

NTPC Green Limited - IPO Note

Recommendation: **SUBSCRIBE**

Renewables

NTPC Green Energy Ltd. (NGEL), a wholly owned subsidiary of NTPC, is planning an IPO to raise up to INR 10,000 Crs. As of FY24, NGEL's operational capacity stands at 3.3 GW, with a target to expand to approximately 19 GW by FY27 and 60 GW by 2032. The company's renewable portfolio includes both solar and wind power assets spread across multiple locations in over six states. As of September 2024, NTPC Green's operational capacity reached 3,220 MW in solar projects and 100 MW in wind projects across six states, with an average Power Purchase Agreement (PPA) duration of 25 years. Additionally, as of September 2024, it has 13,576 MW of contracted and awarded projects, with a further 9,175 MW in the pipeline.

Issue Snapshot

Particulars	Details
Date of Opening	19th November 2024
Date of Closing	22nd November 2024
Price Band (Rs)	102 - 108
Offer for Sale (shares)	-
Fresh Issue (Rs cr)	10,000
Issue Size (Rs cr)	10,000
Post Issue Market Cap (Rs cr)	86,500 - 91,000
Employee Reservation (Rs cr)	200
Shareholders' Reservation (Rs cr)	1,000
BRLMs	IDBI Capital Markets & Securities, HDFC Bank, IIFL Capital Securities, Nuvama Wealth Management
Registrar	KFin Technologies Ltd
Bid Lot	138 shares and in multiples thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%
Post Issue Promoter Shareholding	89%

Investment Rationale :

Strategic Access to Low-Cost Financing:

NGEL maintains high capacity utilization, operational efficiency, and low operating costs, benefiting from its strong parent company and diversified portfolio. NTPC's high credit rating and robust balance sheet provide NGEL with access to low-cost capital, helping the company maintain healthy coverage ratios.

Clear Capacity Visibility of 60 GW+:

NTPC Green Energy Ltd. (NGEL) has visibility for over 60 GW in renewable capacity. As of FY24, its operational capacity is 3.3 GW and currently has 11.8 GW of capacity under construction (contracted and equipment awarded) and an additional 11 GW in the pipeline at the MoU stage. Recently, NGEL signed MoUs with the Rajasthan government for 25 GW of renewable energy capacity and with Mahapreit (a Maharashtra government entity) for 10 GW, bringing its total capacity visibility to over 60 GW, targeted for phased commissioning by FY32.

Investments in Green Hydrogen and Battery Storage:

NGEL is actively exploring growth in green hydrogen and battery storage. It is establishing a green hydrogen hub at Pudimadaka, Andhra Pradesh, and is finalizing partnerships for electrolyzer production. Additionally, NGEL plans to build a grid-scale battery storage facility to support solar and wind power integration, while also participating in grid-scale battery storage tenders for grid balancing. The company has leased 1,200 acres of land at Pudimadaka and has made a capital advance of INR 7 billion, although detailed capex plans are still under development.

Valuation and View:

At the upper price band of Rs 108, NGEL is valued at FY24 EV/ EBITDA of 53.4x on post issue capital. The company will increase its operational capacity to approximately 19 GW by FY27 and 60 GW by 2032 from 3.3 GW as of Sep'24. The company has exponential growth potential in medium term over FY24 to FY27 period. We recommend to **SUBSCRIBE** to the issue for long term.

Renewables

Peer Comparison

Parameters	NTPC GREEN (FY24)	RENEW (FY24)	Adani Green (FY24)
Installed Capacity (MW)			
Solar	2,825	4,500	7,393
Wind	100	4,600	1,401
Hybrid	NA	NA	2,140
Average Capacity Utilization Factor for assets held (%)			
Solar	24.0%	24.4%	24.5%
Wind	19.8%	26.4%	29.4%
Hybrid	NA	NA	40.70%
Financials (INR Crs)			
Revenue from Operations	1,963	8,195	9,220
Total Revenue	2,038	9,653	10,460
Operating EBITDA	1,747	5,865	7,586
Operating EBITDA Margin (%)	89.0%	71.6%	82.8%
Profit/(Loss) after Tax (PAT)	345	415	1,260
PAT Margins (%)	17.6%	5.1%	13.7%
Net Debt/Equity (x)	1.98	4.48	2.9
Cash PAT	988	2,173	3,163
Cash PAT Margin (%)	50.3%	26.5%	34.3%
Cash RoE (%)	5.0%	20.5%	36.9%
Interest Coverage (x)	2.64	1.54	1.71

