

## Miss on estimates; execution momentum remains strong

JSW Energy reported net revenues of INR 25.4bn (+13% YoY, -12%/-15% JMFe/Cons.) led by improvement in net generation (+43% YoY) at 6.1 BUs on the back of contribution from new RE capacity additions. EBITDA/ Adj PAT came in at INR 11.1bn (+78% YoY, -22%/-16% JMFe/Cons.)/ INR 2.3bn (+24% YoY, -29%/-38% JMFe/Cons.) on account of reduction in merchant tariff due to seasonality and higher than expected other expenses. With the execution of new projects (Ind-Barath TPP, Kutehr hydropower, Renewable, Pumped hydro, Fatehgarh BESS) progressing on expected lines and company's openness to all types of thermal opportunities, we maintain our BUY rating on the stock, with a SOTP-based TP of INR 540 (+11%, CMP INR 489), implying 11.4x FY26 blended EV/EBITDA.

- **Generation:** Net generation during 3QFY24 stood at 6,128 MU (+43% YoY) driven by the higher thermal generation and contribution from acquired and greenfield RE capacity additions.
- **Financial performance:** Total revenue/ EBITDA/Adj PAT increased to INR 25bn (+13% YoY)/ INR 11bn (+78% YoY)/ INR 2.3bn (+24% YoY), driven by incremental contribution from the renewable portfolio and strong thermal performance (by a buoyant merchant market).
- **Other financials:** Finance costs during the quarter stood at INR 5.2bn. The weighted average cost of debt stood at 8.58% v/s 8.51% in 2QFY24. The consolidated Net Worth and Net Debt as on 31 Dec'23 were INR 210bn and INR 263bn respectively, resulting in a Net Debt/Equity ratio of 1.3x. Net Debt/EBITDA stood at 4.6x, with Net Debt/EBITDA (excl. CWIP) at a healthy 3.2x. Receivables in DSO terms sustained a healthy level of 69 days.
- **Projects Execution:**
  - Thermal: Unit-1 of 2x350 MW Ind-Barath synchronized on 13th Jan 24; Unit#2 is expected in 4QFY24
  - Hydro: Tunnelling work at 240 MW Kutehr HEP has been completed. c.86% of barrage concreting has also been completed
  - Wind: Progressive commissioning of 810 MW wind project (SECI IX) commenced with CoD received for 51 MW
  - Acquired RE Portfolio (1,753 MW): Net Generation up 16% YoY resulting in EBITDA of INR 2bn (9M FY24 at Rs11bn)

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	540
Upside/(Downside)	10.5%
Previous Price Target	500
Change	8.0%

### Key Data – JSW IN

Current Market Price	INR489
Market cap (bn)	INR803.9/US\$9.7
Free Float	18%
Shares in issue (mn)	1,642.4
Diluted share (mn)	
3-mon avg daily val (mn)	INR2,001.7/US\$24.1
52-week range	519/205
Sensex/Nifty	71,060/21,454
INR/US\$	83.1

### Price Performance

%	1M	6M	12M
Absolute	19.4	70.7	97.7
Relative*	19.5	59.4	69.6

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	81,671	1,03,318	1,13,887	1,56,635	1,87,697
Sales Growth (%)	18.0	26.5	10.2	37.5	19.8
EBITDA	35,690	32,818	54,313	79,739	98,421
EBITDA Margin (%)	43.7	31.8	47.7	50.9	52.4
Adjusted Net Profit	17,286	13,578	17,468	24,832	30,863
Diluted EPS (INR)	10.5	8.3	10.6	15.1	18.8
Diluted EPS Growth (%)	117.1	-21.3	28.7	42.2	24.3
ROIC (%)	11.3	7.0	9.6	10.9	11.2
ROE (%)	10.8	7.5	9.0	11.8	13.3
P/E (x)	46.5	59.1	45.9	32.3	26.0
P/B (x)	4.6	4.3	4.0	3.6	3.3
EV/EBITDA (x)	24.1	29.2	18.6	13.4	11.4
Dividend Yield (%)	0.4	0.4	0.5	0.6	0.7

