AXIS DIRECT

Result Update
27th January, 2026

JSW Energy Ltd
Utilities

BUY
Target Price
630

Steady Q3; Long-term Visibility Strong

Est. Vs. Actual for Q3FY26: Revenue - MISS; EBITDA - INLINE; Underlying PAT - MISS

Change in Estimates post Q3FY26:

FY26E/FY27E/FY28E: Revenue: 0%/-1%/-1%; **EBITDA:** -1%/-1%/-2%, **PAT:** 1%/2%/3%

Recommendation Rationale

- **Capacity Ramp-Up:** Installed capacity grew by 125 MW, up 64%/1% YoY/QoQ to 13.3 GW in Q3FY26, led by organic RE capacity additions, including hybrid projects. The company added 5.2 GW over the past 12 months, comprising 3.1 GW RE and 2.1 GW thermal. This includes inorganic capacity additions of 1.5 GW in renewables and 1.8 GW in thermal. Total locked-in capacity now stands at 32.1 GW (13.3 GW operational, 14.02 GW under constructionand 4.6 GW under pipeline), providing clear visibility to the target of 30 GW by 2030.
- **Thermal Projects:** Amidst renewed focus on firm power, JSWE remains well-positioned with Salboni 3.2 GW (2 phases of 2x800 MW) and 1,800 MW of the KSK brownfield project. It signed Phase I 1,600 MW PPA in Mar'25 and has recently signed PPA for the balance 1,600 MW Phase II with the West Bengal DISCOM, taking total Salboni capacity to 3.2 GW. Salboni is the company's largest single-location asset. Phase I capex will be ~Rs 16,000 Cr, with similar capex estimated for Phase II. Phase I fixed tariff is set at Rs 3.65/unit and Phase II at Rs 4.06/unit, with fuel cost as a pass-through. Turbine generator order is placed with Toshiba-JSW (2x800 MW) to mitigate equipment availability risks. The project will benefit from the proximity to the coal blocks and shared infrastructure with Phase I. PPA timelines are 48 months for 1st unit of Phase I and 54 months for 2nd unit from notice to proceed.
- **Minimal Impact from RE Curtailment:** Management indicated that the company is largely insulated from grid connectivity challenges for the next 1-2 years due to i) Majority of upcoming projects being STU rather than ISTS connected, and ii) O2 Power acquisition bringing 100% connectivity availability for its 4.7 GW+ capacity. Any temporary GNA curtailment has financial protection under PPA terms.

Sector Outlook: Cautiously Positive

Company Outlook & Guidance: Management guided for 1.5 GW of capacity additions in H2FY26 (125 MW done in Q3, with the balance well on track in Q4FY26. The remaining projects have grid connectivity in place), with total installed capacity expected to reach ~15 GW by the end of FY26. Under Strategy 3.0, the company targets a FY30 run-rate EBITDA of 2.7–3.0x of FY25 proforma EBITDA (including acquisitions completed in FY25), supported by a planned cumulative capex of Rs 1,30,000 Cr over FY26–FY30, while maintaining Net Debt/EBITDA at ~5.0x by FY30.

Current Valuation: We value JSWE using the SOTP method. We value the generation business at a target multiple of 11x EV/EBITDA (Previously 12x) on our Dec'27E EBITDA (roll forward from Sep'27E) and the energy storage business at 1x P/BV of the target equity investment (excluding the SECI BESS 500 MW/1000 MWh project). We further adjust the TP for its 2.9% stake in JSW Steel Ltd.

Current TP: Rs 630/share (Earlier TP: Rs 705/share)

Recommendation: We **maintain our BUY** recommendation on the stock.

Financial Performance: Net sales grew 67% YoY, but down 21% QoQ to Rs 4,082 Cr, missing our estimate and consensus by 5% and 10%, respectively, due to lower-than-expected power generation. EBITDA stood at Rs 2,030 Cr, up 122% YoY, but down 32% QoQ, in line with our estimates (due to better than expected margins) and 8% miss on consensus estimates. Attrib PAT was up 150% YoY, but down 40% QoQ to Rs 529 Cr. PAT increased YoY due to higher deferred tax one-offs, but decreased QoQ due to an increase in D&A and finance cost. Excluding deferred tax gains, the company reported a loss of Rs 261 Cr.

