

Retail Research	IPO Note
Sector: Renewable Energy	Price Band (Rs): 102 -108
13th November 2024	Recommendation: Subscribe for Long Term

NTPC Green Energy Ltd

Company Overview:

NTPC Green Energy Ltd (NGEL), a wholly owned subsidiary of NTPC Ltd is the largest renewable energy public sector enterprise (excluding hydro energy) in term of operating capacity as of Sep'24 and power generation as of Mar'24. The company's renewable energy portfolio includes both solar and wind power assets with presence across multiple locations in more than 6 states which helps in mitigating risk of location specific generation variability. As of Sep'24, NTPC Green's operational capacity stood at 3,220 MW of solar projects and 100 MW of wind projects across 6 states with average Power Purchasing Agreement (PPA) period of 25 years. Further, it has 13,576 MW of contracted & awarded projects and capacity under pipeline of 9,175 MW as of Sep'24.

Key Highlights:

1. Strong parentage: The company is a wholly owned subsidiary of NTPC Ltd, a 'Maharatna' central public service enterprise, which contributes ~17% to India's total installed capacity and ~24% to the total power generated in India as of Sep'24. NGEL benefits from the support, vision, resources and experience of the NTPC group which is currently looking to expand its non-fossil-based capacity to 45-50% of its portfolio which will include 60 GW renewable energy capacity by CY32. The company believes it can use the brand recall and long-term experience of dealing with state DISCOMs of NTPC Ltd to grow its portfolio and business in India.

2. Robust product portfolio with diversification across geographies and off-takers: NGEL has a large portfolio of utility-scale solar and wind energy projects coupled with projects for PSUs and Indian corporates. As of Sep'24, the company had 17 off-takers across 41 solar and 1 wind projects. The total portfolio as of Sep'24, consists of 26,071 MW including 3,320 MW of operating projects; 13,576 MW of contracted & awarded projects and 9,175 MW of capacity under pipeline. NGEL's portfolio is spread out across Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh which helps in mitigating risk of location specific generation variability.

3. Experience in renewable energy project execution: The company along with the NTPC Group have a strong track record of developing, constructing and operating renewable power projects, driven by experienced in-house management and procurement teams. NGEL's in-house team works with third-party aggregators, developers and EPC contractors to manage the land acquisition process. As of Sep'24, the company owns ~8,900 acres of freehold land and ~45,700 acres of leasehold land. Further, the company aims to leverage NTPC Group's economies of scale to negotiate and reduce the cost of components, equipment and materials for its solar and wind projects from domestic and foreign original equipment manufacturers and suppliers.

4. Access to low cost of capital: The company's focus on maintaining high-capacity utilization, operational efficiencies, low operating costs along with the strong parentage and diversified portfolio helps it to maintain healthy coverage ratios. Further, leveraging NTPC group's high credit rating and strong balance sheet provides access to low cost of capital.

Valuation: 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 6/11/19 GW by FY25E/FY26E/FY27E respectively from 3.3 GW as of Sep'24. Basis our back of the envelope calculation, at upper price band, the issue is priced at FY25E/FY26E/FY27E EV/EBITDA multiple of 35.3x/18.3x/10.1x and EV/MW of Rs 16.8 cr/9.0 cr/5.1 cr respectively. The company has exponential growth potential in medium term with its Revenue/EBITDA/PAT expected to grow at a CAGR of 79.0%/117.2%/123.8% to Rs 11,250 cr/9,563 cr/1,980 cr respectively over FY24-27E period. We recommend investors to subscribe to the issue at cut-off price for long term.

