Cash EPS	15.6	20.4	20.1	29.0	41.6	59.7
BV/Share	113.6	126.9	156.8	166.5	180.1	202.0
DPS	2.0	2.0	2.0	3.0	3.5	4.5
Payout (%)	23.7	19.1	18.8	27.6	22.9	18.9
Dividend yield (%)	0.4	0.4	0.4	0.6	0.6	0.8
Valuation (x)						
P/E	64.0	51.5	50.7	49.8	35.4	22.8
Cash P/E	34.7	26.5	26.9	18.6	13.0	9.1
P/BV	4.8	4.3	3.5	3.2	3.0	2.7
EV/EBITDA	33.1	21.3	26.3	15.3	13.0	10.0
Dividend Yield (%)	0.4	0.4	0.4	0.6	0.6	0.8
Return Ratios (%)						
RoE	7.7	8.7	7.7	6.7	8.8	12.4
RoCE (post-tax)	6.1	7.7	6.1	8.2	7.7	8.8
RoIC (post-tax)	7.0	9.8	7.3	9.0	8.1	9.0
Working Capital Ratios						
Fixed Asset Turnover (x)	0.4	0.4	0.2	0.3	0.3	0.3
Asset Turnover (x)	0.2	0.2	0.1	0.2	0.2	0.2
Debtor (Days)	58	32	41	23	23	24
Inventory (Days)	35	26	28	20	17	17
Leverage Ratio (x)						
Net Debt/EBITDA	6.0	4.8	8.2	5.9	5.6	4.5
Debt/Equity	1.1	1.2	1.6	2.1	2.2	2.2

Consolidated Cash Flow Statement

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	32,818	53,818	52,206	1,00,813	1,26,366	1,71,339
FX gain/loss	0	0	0	0	0	0
WC	-11,336	10,085	-15,879	7,051	2,402	290
Others	2,833	2,290	5,347	3,173	3,091	4,256
Direct taxes (net)	-3,473	-3,857	-3,291	-4,697	-6,858	-10,582
CF from Op. Activity	20,843	62,336	38,385	1,06,340	1,25,001	1,65,304
Capex	-42,363	-80,328	-67,086	-2,29,680	-1,80,000	-1,80,000
FCFF	-21,520	-17,991	-28,701	-1,23,340	-54,999	-14,696
Interest income	2,342	1,894	3,195	10,360	11,563	10,187
Others	-30,074	1,456	-1,61,717	0	0	0
CF from Inv. Activity	-70,095	-76,978	-2,25,608	-2,19,320	-1,68,437	-1,69,813
Share capital	24	0	49,445	0	0	0
Borrowings	87,278	-1,77,098	1,84,252	1,83,276	80,000	80,000
Finance cost	-10,758	-23,082	-27,207	-53,340	-53,962	-59,962
Dividend	-3,288	-3,468	-3,639	-4,920	-5,740	-7,380
Others	18	2,20,397	-618	0	0	0
CF from Fin. Activity	73,275	16,748	2,02,234	1,25,016	20,298	12,658
(Inc)/Dec in Cash	24,023	2,106	15,011	12,035	-23,137	8,149
Opening balance	26,828	50,850	52,957	67,968	80,003	56,866
Closing balance (as per B/S)	50,850	52,957	67,968	80,003	56,866	65,014

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