Outlook: Strategy 3.0 targets a generation capacity of 30 GW and storage capacity of 40 GWh by 2030. Currently, it already has 29.6 GWh of locked-in energy storage capacity, which includes 26.4 GWh of PSP and 3.2 GWh of BESS. We slightly cut our revenue and EBITDA estimates as we rationalise our Tariff assumption for Thermal, RE, and Hydro projects.

Valuation & Recommendation: We value JSWE using the SOTP method, and value the generation business at 11x (Previously 12x) Dec'27E EV/EBITDA (roll forward from Sep'27). We continue to value the energy storage business at 1x P/BV. We further adjust the TP for JSWE's 2.9% stake in JSW Steel Ltd. to arrive at the TP of Rs 630/share (Earlier TP: Rs 705/share), which implies an upside potential of 31% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q3FY26A	QoQ (%)	YoY (%)	Axis Est	Var (%)
Net Sales	4,082	-21%	67%	4,305	-5%
EBITDA	2,030	-32%	122%	2,002	1%
EBITDA Margin (%)	50%	-815bps	1,226bps	47%	322bps
PAT Excl one-offs	-261	-36%	236%	-65	NA
Reported EPS (Rs/share)	2.4	-40%	150%	-0.9	NA

Source: Company, Axis Securities

(CMP as of 23rd January, 2026)

CMP (Rs)	482
Upside /Downside (%)	31%
High/Low (Rs)	579/419
Market cap (Cr)	84,277
Avg. daily vol. (6m) Shrs.	29,02,843
No. of shares (Cr)	174.6

Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter	69.3	69.3	69.3
FII	12.4	12.1	9.5
Mutual Funds / UTI	4.1	4.5	5.9
Financial Institutions	0.0	0.1	0.0
Others	14.3	14.0	15.3

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	21,017	24,522	27,939
EBITDA	10,886	14,190	17,047
Attrib Net Profit	2,378	2,686	3,009
EPS (Rs)	13.4	14.9	16.7
PER (x)	35.9	32.4	28.9
P/BV (x)	2.8	2.5	2.4
EV/EBITDA (x)	14.1	12.2	11.2
ROE (%)	8.0%	8.1%	8.3%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
Sales	0%	-1%	-1%
EBITDA	-1%	-1%	-2%
PAT (Attrib)	1%	2%	3%

Relative Performance

Source: Ace Equity, Axis Securities

Results Gallery

[Q2FY26](#)
[Q1FY26](#)
[Q3FY25](#)
[Q4FY25](#)