Issue Details	
Date of Opening	19 th November 2024
Date of Closing	22 nd November 2024
Price Band (Rs)	102 – 108
Offer for sale (shares)	-
Fresh Issue (Rs cr)	10,000
Issue Size (Rs cr)	10,000
No. of shares	98,03,92,157 – 92,59,25,926
Face Value (Rs)	10
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 multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Investment in wholly owned subsidiary NTPC Renewable Energy Ltd (NREL) for repayment/ prepayment in full or in part of outstanding borrowings availed by NREL.	7,500
General Corporate Purposes [^]	-
Total proceeds from fresh issue	10,000

[^] To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the gross proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	7,50,00,00,000	100.0
Public & Others	0	-
Total	7,50,00,00,000	100.0

Post Issue @Lower Price Band		
Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	7,50,00,00,000	88.4
Public & Others	98,03,92,157	11.6
Total	8,48,03,92,157	100.0

Post Issue @Upper Price Band		
Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	7,50,00,00,000	89.0
Public & Others	92,59,25,926	11.0
Total	8,42,59,25,926	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY22 [#]	FY23 [#]	FY24	1HFY25
Revenue from operation	910.4	1,449.7	1,962.6	1,082.3
EBITDA	794.9	1,309.6	1,746.5	932.9
PAT	94.7	456.5	344.7	176.7
EBITDA Margin (%)	87.3	90.3	89.0	86.2
PAT Margin (%)	10.4	31.5	17.6	16.3
ROE (%)	4.9	9.3	5.5	-
ROCE (%)	4.9	8.4	6.2	-
PE (x)*	855.0	177.4	235.0	-

Source: RHP, SSL Research

*P/E (x) is based on pre-issue at upper price band

[#]Carved out financials for NTPC Renewables Energy Ltd [15 solar/wind units of NTPC, NTPC Renewable Energy Ltd (NREL) and NGEL]

Risk Factors

- Off-taker risk:** The transmission and distribution of electricity is controlled by central and state government-utility companies which results in a concentrated pool of power purchasers for utility-scale electricity generated by the company. As of Sep'24, the company had 17 off-takers across 41 solar and 11 wind projects. In FY23/FY24/1HFY25, the company was dependent on its Top 9 off-takers for 98.5%/97.6%/98.0% of its revenue respectively. Loss of any of these customers or a deterioration of their financial condition could adversely affect the business, results of operations and financial condition.
- Raw material risk:** The company is substantially dependent on the availability and cost of solar modules, solar cells, wind turbine generators and other materials, components and equipment for its solar, wind and other projects. The company purchases major components such as solar panels, inverters, wind turbines and some components of power evacuation systems directly from a number of domestic and international manufacturers and does not have any long-term supply contracts with them. Any disruption to the timely and adequate supply, or volatility in the prices of required materials, components and equipment may adversely impact business, results of operations and financial condition.
- Execution risk:** The company is dependent for winning competitive bids for renewable energy projects which require extensive research, planning, due diligence and capacity to operate with low operating margins for sustained period of time. Future growth of the company is significantly dependent on successful execution of contracted & awarded projects. Any cost-overruns or failure to successfully execute projects may adversely impact business, results of operations and financial condition of the company.
- Geographic risk:** As of Sep'24, 62.2% of NTPC Green's operating renewable energy capacity is concentrated in Rajasthan. Any significant social, political, economic or seasonal disruption, natural calamities or civil disruptions in Rajasthan could have an adverse effect on business, results of operations and financial condition of the company.

Growth Strategy

- 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 battery energy storage systems (BESS).
- Drive efficiency and cost reductions in project execution and operating & maintenance.
- Continue to contribute to India's sustainability efforts.

Product Portfolio (MW)

Particulars	FY22*	FY23*	FY24	1HFY25
Operating (MW)				
Solar	1,395	2,561	2,825	3,220
Wind	50	50	100	100
Total	1,445	2,611	2,925	3,320
Contracted & Awarded (MW)				
Solar	4,616	5,750	9,571	10,576
Wind	150	500	2,000	3,000
Total	4,766	6,250	11,571	13,576
Operating, Awarded & Contracted				
Solar	6,011	8,311	12,396	13,796
Wind	200	550	2,100	3,100
Total	6,211	8,861	14,496	16,896

Source: RHP, SSL Research

*Carved out financials for NTPC Renewables Energy Ltd [15 solar/wind units of NTPC, NTPC Renewable Energy Ltd (NREL) and NGEL]