Source: Company data, JM Financial. Note: Valuations as of 24/Jan/2024

## Other key highlights:

- **Renewable market:** Tariffs in solar/wind projects of SECI are increasing while module prices are reducing, indicating the maturity of the market. The number of bids in various tenders is reducing due to a lack of enough debt and equity. However, the company intends to bid more aggressively in SECI's tenders to increase the RE capacity base. Additionally, the company is seeing an increasing number of wind bids due to RTC/ FDRE projects. However, land/ROW-related challenges remain in project execution.
- **Solar PV manufacturing:** Given the sharp decline in module prices globally, it doesn't see viability in setting up a green field manufacturing plant. So, a proposal for 1GW of W-C-M (wafer-cell-module) awarded under PLI is put on hold.
- **Thermal capacities:** Seeing traction in thermal projects. States are willing to sign more PPAs. The company is open to all opportunities. It did not 'deny' interest in Lanco Amarkantak with 2x300 MW operational and 2x660 MW under construction capacities (currently under NCLT). Recently, some media reports indicated its interest in IL&F's 1200 MW Cuddalore Thermal Power Station.
- **Pumped hydro storage:** Soon to announce agreement for proposed 130 MW of PSP with a group company.
- **Battery Energy Storage Project:** It expects PPA to sign in 4QFY24 for its 500MW/1000MWhr project.

## Exhibit 1. 3QFY24 consolidated results summary

Particulars	3QFY24	3QFY23	%YoY	2QFY24	%QoQ	JMFe	% Var
Net Generation (MUs)	6,128	4,274	43%	8,638	-29%	5,519	11%
<b>Net Sales</b>	25,428	22,481	13%	32,594	-22%	28,781	-12%
Expenditure	14,320	16,232	-12%	13,790	4%	14,484	-1%
<b>EBITDA</b>	11,108	6,249	78%	18,804	-41%	14,297	-22%
<b>EBITDA (%)</b>	43.7%	27.8%	1,589bps	57.7%	-1,401bps	49.7%	
Other income	1,186	1,016	17%	1,279	-7%	1,663	-29%
Depreciation	4,001	2,952	36%	4,087	-2%	4,291	-7%
<b>EBIT</b>	8,294	4,314	92%	15,996	-48%	11,669	-29%
Interest	5,208	2,137	144%	5,137	1%	4,999	4%
<b>PBT</b>	3,102	2,347	32%	10,918	-72%	6,727	-54%
Tax	779	480	62%	2,349	-67%	1,599	-51%
<b>PAT (reported)</b>	2,322	1,867	24%	8,569	-73%	5,128	-55%
<b>PAT (adjusted)</b>	2,313	1,796	29%	8,503	-73%	5,087	-55%
EPS (adj) (INR)	1.41	1.09	29%	5.18	-73%	3.10	-55%
<b>Cost-break up</b>							
Fuel Costs	10,679	12,019	-11%	13,813	-23%	11,512	-7%
% of sales	42%	53%		42%		40%	0
Staff Costs	929	885	5%	918	1%	852	9%
% of sales	4%	14%		5%		3%	0
Other Expenses	2,712	2,076	31%	2,327	17%	2,120	28%
% of sales	11%	204%		182%		7%	45%