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Key Concall Highlights

- **Sector Bidding Trends - Thermal and Storage Bids Gaining Prominence**: In 9MFY26, thermal bidding aggregated to 12.8 GW, reflecting renewed demand for reliable baseload power. RE bidding, on the other hand, has moderated to 10.4 GW while storage bids surged to 7.6 GW vs. 1.6 GW in 9MFY25. In 9MFY26, ~10-12 GW of RE PPAs were estimated to be signed. Bidding landscape reflects clear transitioning from plain vanilla RE towards a balanced mix of thermal, storage, and firm power solutions to ensure grid stability and energy security. GoI has announced 97 GW of fresh capacity commissioning by 2034; in line with that, some fresh bidding are expectted in the next 1.5-2 years.
- **Merchant Markets Remained Soft in Q3FY26, with an Uptick Visible in Jan'26:** In Q3FY26, DAM prices were down 13.2% YoY (fell QoQ as well); however, JSWE achieved 20% premium realisation on its merchant sales over average exchange prices through strategic back-to-back short-term contracts and portfolio diversification. In the first 21 days of Jan'26, encouraging recovery is seen with merchant tariffs improving ~30% compared to the Q3FY26 average.
- **Open Capacity Reduction from Apr'26:** Merchant exposure will decline from ~8% currently to ~5% effective 1st April, 2026, following the 400 MW, 25-year PPA signed with Karnataka DISCOMs for the Utkal plant (fixed tariff of Rs 4.04/unit + variable Rs 1.74/unit). Additionally, a 115 MW, 2-year short-term PPA was signed with Assam DISCOMs. Over 95% capacity is tied under long-term contracts, insulating earnings from merchant volatility.
- **Group Captive & C&I PortfolioForms 25% of Current Installed Capacity:** ~3.3 GW of capacity is secured with group captive and C&I customers at an attractive blended RE tariff of Rs 3.65/unit. As capacity scales beyond 30 GW, this segment is expected to grow to ~5.7 GW, providing stable and premium cash flows.
- **KSK Mahanadi Tariff Reset Manageable and Lower Brownfield Capex:** The ~Rs 1.25/unit tariff reduction from UP DISCOM (impacting 1,000 MW of 1,800 MW), effective FY27, will be partially offset by operational efficiencies built during the year and monetisation of reserve shutdowns/backdowns. Capex on the 4th unit (1.8 GW brownfield expansion) has commenced, with commissioning expected in ~3 years at significantly lower specific capex vs. greenfield.
- **Kutehr Hydro:** The 240 MW Kutehr plant in Himachal Pradesh is now fully stabilised and generated ~130 MUs during Q3FY26. Hydro generation grew 27% YoY vs. the national average of 13%, benefiting from improved hydrology.
- **Green Hydrogen Project:** The company successfully commissioned India's largest green hydrogen plant at Vijayanagar with a capacity of 3,800 TPA of green hydrogen and 30,000 TPA of green oxygen, supplying to JSW Steel's DRI plant as a strategic decarbonization step.
- **Deferred Tax Recognition:** The company recognised Rs 557 Cr DTA at JSW Energy Utkal on carried forward business losses and unabsorbed depreciation, driven by reasonable certainty of future taxable profits from the 25-year Karnataka PPA. Additional Rs 189 Cr DTA recognised at KSK Mahanadi. Separately, Rs 65 Cr one-time provision made towards recent labour code changes on a conservative basis.
- **Sector Tailwinds:** Thermal bidding momentum remains strong at 12.8 GW in 9MFY26 vs. moderated RE bidding at 10.4 GW, reflecting the grid's need for reliable baseload capacity. Storage bids surged to 7.6 GWh in 9MFY26 (vs. 1.6 GWh in 9MFY25). JSWE's locked-in storage capacity of 29.6 GWh (3.2 GWh BESS + 26.4 GWh PSP) positions it well for the 40 GWh by 2030 target.
- **Cost of Debt:** Weighted average cost of debt declined 11 bps QoQ from 8.79% to 8.68%, in line with recent rate cuts. Management expects this declining trend to continue as bank loans undergo interest resets.
- **Capital Raise:** Preferential allotment of Rs 3,000 Cr approved, comprising Rs 500 Cr through equity and Rs 2,500 Cr through warrants (convertible over 18 months or earlier). Additionally, shareholder approval was received for the potential QIP issuance of up to Rs 10,000 Cr, consistent with last year. Net leverage is expected to decline post receipt of preferential allotment proceeds.
- **Receivable Days:** Trade receivables improved sharply to 73 debtor days vs. 96 days in Q3FY25, reflecting better collection efficiency. Total receivables stood at ~Rs 3,000 Cr as of Dec'25.
- **BESS Plant:** 5 GWh battery containerization and cell assembly plant at Pune is nearing commissioning, with all equipment received and installation/trial run progressing. Cells will be imported and containerised at the facility for BESS PPAs. Production expected to commence by Feb-Mar'26 with approvals expected by March-end or early April.
- **NCLT Approval:** Resolution plan approved for Raigarh-Champa Rail Infrastructure (KSK rail infra).
- **Acquisitions:** Tidong Hydropower (150 MW) and GE Power India's boiler manufacturing division (Durgapur) acquisitions are progressing well; expected to close by 31st January, 2026. Durgapur plant has the capacity to manufacture 2 boilers of 800 MW each annually for captive requirement, with potential for future expansion.