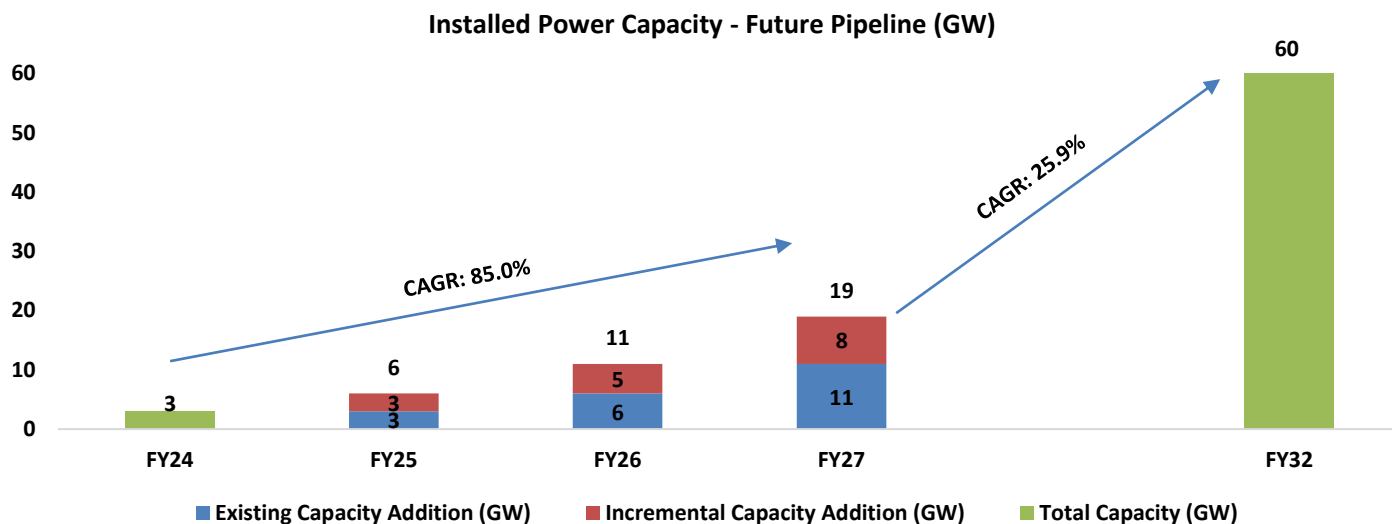
Operating Capacity by State (MW)

Particulars	FY22*		FY23*		FY24		1HFY25	
	MW	% of operating capacity	MW	% of operating capacity	MW	% of operating capacity	MW	% of operating capacity
Rajasthan								
Solar	620	42.9	1,556	59.6	1,806	61.7	2,065	62.2
Wind	-	-	-	-	-	-	-	-
Madhya Pradesh								
Solar	300	20.8	300	11.5	300	10.3	350	10.5
Wind	-	-	-	-	-	-	-	-
Uttar Pradesh								
Solar	225	15.6	225	8.6	239	8.2	265	8.0
Wind	-	-	-	-	-	-	-	-
Andhra Pradesh								
Solar	250	17.3	250	9.6	250	8.5	250	7.5
Wind	-	-	-	-	-	-	-	-
Tamil Nadu								
Solar	-	-	230	8.8	230	7.9	230	6.9
Wind	-	-	-	-	-	-	-	-
Gujarat								
Solar	-	-	-	-	-	-	60	1.8
Wind	50	3.5	50	1.9	100	3.4	100	3.0
Total Operating Capacity	1,445	100.0	2,611	100.0	2,925	100.0	3,320	100.0

Source: RHP, SSL Research

*Carved out financials for NTPC Renewables Energy Ltd [15 solar/wind units of NTPC, NTPC Renewable Energy Ltd (NREL) and NGEL]

Installed Power Capacity - Future Pipeline



Source: RHP, Company Presentation, SSL Research

Eligibility

Applicant	Category		
	Employee	Shareholders	Retail Or HNI
Shareholders*	No	Yes	Yes
Employee	Yes	No	Yes
Employee + Shareholder	Yes	Yes	Yes

