

NTPC Green Energy (NTPCGE)

Price Band: ₹ 102-108

November 18, 2024

Aggressive scale up; but valuations full...

About the Company: NTPC Green Energy Limited (NGEL) was incorporated on 7th April 2022, as a subsidiary of NTPC Limited. NGEL focuses exclusively on renewable energy which includes solar, wind, and solar-wind hybrid power projects.

- NGEL has portfolio of 16.9 GW of renewable assets of which 3.3 GW are operational, 13.6 GW of projects are contracted & awarded. Additionally, 9.2 GW are under pipeline. NGEL has guided capacity addition of 3GW/5GW/8GW in FY25E/26E/27E. Operational capacity is expected to reach ~19GW by FY27E and 60GW by FY32E.
- Revenue for FY24 & FY23 were ₹1963 & ₹170 crore respectively. EBITDA was ₹1746 & ₹151 crore. PAT for respective years were ₹344 & ₹171 crore.

Key facts:

- The company commands in excess of 25GW of portfolio and pipeline across solar and wind projects diversified across geographies and offtakers. The company has already contracted and awarded projects to the tune of ~13500 MW.
- The company is promoted by NTPC (largest power generator in the country, which has extensive experience in executing large-scale projects).
- The company will also benefit NTPC's financial strength and help access low & competitive cost of funds which will lead to better project level IRR's.
- From an operational perspective, the CUF's have averaged between 23-25% from FY24-H1FY25 coupled with scale up the generation has witnessed 3x increase from FY22-FY24.
- It has also signed a JV Agreement with MAHAPREIT to implement Renewable Energy Park projects, including solar, wind, and hybrid energy, with a capacity of up to 10 GW in Maharashtra. Additionally, it has signed an JV Agreement with Rajasthan Rajya Vidyut Utpadan Nigam Limited for the development of renewable energy projects (solar, wind, and hybrid), with or without storage up to a total capacity of 25 GW. This JV Agreement also includes the production of green hydrogen and its derivatives, such as green ammonia and green methanol, with a capacity of up to 1 million MT through a suitable model.

Our View & Rating

- Sales/PAT at NGEL has grown at a CAGR of 10x/2x, respectively, over FY23-24, led by capacity scaleup. NGEL clocked EBITDA margins of 89% in FY24 with RoCE placed at 4.8%. At the upper end of the price band, NGEL will command a valuation of ~264x P/E, ~60x EV/EBITDA & ~45x P/S on FY24 basis
- We assign **UNRATED** rating on NTPCGE.

Key risk & concerns

- Delay in execution of projects, increasing competition and decrease in IRR of the projects.

Key Financial Summary

Key Financials (Rs. crore)	FY23	FY24	YoY
Net Sales	170	1,963	1057%
EBITDA	151	1,746	1054%
EBITDA Margins (%)	89	89	
Net Profit	171	344	101%
Reported EPS	5	1	
RoNW (%)	3.5	5.5	
RoCE (%)	0.7	4.8	
P/E	531.7	264.2	

Source: RHP, ICICI Direct Research; Valuation at upper limit of price band i.e. ₹ 108

UNRATED



IPO details

Particulars	
Issue Opens	19th Nov 2024
Issue Closes	22th Nov 2024
Issue Size	~Rs. 10,000 crore
QIB (Institutional) Share	75% of issue
Non-Institutional Share	15% of issue
Retail Share	10% of issue
Issue Type	Book Built Issue IPO
Price Band (Rs./share)	102-108
Market Lot	138 shares
Face value (Rs./share)	10.0
Listing Market Cap @	~Rs. 91000 crore
Upper price band	

Shareholding pattern

	Pre-Issue	Post-Issue
Promoters	100.0	89.0
Public	0.0	11.0
Total	100.0	100.0

Objects of the issue

- Net proceeds of the issue are proposed to be used for financing investment in NTPC Renewable Energy Limited (NREL),
- For repayment of borrowings by NREL (upto ₹7500 crore);
- General corporate purposes.