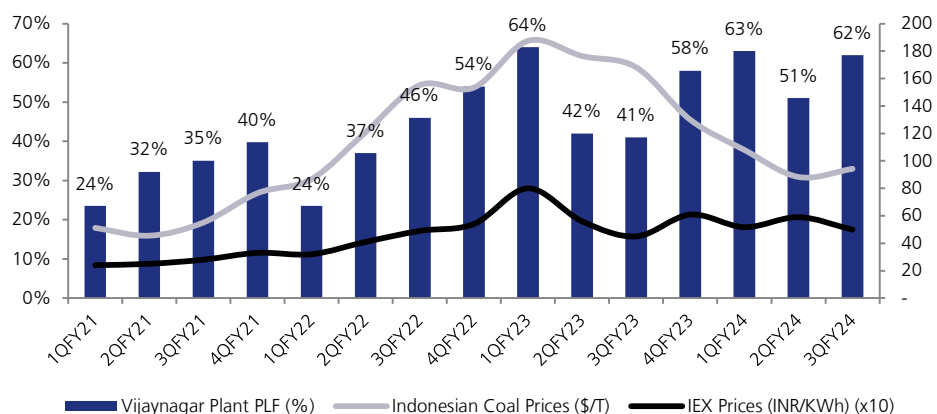
Source: Company, JM Financial

**Exhibit 2. Plant-wise performance**

Particulars	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)
<b>Vijaynagar</b>					
Capacity (MW)	860	860	0%	860	0%
Long term PPA	36%	35%		36%	
Generation (MU)	1,076	716	50%	900	20%
Deemed PLF (%)	62%	41%	51%	51%	22%
<b>Ratnagiri</b>					
Capacity (MW)	1,200	1,200	0%	1,200	0%
Long term PPA	91%	89%		89%	
Generation (MU)	2,062	1,133	82%	1,752	18%
Deemed PLF (%)	100%	88%		72%	
<b>Barmer</b>					
Capacity (MW)	1,080	1,080	0%	1,080	0%
Long term PPA	100%	100%		100%	
Generation (MU)	1,564	1,609	-3%	1,593	-2%
Deemed PLF (%)	77%	77%		75%	
<b>Hydro Generation (MU)</b>					
	634	721	-12%	2,766	-77%
Deemed PLF (%)	22%	24%		95%	
<b>Solar Generation (MU)</b>					
	124	89	39%	123	1%
Deemed PLF (%)	22%	18%		22%	
<b>Nandyal Generation (MU)</b>					
	27	1		25	8%
Deemed PLF (%)	97%	97%		69%	
<b>Wind Generation (MU)</b>					
	134	-	-	173	-23%
Deemed PLF (%)	28%	0%	-	36%	
<b>Mytrah Generation (MU)</b>					
	506	-	-	1,306	-61%
Deemed PLF (%)	S - 19/W - 12%	0%	-	S - 18/W - 40%	

Source: Company, JM Financial

**Exhibit 3. Vijaynagar plant PLF vis-à-vis movement in coal prices and merchant tariffs**



Source: Elekore, JM Financial

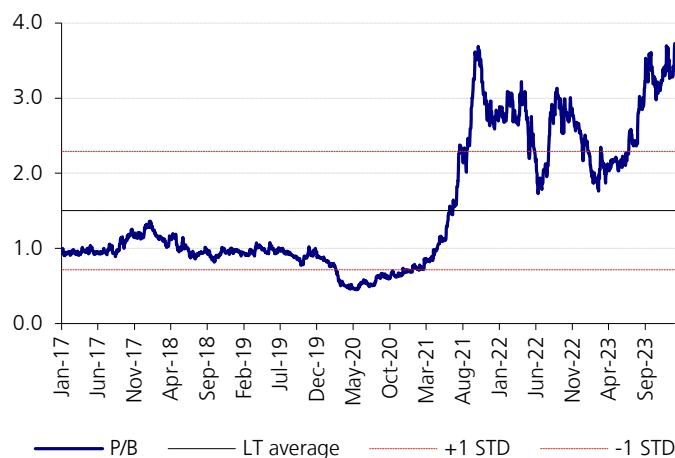
Valuation

Exhibit 4. SOTP Valuation

Particulars	Capacity* (MW)	EBITDA (INR mn)	Parameter	Multiple	Total Value (INR mn)	Value/shr (INR)
Thermal Portfolio (Barmer, Ratnagiri, Vijaynagar, Utkal)	3,858	25,827	EV/EBITDA	8	2,06,619	126
Hydro (Baspa, Karcham Wangtoo & Kutehr)	1,631	10,207	EV/EBITDA	11	1,12,278	68
Renewables (Wind + Captive Solar + Mytrah)	4,281	62,387	EV/EBITDA	13	8,11,026	494
500 MW/1GWh BESS, 130 MW PSP and new initiatives						15
Net Debt					2,68,416	164
<b>Equity Value</b>					<b>8,61,507</b>	<b>540</b>