Source: RHP, SSL Research

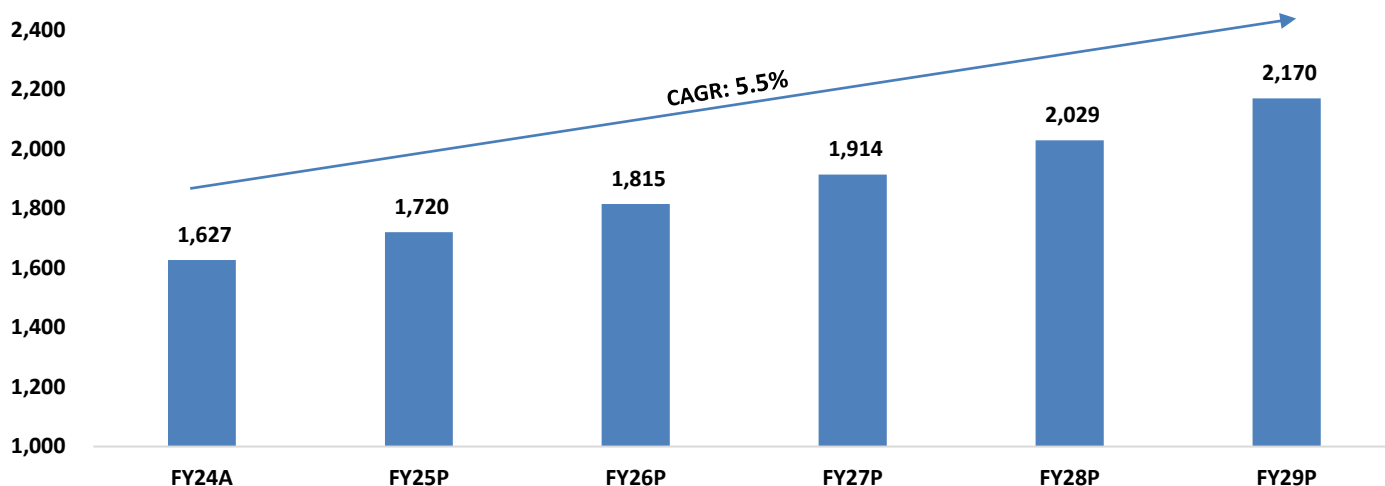
*Record date for NTPC Ltd shareholders was 12th November

Kindly Note: Maximum bid application is Rs 2,00,000 for eligible shareholder; Rs 5,00,000 for eligible employee; Rs 2,00,000 for retail and above Rs 2,00,000 for HNI

Industry Overview

India's Energy Demand stood at 1,627 BU in FY24 and is projected to grow at a CAGR of ~5.5% between FY24-FY29P to reach 2,170 BU. The growth would be driven by infrastructure-linked capex, strong economic fundamentals along with expansion of the power footprint via strengthening of T&D infrastructure, coupled with major reforms initiated by the Government of India for improving the overall health of the power sector, particularly that of state distribution utilities.

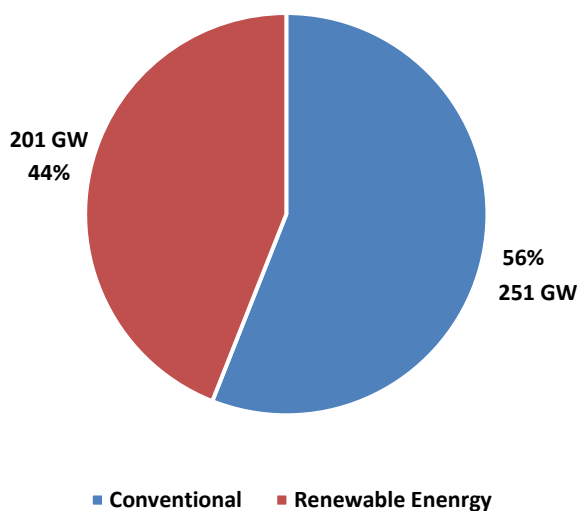
India's Energy Demand (BU)