Financial

Income Statement

Particulars (In Crs)	FY22	FY23	FY24
Net Revenue	910.4	1,449.7	1,962.6
Op. Expenses	115.5	140.1	216.1
EBITDA	794.9	1,309.6	1,746.5
EBITDA Margins(%)	87.3%	90.3%	89.0%
Depreciation	282.8	456.5	642.8
EBIT	512.1	853.1	1,103.7
Other income	7.8	7.8	75.1
Interest Exp.	253.0	470.1	690.6
PBT	266.9	390.9	488.2
Tax	172.2	-65.6	143.5
PAT	94.7	456.5	344.7
PAT Margins(%)	10.4%	31.5%	17.6%
EPS	0.0	0.1	0.0

Balance Sheet

Particulars (In Crs)	FY22	FY23	FY24
Share Capital	-	4,719.6	5,719.6
Reserves & Surplus	1,951.5	167.8	512.5
Net Worth	1,951.5	4,887.4	6,232.1
Debt	8,621.2	5,417.8	12,796.7
Other Non-Current Liabilities	1,175.9	2,378.8	2,912.5
Net Deferred Tax Liabilities	1,152.1	1,086.5	1,230.0
Capital Employed	12,900.7	13,770.6	23,171.5
Gross Fixed Assets	NA	16,456.3	19,950.3
Accumulated Depreciation	NA	1,698.2	2,377.3
Capital Work in Progress	6,425.7	1,749.3	7,138.1
Net Fixed Assets	13,946.7	16,507.5	24,711.1
Other Non-Current Assets	736.8	1,130.0	1,241.5
Current Assets, Loans & Advances	201.3	794.1	1,253.8
Inventory	5.7	9.3	24.5
Debtors	177.6	325.5	704.8
Cash & Bank Balance	6.3	72.8	472.1
Loans & Advances and Others	11.6	386.4	52.3
Current Liabilities & Provisions	1,984.1	4,660.9	4,035.0
Liabilities	1,983.5	4,660.9	4,034.9
Provisions	0.5	-	0.1
Net Current Assets	-1,782.8	-3,866.9	-2,781.1
Application of Funds	12,900.7	13,770.6	23,171.5

Ratios

Particulars (In Crs)	FY22	FY23	FY24
RoE (%)	4.9	13.3	6.2
RoCE (%)	9.8	8.2	8
Asset T.O (x)	0.1	0.1	0.1
Net Debt/Equity (x)	4.4	1.1	2
EBIT/Interest (x)	2.1	1.8	1.7

Cash flow

Particulars (In Crs)	FY22	FY23	FY24
PBT	266.9	390.9	488.2
Depreciation & Amortization	282.8	456.5	642.8
Interest Expense	251.6	463.4	681.8
(Inc)/Dec in Working Capital	-100.8	-527.9	-116.8
Tax Paid	-0.1	-1.1	-2.7
Less: Interest/Div. Income Recd.	-2.3	-2.7	-58.1
Other Operating Cash Flow	-23.6	-38.3	-56.0
CF from Operating Activities	674.4	740.7	1,579.1
Capital Expenditure	-4,474.1	-2,869.3	-8,463.1
Inc/(Dec) in Investments	-0.1	384.6	-439.6
Add: Interest/Div. Income Recd.	0.8	0.0	52.2
CF from Investing Activities	-4,473.5	-2,484.6	-8,850.5
Inc/(Dec) in Share Capital	537.8	6,026.3	1,000.0
Inc/(Dec) in Debt	3,642.5	-3,204.4	7,378.9
Others	-382.0	-1,011.5	-708.1
CF from Financing Activities	3,798.3	1,810.3	7,670.8
Net Cash Flow	-0.8	66.4	399.4
Opening Balance	7.1	6.3	72.7
Closing Balance	6.3	72.8	472.1

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