Key Risks to Our Estimates and TP

- Delay in the execution of projects and the issuance of tenders.
- Fluctuation in short-term realisations.
- Delay in signing of PPAs.

Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	21,017	24,522	27,939	21,108	24,768	28,310	0%	-1%	-1%
EBITDA	10,886	14,190	17,047	10,962	14,396	17,359	-1%	-1%	-2%
Attrib Net Profit	2,378	2,686	3,009	2,349	2,637	2,933	1%	2%	3%

Source: Axis Securities.

JSWE Q3FY26 Results Review

Y/E March (Rs Cr)	Q3FY25A	Q2FY26A	Q3FY26 Axis Est	Consensus	Q3FY26A	%YoY	%QoQ	% Var	Vs. Consensus
Gross Generation (BUs)	6.8	14.9	11.3		11.1	65%	-26%	-2%	NA
Net Sales	**2,439**	**5,177**	**4,305**	**4,551**	**4,082**	**67%**	**-21%**	**-5%**	**-10%**
Expenditure	1,525	2,181	2,303		2,052	35%	-6%	-11%	NA
EBITDA	**914**	**2,996**	**2,002**	**2,217**	**2,030**	**122%**	**-32%**	**1%**	**-8%**
EBITDA (%)	37%	58%	47%		50%	1,226bps	-815bps	322bps	
Depreciation	406	809	818		829	104%	2%	1%	NA
EBIT	**508**	**2,187**	**1,184**		**1,201**	**136%**	**-45%**	**1%**	**NA**
Other income	201	184	215		173	-14%	-6%	-20%	NA
Interest	565	1,418	1,488		1,485	163%	5%	0%	NA
Share of income in Asso.	5	2	2		4	-32%	81%	81%	NA
PBT	**150**	**955**	**-87**		**-108**	**NA**	**NA**	**NA**	**NA**
Exceptional Items gain/ (loss)					**-65**	NA	NA	NA	NA
Tax	-7	131	-22		-702	NA	NA	NA	NA
Tax rate (%)	-5%	14%	25%		652%				
Reported PAT	**157**	**824**	**-65**	**179**	**529**	**236%**	**-36%**	**NA**	**196%**
Minority interest	-10	120	88		109	NA	-9%	24%	NA
Attributable Reported PAT	**168**	**705**	**-153**		**420**	**150%**	**-40%**	**NA**	**NA**
Attr PAT excl exceptionals	168	705	-153		-261	NA	NA	NA	NA
EPS(Rs)	0.96	4.04	-0.87	1.25	2.40	150%	-40%	NA	92%

Cost-break up	**Q3FY25A**	**Q2FY26A**	**Axis Est**		**Q3FY26A**	**%YoY**	**%QoQ**
Raw Material Costs	1,075	1,421	1,507		1,289	20%	-9%
% of sales	44%	27%	35%		32%	-1,247bps	415bps
RM/MU	1.6	1.0	1.3		1.2	-27%	22%
Staff Costs	110	191	194		193	76%	1%
% of sales	5%	4%	5%		5%	23bps	105bps
Other Expenses	341	569	603		569	67%	0%
% of sales	14%	11%	14%		14%	-2bps	295bps

Source: Company, Axis Securities, Bloomberg Consensus

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Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Total Operating Income	11,745	21,017	24,522	27,939
Fuel Cost	4,456	7,633	7,125	7,045
Increase/Decrease in Stocks	140	-	-	-
Employees Cost	464	261	272	296
Other Expenses	1,464	2,236	2,936	3,551
Total Expenditure	6,525	10,131	10,332	10,892
EBITDA	**5,221**	**10,886**	**14,190**	**17,047**
Depreciation and Amortisation	1,655	4,009	4,928	5,807
EBIT	**3,566**	**6,876**	**9,261**	**11,241**
Other Income	894	870	870	830
Share Of P/L Of Associates (Net of Tax)	23	-	-	-
Less: Interest & Fin Chg.	2,269	4,894	6,845	8,343
Less: Exceptional Items	-	-	-	-
Profit before tax	**2,214**	**2,852**	**3,286**	**3,728**
Provision for Tax	231	474	600	719
Reported PAT	**1,983**	**2,378**	**2,686**	**3,009**
EPS (Rs/share)	**11.2**	**13.4**	**14.9**	**16.7**
DPS (Rs/share)	**2.0**	**2.4**	**2.7**	**3.0**

Source: Company, Axis Securities.