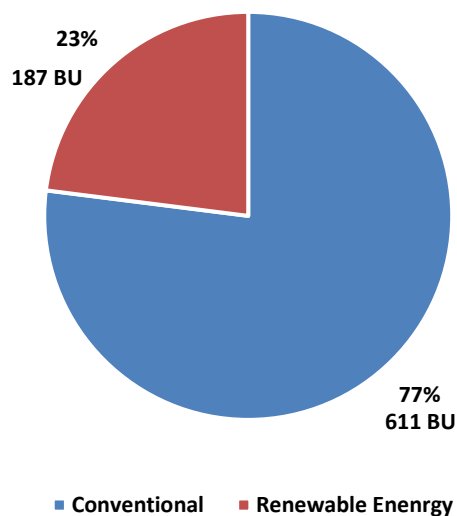
Source: RHP, SSL Research

India's Renewable Energy Capacity has increased from 63 GW as of Mar'12 to 201 GW as of Sep'24 driven by various central and state government schemes. As of Sep'24, renewable energy constitutes ~44% of the total installed power capacity in India, however due to lower capacity utilization renewable energy contributes only ~23% to the energy generated.

All India Installed Power Capacity (452 GW) - Sep'24

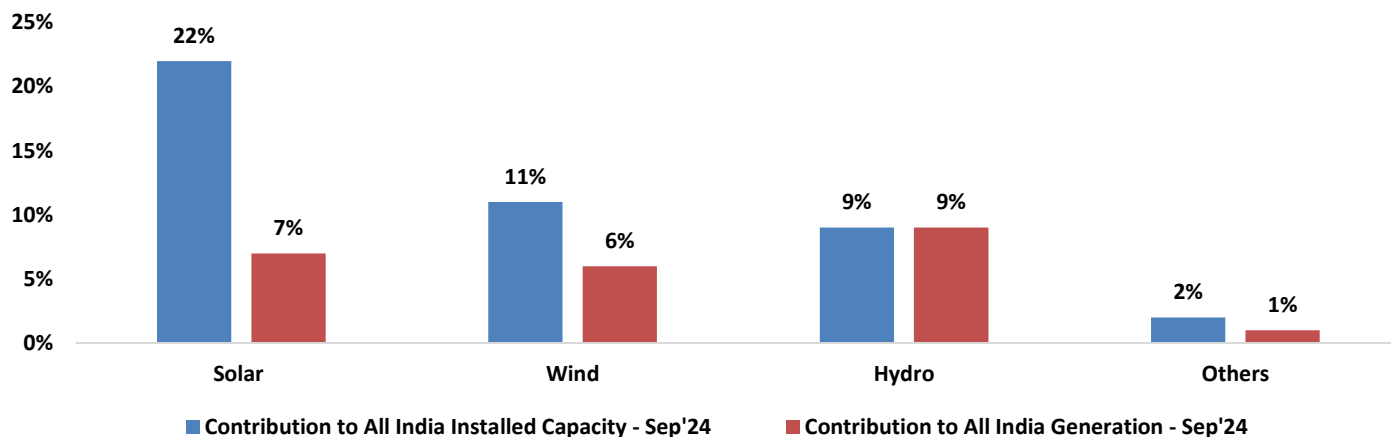


All India Electricity Generation (798 BU) - Sep'24



Source: RHP, SSL Research

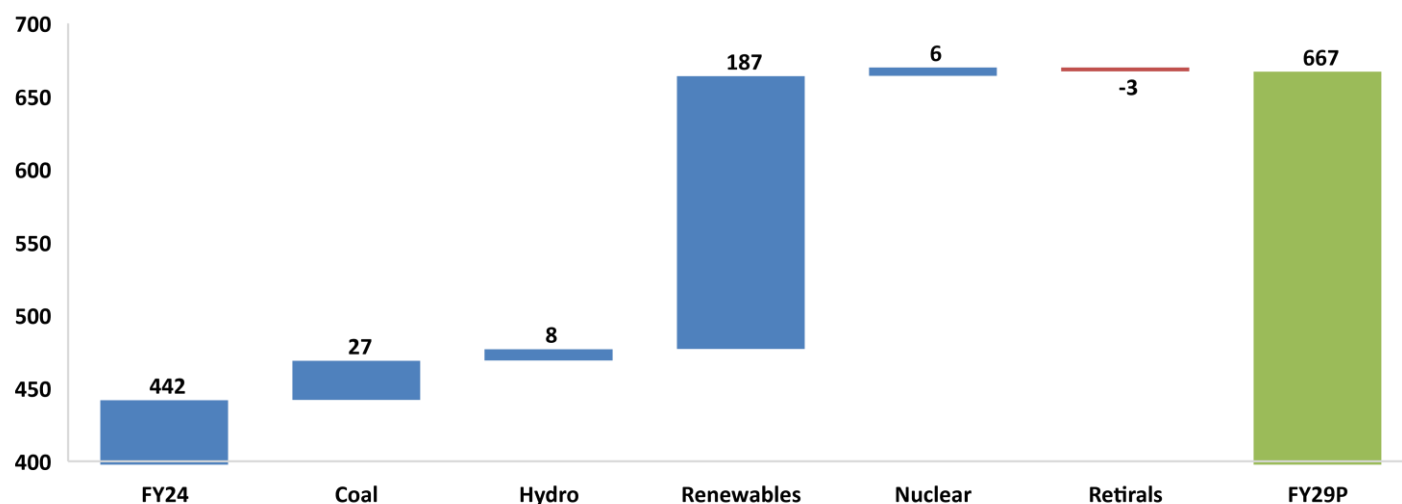
Capacity wise and Power generation wise contribution of Solar, Wind, Hydro & Others to the All India Installed Power Capacity and Electricity Generation - As of Sep'24



