

NTPC Green Energy Ltd.

Nifty: 23,454 | Sensex: 77,339

IPO Note | 18th November 2024

Sector: Power

Price Range: ₹102 - ₹108

A Pure Play In Renewable Energy With Strong Lineage

NTPC Green Energy Ltd. (NGEL), a wholly owned subsidiary of NTPC Ltd., a 'Maharatna' central public sector enterprise, focused on developing utility-scale solar and wind energy projects, as well as projects for PSUs and corporates. As of H1FY25, NGEL's portfolio comprised 16,896 MW, including 3,320 MW of operational projects and 13,576 MW of contracted and awarded projects. Additionally, it has 9,175 MW capacity in the pipeline, bringing the total capacity to 26,071 MW. NGEL serves 17 offtakers across 41 solar and 11 wind projects and is currently constructing 36 renewable energy projects totalling 13,576 MW in 6 states.

- ◆ The energy demand in India is projected to grow by ~5.5-6.0% over the next five years, driven by infrastructure investments, strong economic fundamentals, T&D expansion, and government reforms to enhance power sector.
- ◆ The nation's solar capacity additions are expected to be 137-142 GW over FY25-FY29, and wind power capacity additions will be ~34-36 GW over FY25-FY29. (CRISIL Research)
- ◆ NGEL is the largest renewable energy public sector enterprise (excluding hydro) in terms of operating capacity in 6MFY25 and power generation in FY24.
- ◆ In FY24, NGEL has emerged as the market leader in the winning capacities under Tariff Based Competitive Bidding in the sector with an aggregate capacity of 3.5 GW, which is equivalent to AC capacity of around 5 GW.
- ◆ The average capacity utilization factor (CUF) for solar assets improved from 19% to 24% between FY22- FY24, indicates efficient utilisation & increased power generation.
- ◆ Revenue/EBITDA/PAT grew by ~47%/~48%/~91% CAGR over FY22-24 on the back of strong energy sales, high-capacity utilisation and low costs.
- ◆ NGEL has maintained strong EBITDA margins at ~89% (3-year average) and PAT margins at ~20% (3-year average) over FY22-24, led by superior execution and economies of scale.
- ◆ From the net IPO proceeds, ₹7,500cr will be utilised for debt repayment, and the D/E ratio post IPO will shrink to 0.6x, indicating improved financial leverage.
- ◆ With strong parentage and a diversified portfolio backed by long-term PPAs (power purchasing agreements), NGEL is well-positioned to meet NTPC's target of 60 GW renewable capacity by 2032.
- ◆ At the upper price band of ₹108, NGEL is available at P/Bv of 4.9x (on FY25E annualised financials), which appears to be fairly priced. We assign a "Subscribe" rating for the issue on a long-term investment basis, considering its strong brand recall, superior execution capabilities, portfolio expansions, investment in next-gen energy solutions (Battery Energy Storage Systems & Green Hydrogen derivatives) and promising industry outlook.

Issue Details	
Date of opening	November 19, 2024
Date of closing	November 22, 2024
Total No. of shares offered (cr.)	92.6
Post Issue No. of shares (cr)	842.6
Face Value	₹10
Bid Lot	138 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,904
Maximum application for retail (upper price band for 13 lot)	₹ 193,752
Listing	BSE,NSE
Employee discount	₹5 per share
Lead Managers	IDBI Capital markets & securities Ltd, HDFC Bank Ltd, IIFL capital services Ltd and Nuvama wealth management Ltd,
Registrar	KFin Technologies Ltd.

Issue size (upper price)	Rs.cr
Fresh Issue	10,000
OFS	-
Total Issue	10,000

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	100.0	89.0
Public & others	0.0	11.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	880
Non-Institutional	15	1,320
QIB	75	6,600
Emp. Reservation	-	200
Shareholder reservation	-	1,000
Total	100	10,000

Y.E March (Rs cr) Consol.	FY23**	FY24	H1FY25
Sales	1,450	1,963	1082.3
Growth YoY(%)		35%	7%
EBITDA	1,310	1,746	933
Margin(%)	90	89	86
PAT Adj.	456	345	175
Growth (%)		(25)	(16)
EPS	0.5	0.4	0.2
P/E (x)	199	264	260*
EV/EBITDA (x)	74	60	54*
P/Bv(%)	19	15	4.9*

*Annualised **special purpose carved-out combined financials

Purpose of IPO

The IPO consists of only fresh issue of ₹10,000cr. The proceeds from its fresh issuance worth ₹7,500cr will be utilised for the repayment or prepayment of borrowings of its subsidiary NREL(NTPC renewable energy Ltd) and general corporate purposes.