Balance Sheet

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Net Block	45,713	74,829	96,145	1,15,433
CWIP	10,281	10,281	10,281	10,281
Intangible assets	8,442	8,442	8,442	8,442
Investments	7,654	7,654	7,654	7,654
Inventories	905	1,727	2,016	2,296
Trade Receivables	1,320	2,591	3,023	3,445
Cash / Bank balance	4,695	4,245	5,057	4,160
Misc. Assets	10,929	10,929	10,929	10,929
Total assets	**89,939**	**1,20,699**	**1,43,546**	**1,62,639**
Equity capital	1,745	1,769	1,805	1,805
Reserves	25,616	28,615	32,595	34,993
Minority Interest	1,724	1,779	1,841	1,911
Borrowings	49,621	75,834	94,123	1,10,281
Def tax Liabilities	3,083	3,083	3,083	3,083
Other Liabilities	6,740	6,740	6,740	6,740
Provisions	-	-	-	-
Trade Payables	1,409	2,879	3,359	3,827
Capital employed	**89,939**	**1,20,699**	**1,43,546**	**1,62,639**

Source: Company, Axis Securities

Cash Flow (Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Profit before tax	2,214	2,852	3,286	3,728
Depreciation	1,655	4,009	4,928	5,807
Interest Expenses	2,269	4,894	6,845	8,343
Non-operating / EO item	(382)	-	-	-
Change in W/C	(1,588)	(624)	(240)	(234)
Taxes paid	(329)	(474)	(600)	(719)
Operating Cash Flow	**3,838**	**10,658**	**14,220**	**16,925**
Capital Expenditure	(6,707)	(33,125)	(26,244)	(25,094)
Free Cash Flow	**(2,868)**	**(22,467)**	**(12,024)**	**(8,169)**
Other Investments	(16,906)	-	-	-
Investing Cash Flow	**(23,613)**	**(33,125)**	**(26,244)**	**(25,094)**
Proceeds / (Repayment) of Borrowings	18,425	26,212	18,290	16,157
Dividend paid	(364)	(428)	(484)	(542)
Interest paid	(2,721)	(4,894)	(6,845)	(8,343)
Other Financing cash flow	4,883	1,128	1,875	-
Financing Cash Flow	**20,223**	**22,017**	**12,836**	**7,272**
Change in Cash	**449**	**(450)**	**812**	**(897)**
Opening Cash	4,180	4,695	4,245	5,057
Closing Cash	**4,629**	**4,245**	**5,057**	**4,160**