Source: RHP, SSL Research

All India Installed Capacity is expected to grow from 442 GW in FY24 to 667 GW in FY29P, largely contributed by renewable energy additions (+187 GW). Addition of incremental renewable capacity is likely to be driven by various government initiatives, favorable policies, competitive tariffs, innovative tenders, development of solar parks and green energy corridors, etc. Further, Renewable energy capacity is estimated to account for ~50% of India’s total installed capacity of 660-670 GW by FY29.

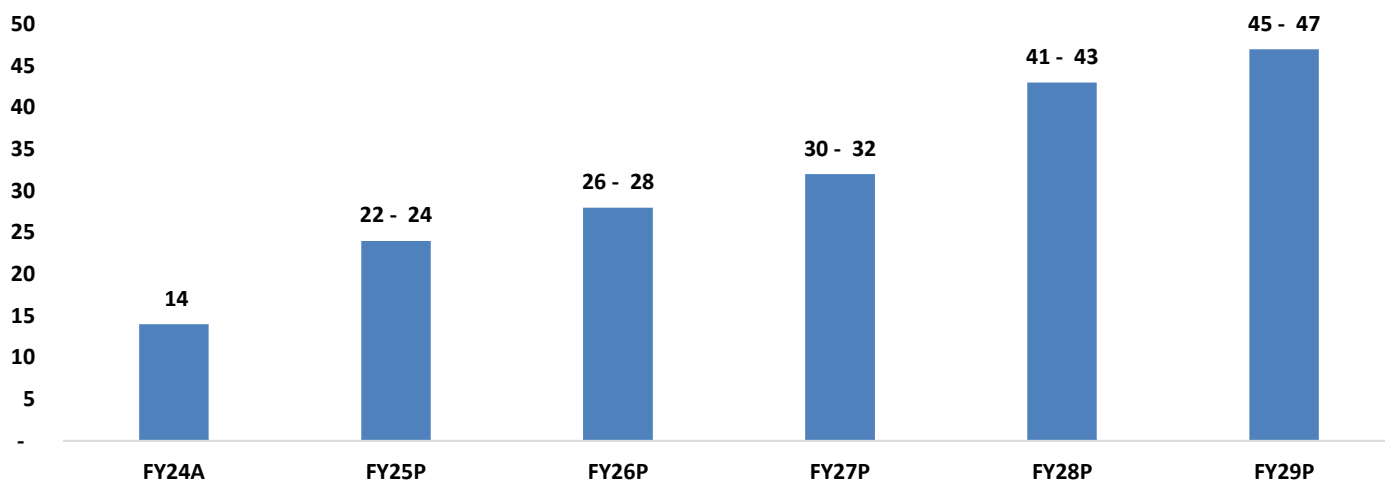
All India Installed Capacity Additions (GW)



Source: RHP, SSL Research

The **Solar Energy Sector in India** is growing exponentially, backed by robust government support demonstrated through an aggressive tendering strategy. Some of the key catalysts include technological advancements, affordable financing, supportive policies, thrust on go-green initiatives/sustainability targets, cost optimization due to increased grid electricity tariffs, subsidy initiative (specially in rooftop solar) and various incentives such as ISTS charge waiver. The industry is projected to increase installed capacity by ~174 GW between FY25-FY29P driven by various government schemes and corporates focusing on ESG factors.