Source: JM Financial, \*CY24 installed capacity

Exhibit 5. P/B



Source: Company, Bloomberg, JM Financial

Exhibit 6. EV/EBITDA



Source: Company, Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	81,671	1,03,318	1,13,887	1,56,635	1,87,697	
Sales Growth	18.0%	26.5%	10.2%	37.5%	19.8%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>81,671</b>	<b>1,03,318</b>	<b>1,13,887</b>	<b>1,56,635</b>	<b>1,87,697</b>	
Cost of Goods Sold/Op. Exp	35,742	59,373	46,197	57,013	58,683	
Personnel Cost	2,642	3,076	3,344	4,971	7,648	
Other Expenses	7,598	8,051	10,033	14,912	22,944	
<b>EBITDA</b>	<b>35,690</b>	<b>32,818</b>	<b>54,313</b>	<b>79,739</b>	<b>98,421</b>	
EBITDA Margin	43.7%	31.8%	47.7%	50.9%	52.4%	
EBITDA Growth	22.8%	-8.0%	65.5%	46.8%	23.4%	
Depn. & Amort.	11,311	11,692	16,110	24,807	30,472	
EBIT	24,379	21,126	38,203	54,931	67,949	
Other Income	5,687	5,352	4,555	4,783	5,022	
Finance Cost	7,769	8,443	19,997	26,756	31,953	
PBT before Excep. & Forex	22,297	18,036	22,761	32,958	41,019	
Excep. & Forex Inc./Loss(-)	0	-1,200	0	0	0	
PBT	22,297	16,836	22,761	32,958	41,019	
Taxes	4,948	4,627	5,463	8,296	10,324	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	234	217	217	217	217	
Reported Net Profit	17,434	12,401	17,492	24,856	30,887	
<b>Adjusted Net Profit</b>	<b>17,286</b>	<b>13,578</b>	<b>17,468</b>	<b>24,832</b>	<b>30,863</b>	
Net Margin	21.2%	13.1%	15.3%	15.9%	16.4%	
Diluted Share Cap. (mn)	1,644.0	1,640.5	1,640.5	1,640.5	1,640.5	
<b>Diluted EPS (INR)</b>	<b>10.5</b>	<b>8.3</b>	<b>10.6</b>	<b>15.1</b>	<b>18.8</b>	
Diluted EPS Growth	117.1%	-21.3%	28.7%	42.2%	24.3%	
Total Dividend + Tax	3,287	3,288	3,886	4,474	5,560	
Dividend Per Share (INR)	2.0	2.0	2.4	2.7	3.4	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	22,383	19,428	22,761	32,958	41,019	
Depn. & Amort.	11,311	11,692	16,110	24,807	30,472	
Net Interest Exp. / Inc. (-)	4,257	6,993	15,442	21,973	26,930	
Inc (-) / Dec in WCap.	-4,375	-11,336	3,089	-1,368	-2,128	
Others	333	-2,462	169	169	169	
Taxes Paid	-4,388	-3,473	-5,463	-8,296	-10,324	
<b>Operating Cash Flow</b>	<b>29,520</b>	<b>20,843</b>	<b>52,108</b>	<b>70,245</b>	<b>86,139</b>	
Capex	-22,941	-42,363	-92,189	-1,07,543	-97,064	
Free Cash Flow	6,580	-21,520	-40,080	-37,299	-10,926	
Inc (-) / Dec in Investments	5,397	-31,289	9,919	0	-1,576	
Others	3,621	3,557	4,555	4,783	5,022	
<b>Investing Cash Flow</b>	<b>-13,922</b>	<b>-70,095</b>	<b>-77,714</b>	<b>-1,02,760</b>	<b>-93,618</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-3,287	-3,288	-3,886	-4,474	-5,560	
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	
<b>Financing Cash Flow</b>	<b>-9,049</b>	<b>78,050</b>	<b>36,332</b>	<b>58,747</b>	<b>-12,008</b>	
<b>Inc / Dec (-) in Cash</b>	<b>6,549</b>	<b>28,798</b>	<b>10,726</b>	<b>26,232</b>	<b>-19,487</b>	
Opening Cash Balance	4,792	11,341	40,139	50,865	77,097	
Closing Cash Balance	11,341	40,139	50,865	77,097	57,610	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	1,74,149	1,86,288	1,99,870	2,20,228	2,45,532	
Share Capital	16,397	16,405	16,405	16,405	16,405	
Reserves & Surplus	1,57,752	1,69,883	1,83,465	2,03,823	2,29,126	
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	
<b>Total - Equity &amp; Liab.</b>	<b>2,53,043</b>	<b>3,93,438</b>	<b>4,67,243</b>	<b>5,77,579</b>	<b>6,28,380</b>	
Net Fixed Assets	1,69,212	2,98,087	3,74,166	4,56,901	5,23,493	
Gross Fixed Assets	2,05,443	3,12,608	3,79,824	4,72,960	6,34,733	
Intangible Assets	14,078	19,555	19,555	19,555	19,555	
Less: Depn. & Amort.	71,215	81,958	98,067	1,22,875	1,53,347	
Capital WIP	20,906	47,882	72,854	87,262	22,552	
Investments	65,438	70,537	70,537	70,537	70,537	
Current Assets	74,674	1,18,793	1,19,372	1,52,827	1,41,299	
Inventories	9,010	9,871	9,361	12,874	15,427	
Sundry Debtors	6,702	15,319	15,601	19,311	23,141	
Cash & Bank Balances	11,341	40,139	50,865	77,097	57,610	
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	96,831	1,02,687	1,06,949	
Current Liabilities	16,113	16,664	19,524	25,380	29,635	
Provisions & Others	40,168	77,316	77,307	77,307	77,314	
Net Current Assets	18,393	24,814	22,540	50,140	34,350	
<b>Total - Assets</b>	<b>2,53,043</b>	<b>3,93,438</b>	<b>4,67,243</b>	<b>5,77,579</b>	<b>6,28,380</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	21.2%	13.1%	15.3%	15.9%	16.4%	
Asset Turnover (x)	0.3	0.3	0.2	0.3	0.3	
Leverage Factor (x)	1.8	2.2	2.7	3.0	3.0	
RoE	10.8%	7.5%	9.0%	11.8%	13.3%	