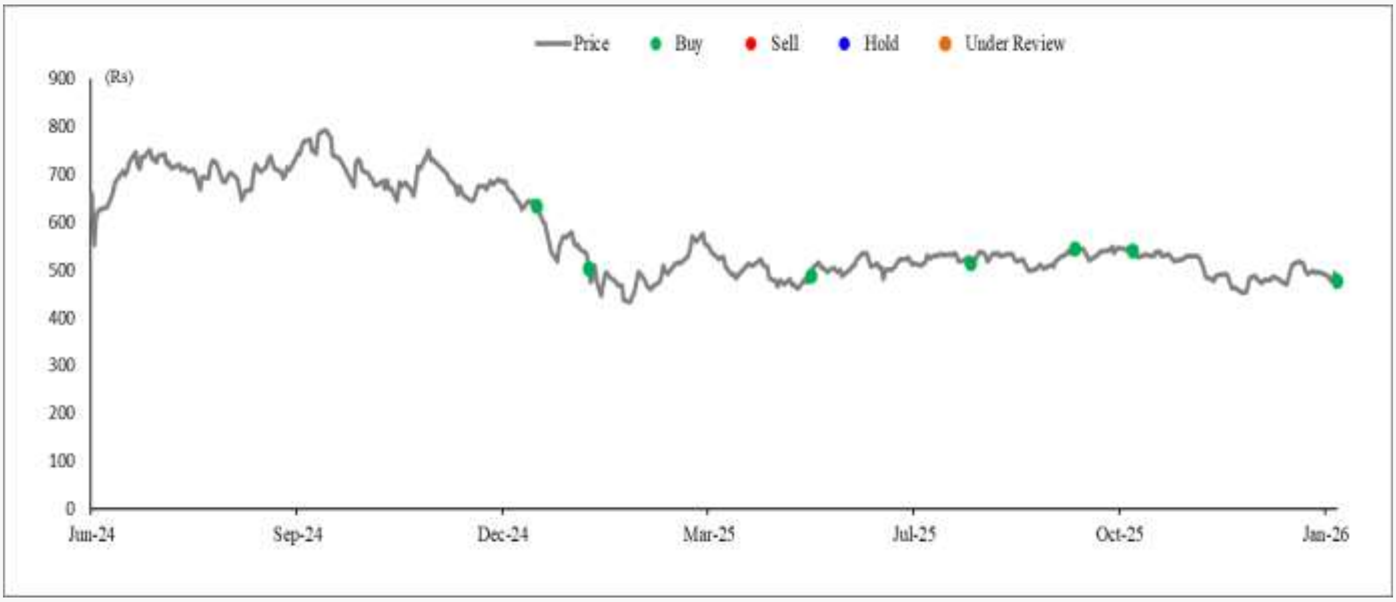
Source: Company, Axis Securities

Ratio Analysis (%)

Y/E March	FY25A	FY26E	FY27E	FY28E
Operational Ratios				
Sales growth (% YoY)	2%	79%	17%	14%
EBITDA growth (% YoY)	-3%	109%	30%	20%
Op. profit growth (% YoY)	6%	74%	31%	19%
Net Profit growth (% YoY)	15%	21%	13%	12%
EBITDA Margin %	44%	52%	58%	61%
Net profit Margin %	17%	11%	11%	11%
Tax Rate %	11%	17%	18%	19%
Efficiency Ratios				
Total Asset turnover (x)	0.2	0.2	0.2	0.2
Sales/Gross block (x)	0.2	0.2	0.2	0.2
Sales/Net block(x)	0.3	0.3	0.3	0.2
Working capital/Sales (x)	0.07	0.07	0.07	0.07
Valuation Ratios	0.55			
PER (x)	43.1	35.9	32.4	28.9
P/BV (x)	3.1	2.8	2.5	2.4
EV/EBITDA (x)	24.1	14	12	11
EV/Sales (x)	10.7	7.3	7.1	6.8
Dividend Yield (%)	0.4%	0.5%	0.6%	0.6%
Return Ratios				
ROE	8.1%	8.0%	8.1%	8.3%
ROCE	4.8%	6.1%	6.5%	6.7%
ROIC	5.9%	6.6%	7.0%	7.1%
Leverage Ratios				
Debt / Equity (x)	1.8	2.5	2.7	3.0
Net debt / Equity (x)	1.5	2.2	2.4	2.8
Net debt / EBITDA (x)	7.7	6.1	5.9	5.9

Source: Company, Axis Securities

JSW Energy Chart and Recommendation History



Date	Reco	TP	Research
06-Jan-25	BUY	800	Initiating Coverage
29-Jan-25	BUY	770	Result Update
16-May-25	BUY	705	Result Update
01-Aug-25	BUY	705	Result Update
20-Sep-25	BUY	705	AAA
20-Oct-25	BUY	705	Result Update
27-Jan-26	BUY	630	Result Update

Source: Axis Securities Research

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In case of any grievances, please call us at 022-40508080 or write to us at helpdesk@axisdirect.in.

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
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