Key Risks

- ◆ NGEL derives more than 87% of its revenue from its top 5 offtakers and its single-largest offtaker contributes ~50% to its revenue in FY24.
- ◆ Regional concentration: ~62% of NGEL's operating renewable energy projects are concentrated in Rajasthan.

Peer Valuation

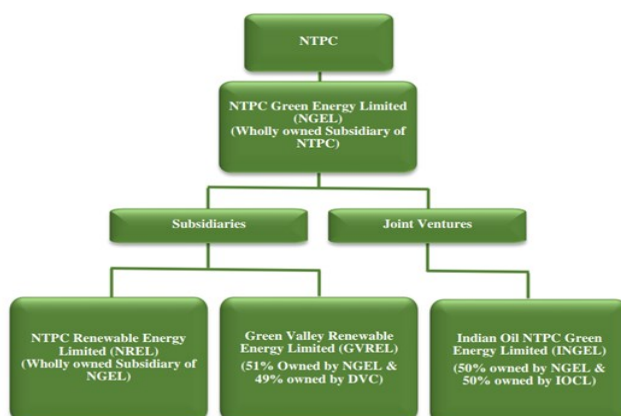
Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
NTPC Green Energy Ltd	91,000	1,963	88.9	17.6	0.4	5.5	60	15	46.4	108
Adani Green energy Ltd	2,36,068	9,220	79.1	11.9	8.8	12.8	48.3	22	25.6	1,457

Source: Geojit Research, Bloomberg; Valuations of NGEL are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



Organisation Chart:

NGEL has two subsidiaries: NTPC Renewable Energy Limited (100% owned by the Company) and Green Valley Renewable Energy Limited (51% owned by the Company and 49% by Damodar Valley Corporation (DVC)). The Company has one joint venture: Indian Oil NTPC Green Energy Private Limited (50% owned by the Company and 50% owned by Indian Oil Corporation Limited).



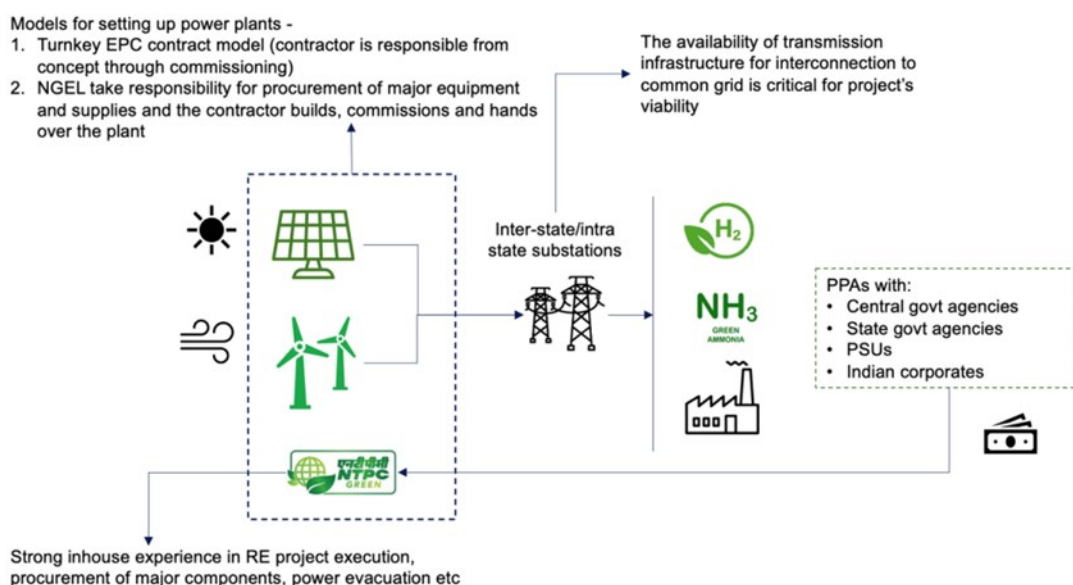
Source: RHP, Geojit Research

Business Operations:

For solar energy projects, construction includes design, engineering, procurement, structure, module and inverter installations, substation construction, interconnection work, and the balance of plant construction. In solar projects, NGEL have diversified strategy for setting up power plants from using turnkey engineering, procurement, and construction (EPC) contract model (where the contractor is responsible from concept through commissioning) to a model where we take responsibility for procurement of major equipment and supplies and the contractor builds, commissions and hands over the solar plant. We also use the turnkey EPC contract model based on specific project conditions.