Research Analyst

Chirag J. Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Financial summary

Exhibit 1: Profit and loss statement		₹ crore	
(Year-end March)	FY23	FY24	
Total operating Income	170	1,963	
Growth (%)	NA	1057%	
Raw Material Expenses	-	-	
Employee Expenses	3	37	
Other Expenses	16	179	
Total Op. Expenditure	18	216	
EBITDA	151	1,746	
Growth (%)	NA	1054%	
Depreciation	50	643	
Interest	50	691	
Other Income	1	75	
PBT	53	488	
Total Tax	(119)	143	
Reported PAT	171	344	
Growth (%)	NA	101%	
Reported EPS (₹)	5	1	

Source: DHRP, RHP, ICICI Direct Research

Exhibit 2: Cash flow statement		₹ crore	
(Year-end March)	FY23	FY24	
Profit before Tax	53	488	
Add: Depreciation & Interest	99	1,325	
(Inc)/dec in Current Assets	58	(414)	
Inc/(dec) in CL and Provisions	(188)	298	
Others	(5)	(117)	
CF from operating activities	17	1,579	
(Inc)/dec in Investments	1	(304)	
(Inc)/dec in Fixed Assets	(751)	(8,463)	
Others	(9,554)	(440)	
CF from investing activities	(10,304)	(9,207)	
Proceeds from Issuance of Equity	5,083	1,000	
Borrowings, leases & interest	5,271	6,671	
Dividend paid & dividend tax	-	-	
CF from financing activities	10,353	7,671	
Net Cash flow	66	43	
Opening Cash	6	73	
Closing Cash	73	116	

Source: DHRP, RHP, ICICI Direct Research

Exhibit 3: Balance Sheet		₹ crore	
(Year-end March)	FY23	FY24	
Liabilities			
Equity Capital	4,720	5,720	
Reserve and Surplus	168	513	
Total Shareholders funds	4,887	6,232	
Total Debt	6,102	13,775	
Deferred Tax Liability	1,086	1,230	
Minority Interest / Others	1,695	1,934	
Total Liabilities	13,771	23,172	
Assets			
Capital WIP	1,749	7,138	
Total Fixed Assets	16,507	24,711	
Goodwill & Investments	-	-	
Inventory	9	25	
Debtors	325	705	
Other Current Assets	6	8	
Cash	73	116	
Total Current Assets	413	853	
Creditors	102	62	
Provisions	-	0	
Other current liabilities	4,558	3,972	
Total Current Liabilities	4,661	4,035	
Net Current Assets	(4,247)	(3,182)	
Others	1,130	1,241	
Application of Funds	13,771	23,172	

Source: DHRP, RHP, ICICI Direct Research

Exhibit 4: Key ratios			
(Year-end March)	FY23	FY24	
Per share data (₹)			
EPS	0.2	0.4	
Cash EPS	0.3	1.2	
BV	5.8	7.4	
Cash Per Share	0.1	0.6	
Operating Ratios (%)			
EBITDA Margin	89.2	89.0	
PBT / Net sales	59.8	56.2	
PAT Margin	100.9	17.5	
Return Ratios (%)			
RoE	3.5	5.5	
RoCE	0.7	4.8	
RoC	0.8	7.1	
Valuation Ratios (x)			
P/E	531.7	264.2	
EV / EBITDA	641.0	59.7	
EV / Net Sales	571.8	53.1	
Market Cap / Sales	536.3	46.4	
Price to Book Value	18.6	14.6	
Solvency Ratios			
Debt/EBITDA	40.3	7.9	
Debt / Equity	1.2	2.2	
Current Ratio	2.5	5.1	
Quick Ratio	2.4	5.0	

Source: DHRP, RHP, ICICI Direct Research; Valuations at upper end of price band i.e. ₹ 108

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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