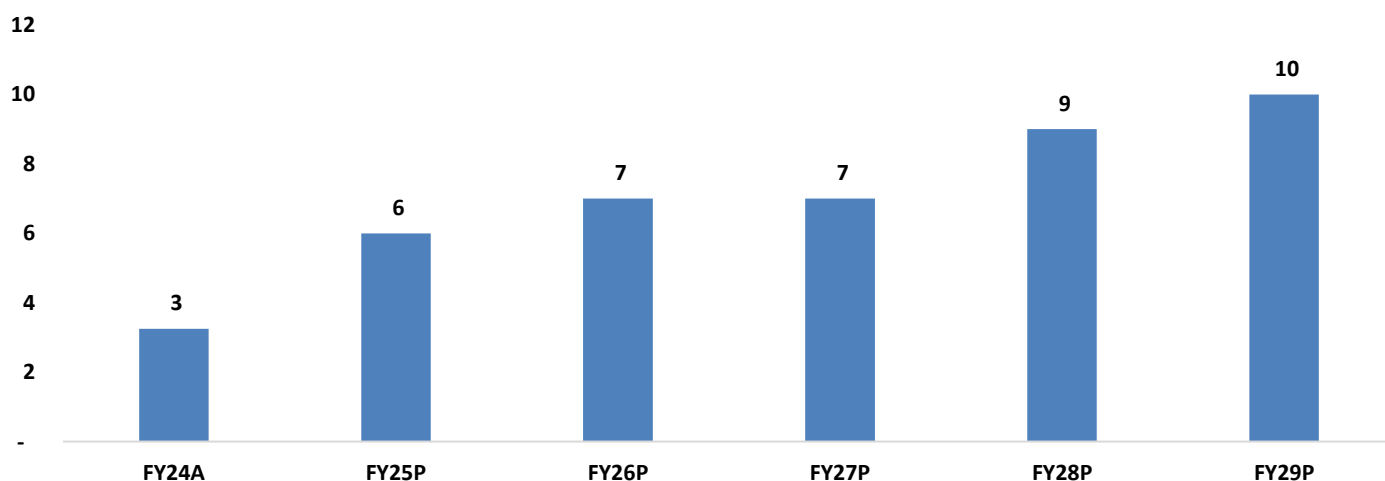
Expected Solar Capacity addition (GW)



Source: RHP, SSL Research

The **Wind Energy Sector in India** is projected to add ~40 GW of installed capacity between FY25-FY29P driven by pipeline build-up under existing schemes and new tendering schemes, improvement in technology, thrust on green hydrogen, renewable generation obligation and mixed resource models.

Expected Wind Capacity addition (GW)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY22*	FY23*	FY24
Revenue from Operations	910	1,450	1,963
YoY growth (%)	-	59.2%	35.4%
Employee Cost	8	13	37
Other Operating Expenses	108	127	179
EBITDA	795	1,310	1,746
EBITDA margins (%)	87.3%	90.3%	89.0%
Other Income	8	8	75
Interest Exp.	253	470	691
Depreciation	283	456	643
PBT	267	391	488
Tax	172	-66	143
PAT	95	456	345
PAT margin (%)	10.4%	31.5%	17.6%
EPS	0.1	0.6	0.5

BALANCE SHEET			
Particulars (Rs cr)	FY22*	FY23*	FY24
Assets			
Net Block	7,521	14,758	17,573
Capital WIP	6,426	1,749	7,138
Other Non-current Assets	737	1,130	1,242
Current Assets			
Inventories	6	9	25
Trade receivables	178	325	705
Cash and Bank Balances	6	73	472
Other Current Assets	12	386	52
Total Current Assets	201	794	1,254
Current Liabilities & Provisions			
Trade payables	93	102	62
Other current liabilities	1,867	4,524	3,891
Short-term provisions	1	-	-
Total Current Liabilities	1,960	4,626	3,954
Net Current Assets	-1,759	-3,832	-2,700
Total Assets	12,925	13,806	23,252
Liabilities			
Share Capital	-	4,720	5,720
Reserves and Surplus	1,952	168	513
Total Shareholders Funds	1,952	4,887	6,232
Minority Interest	-	-	-
Total Debt	8,621	5,418	12,797
Lease Liabilities	166	719	1,059
Other Long-Term Liabilities	1,033	1,695	1,934
Net Deferred Tax Liability	1,152	1,086	1,230
Total Liabilities	12,925	13,806	23,252