For wind energy projects construction includes turbine installations and the balance of plant, which encompasses transmission lines and substation. In wind projects, we generally use the turnkey EPC model, entering into contracts with OEMs for manufacturing, installing, and commissioning wind turbines and the balance of plant. However, we have also started bifurcating the total project scope into balance of plant (including procurement of land) and supply and installation of wind turbine generators.

As of September 30, 2024, the Portfolio consisted of 16,896 MWs including 3,320 MWs operating projects and 13,576 MWs projects contracted and awarded. As of September 30, 2024, the Capacity under Pipeline consisted of 9,175 MWs. Together the Portfolio and Capacity under Pipeline, as of September 30, 2024, consisted of 26,071 MWs.



Source: RHP, Geojit Research

Particulars	Company Operating Data			Carved-out Operating Data ⁽ⁱ⁾	
	Six months period ended September 30, 2024	Six months period ended September 30, 2023	Fiscal 2024	Fiscal 2023	Fiscal 2022
Capacity utilization factor ⁽ⁱⁱ⁾ (%)					
Solar	24.61%	25.04%	23.97%	22.74%	19.21%
Wind ⁽ⁱⁱⁱ⁾	28.27%	30.14%	19.78%	23.58%	23.66%
Total	24.73%	25.13%	23.86%	22.76%	19.40%

Source: RHP, Geojit Research

Key strengths:

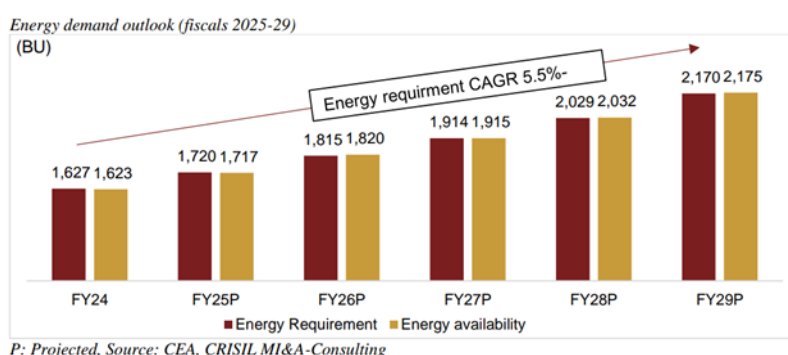
- ◆ Enjoys strong parentage of NTPC Ltd, which has extensive experience in executing large- scale projects, long-term relationships with offtakers and suppliers and financial strength.
- ◆ Portfolio of 16,896 MWs solar and wind projects as of September 30, 2024 with diversification across geographies and offtakers.
- ◆ Experienced team in renewable energy project execution and procurement as well as operating and maintenance
- ◆ Strong financial track record.

Key strategies:

- ◆ Continue to grow project pipeline through prudent bidding and strategic joint ventures with PSUs and private corporates.
- ◆ Focus on projects in new energy solutions like green hydrogen, green chemicals and storage.
- ◆ Drive efficiency and cost reductions in project execution and operating & maintenance.
- ◆ Continue to contribute to India's sustainability efforts.

Industry Outlook...

Renewable energy represents a significant and growing industry in India. Globally, India ranks fourth in total renewable energy, wind as well as solar installations. (Source: CRISIL Report, November 2024). Installed capacity of renewable energy sources in India (including large hydro) have increased from approximately 63 GW as of March 2012 to approximately 201 GW as of September 2024. (Source: CRISIL Report, November 2024). As of September 2024, installed grid connected renewable energy generation capacity in India (including large hydro) constituted approximately 45% of the total installed generation base in India, and this growth has been led by solar power.



Source: RHP, Geojit Research

Promoter and promoter group

The Promoters of the company are the President of India, acting through the Ministry of Power, Government of India and NTPC Limited. As on the date of this Red Herring Prospectus, NTPC Limited is a Shareholder of the company and holds 7,500,000,000 Equity Shares, representing 100.00% of the pre-Issue issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of directors

As on the date of the Red Herring Prospectus, the Board comprises of 6 Directors including 3 Executive Directors.