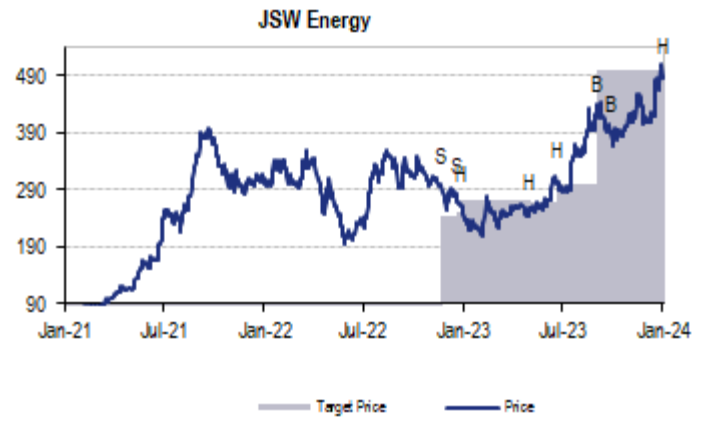
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	105.9	113.6	121.8	134.2	149.7	
ROIC	11.3%	7.0%	9.6%	10.9%	11.2%	
ROE	10.8%	7.5%	9.0%	11.8%	13.3%	
Net Debt/Equity (x)	0.3	0.8	1.0	1.2	1.3	
P/E (x)	46.5	59.1	45.9	32.3	26.0	
P/B (x)	4.6	4.3	4.0	3.6	3.3	
EV/EBITDA (x)	24.1	29.2	18.6	13.4	11.4	
EV/Sales (x)	10.5	9.3	8.9	6.8	6.0	
Debtor days	30	54	50	45	45	
Inventory days	40	35	30	30	30	
Creditor days	85	66	96	102	105	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Dec-22	Sell	245	
11-Jan-23	Sell	250	2.2
21-Jan-23	Hold	270	8.0
24-May-23	Hold	270	-0.1
15-Jul-23	Hold	300	11.2
25-Sep-23	Buy	500	66.7
21-Oct-23	Buy	500	0.0
24-Jan-24	Hold	500	-0.1

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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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.

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