Cash Flow (Rs cr)	FY22*	FY23*	FY24
Cash flow from Operating Activities	674	741	1,579
Cash flow from Investing Activities	(4,473)	(2,485)	(9,207)
Cash flow from Financing Activities	3,798	1,810	7,671
Free Cash Flow	(3,800)	(2,129)	(6,884)

RATIOS			
	FY22*	FY23*	FY24
Profitability			
Return on Assets (%)	0.6	2.5	1.3
Return on Capital Employed (%)	4.9	8.4	6.2
Return on Equity (%)	4.9	9.3	5.5
Margin Analysis			
EBITDA Margin (%)	87.3	90.3	89.0
Net Profit Margin (%)	10.4	31.5	17.6
Short-Term Liquidity			
Current Ratio (x)	0.1	0.2	0.3
Quick Ratio (x)	0.1	0.2	0.3
Avg. Days Sales Outstanding	71	82	131
Avg. Days Inventory Outstanding	2	2	5
Avg. Days Payables	37	26	12
Fixed asset turnover (x)	0.1	0.1	0.1
Debt-service coverage (x)	0.1	0.1	0.1
Long-Term Solvency			
Total Debt / Equity (x)	4.4	1.1	2.1
Interest Coverage Ratio (x)	2.1	1.8	1.7
Valuation Ratios			
EV/EBITDA (x)	112.7	65.9	53.4
P/E (x)	855.0	177.4	235.0
P/B (x)	41.5	16.6	13.0
EV/Sales (x)	98.4	59.6	47.6

Source: RHP, SSL Research

*Carved out financials for NTPC Renewables Energy Ltd [15 solar/wind units of NTPC, NTPC Renewable Energy Ltd (NREL) and NGEL]

Peer Comparison

Particulars (Rs cr)	NTPC Green Energy Ltd	Adani Green Energy Ltd	ACME Solar Holdings Ltd
Operational Capacity (MW)	2,925.0	10,934.0	1,340.0
CMP	108.0	1,469.0	255.2
Sales	1,962.6	9,220.0	1,319.3
EBITDA	1,746.5	7,318.0	1,089.1
Net Profit	344.7	1,260.0	(50.9)
Mkt Cap.	91,000.0	2,32,734.0	15,438.8
Enterprise Value	93,324.6	2,94,292.0	25,367.0
EBITDA Margin (%)	89.0	79.4	82.6
Net Margin (%)	17.6	13.7	-
PE (x)	264.0	184.7	-
EV/EBITDA (x)	53.4	40.2	23.3
RoE (%)	5.5	17.1	26.9
RoCE (%)	6.2	9.8	8.6
EV/Sales	47.6	31.9	19.2
EV/MW (FY24)	31.9	26.9	18.9
EV/MW (FY25E)	16.8	-	-
EV/MW (FY26E)	9.0	-	-
EV/MW (FY27E)	5.1	-	-

Source: SSL Research

Notes:

For NTPC Green Energy Ltd, the Market Cap, PE (x), Enterprise Value, EV/EBITDA (x), EV/Sales (x) and EV/MW are calculated on post-issue equity share capital based on the upper price band.

EV/MW calculated on operational capacity

CMP is closing price of 13th November 2024

SBICAP Securities Limited

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SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602

IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103

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The Analysts engaged in preparation of this Report:-

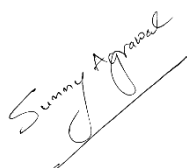
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Harsh Vasa	CA	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
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Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Ghanshyam Gupta	MBA (Finance)	Research Analyst- Currency Derivative
Sagar Peswani	B.Tech (ECE)	Research Associate - Equity Technicals
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