- ◆ Gurdeep Singh is the Chairman and Managing Director of the company. He has also been the Chairman and Managing Director of NTPC Limited since 2016.
- ◆ Jaikumar Srinivasan, is the Director (Finance) of the company. He is also Director (Finance) of NTPC Limited.
- ◆ Shanmugha Sundaram Kothandapani is the Director (Projects) of the company. He is also Director (Projects) of NTPC Limited.
- ◆ Dr. Viveka Nand Paswan is the Additional Director (Independent) of the company.
- ◆ Bimal Chand Oswal is the Additional Director (Independent) of the company.
- ◆ Sajal Jha is the non-official independent director of the company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23**	FY24	H1FY25
Sales	1,449.71	1,962.60	1,082.29
% change	59%	35%	7%
EBITDA	1,309.62	1,746.47	932.94
% change		33%	2%
Depreciation	456.48	642.76	357.83
EBIT	853.13	1,103.71	575.11
Interest	470.06	690.57	377.82
Other Income	7.82	75.06	50.45
Exceptional items	0.00	0.00	0.00
PBT	390.89	488.20	247.75
% change		25%	
Tax	-65.60	143.48	71.07
Tax Rate (%)	-17%	29%	29%
Reported PAT	456.49	344.72	175.30
Adj		-	
Adj. PAT	456.49	344.72	175.30
% change		-24%	-16%
Post issue No. of shares (cr)	842.59	842.59	842.59
Adj EPS (Rs)	0.54	0.41	0.4*
% change		-24%	-16%

CASH FLOW

Y.E March (Rs cr)	FY23**	FY24	H1FY25
PBT Adj.	390.89	488.20	247.75
<i>Non-operating & non cash adj.</i>	<i>878.89</i>	<i>1,210.41</i>	<i>669.05</i>
Changes in W.C	-527.89	-119.49	192.76
C.F. Operating	740.744	1579.122	1109.551
Capital expenditure	-2,869.25	-8,463.09	-3,572.56
Change in investment	0.00	0.05	-18.00
Sale of investment	0.00	0.00	-18.00
Other invest.CF	384.61	-743.91	-1,945.15
C.F - investing	-2,484.65	-9,206.95	-5,535.71
Issue of equity	4,719.61	1,000.00	1,873.49
Issue/repay debt	-3,204.41	7,378.90	4,260.76
Dividends paid	0.00	0.00	0.00
Other finance.CF	295.14	-708.10	-571.46
C.F - Financing	1,810.34	7,670.81	5,562.79
Change. in cash	66.44	42.98	1,136.63
Opening Cash	6.31	72.75	115.63
Closing cash	72.75	115.73	1,252.25

*Annualised.

**special purpose carved -out combined financials

BALANCE SHEET

Y.E March (Rs cr)	FY23**	FY24	H1FY25
Cash	72.75	472.14	1,455.44
Accounts Receivable	325.50	704.81	461.07
Inventories	9.30	24.50	28.37
Other Cur. Assets	386.41	52.349	109.68
Investments	0.00	0.05	16.67
Deff. Tax Assets	0.00	0.00	0.00
Net Fixed Assets	14,758.12	17,573.00	19,076.13
CWIP	1,749.35	7,138.07	9,030.51
Intangible Assets	0.00	0.00	0.00
Other Assets	1,129.97	1,241.50	2,230.43
Total Assets	18,431.40	27,206.42	32,408.30
Current Liabilities	176.92	163.70	185.19
Provisions	2,781.08	3,164.40	3,243.68
Debt Funds	6,137.01	13,855.93	18,044.47
Other Fin. Liabilities	4,448.90	3,790.19	2,653.97
Deferred Tax liability	0.00	0.00	0.00
Equity Capital	4,719.61	5,719.61	7,500.00
Reserves & Surplus	167.82	512.53	689.18
Shareholder's Fund	4,887.49	6,232.21	8,281.00
Total Liabilities	18,431.40	27,206.42	32,408.30
BVPS (Rs)	5.80	7.40	21.7*

RATIOS

Y.E March	FY23**	FY24	H1FY25
Profitab. & Return			
EBITDA margin (%)	90.34	88.99	86.20
EBIT margin (%)	58.85	56.24	53.14
Net profit mgn.(%)	31.49	17.56	16.20
ROE (%)	9.34	5.53	4.23
ROCE (%)	9.15	5.22	2.06
W.C & Liquidity			
Receivables (days)	81.95	95.81	40.84
Inventory (days)	-	-	-
Payables (days)	25.75	11.62	7.72
Current ratio (x)	0.27	0.38	0.60
Quick ratio (x)	2.25	7.19	10.35
Turnover & Levg.			
Net asset T.O (x)	0.10	0.12	0.06
Total asset T.O (x)	0.08	0.09	0.04
Int. covge. ratio (x)	1.81	1.60	1.52
Adj. debt/equity (x)	1.29	2.32	2.26
Valuation ratios			
EV/Sales (x)	67.12	53.75	46.9*
EV/EBITDA (x)	74.31	60.40	54.4*
P/E (x)	199.35	263.98	259.6*
P/BV (x)	18.6	14.6	4.98*



DISCLAIMER & DISCLOSURES

Certification

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect the personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

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Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of the business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by the Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or the Analysts in connection with the business activities.

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It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

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4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

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Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

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