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India | Equity Research | Q4FY24 results review

JSW Energy

Power/Mining

Transitioning into a leading RE player

JSW Energy (JSW) reported revenues of INR 27.6bn (flat YoY) and operating profit (EBITDA) of INR 11.7bn (+57% YoY or INR 4bn) led by acquisition of renewable assets and high merchant sales. As a result, profit for the quarter came in at INR 3.5bn, up 29% YoY. Profit for the fiscal year stood at INR 17.2bn, up 27% YoY. JSW won a bid for 3.4GW of renewables in Q4FY24. As a result, total capacity of renewables under development stood at 8.5GW. It is also looking to fully revive the thermal stressed asset of 700MW with open capacity. JSW has aims to reach renewable capacity of 20GW by FY30. Note that it has locked into a capacity of 13.2GW and is looking to supply further 6.2GW to JSW Steel. However, current prices factor in all the positives. Resume coverage with **HOLD** and an SoTP-based TP of INR 570.

Acquisition and merchant power drive growth

JSW Energy has delivered a strong set of numbers with EBITDA growing 57% YoY to INR 11.7bn in Q4FY24 (up INR 4.2bn), largely led by: 1) incremental contribution from acquisition of Mytrah (+INR 2.4bn); and 2) higher merchant sales (+INR 1.3bn). Profit for the quarter grew 29% YoY to INR 3.5bn. FY24 EBITDA grew 64% or INR 21bn, aided by inorganic acquisition.

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Raised equity via QIP

The company has successfully raised equity funding worth INR 50bn in Apr'24 and has sought approval for further fund-raising worth INR 100bn. The funds are expected to be utilised in capex for organic and inorganic growth. Note that capex for FY24 stood at INR 80bn and for FY25 is estimated at INR 150bn.

Strong RE wins; locked-in capacity at GW

JSW has won RE bids worth 3.4GW in FY24 of which 2.4GW is solar, 1GW is wind capacity and 180MW of FDRE. The locked in capacity, as of Mar'24, stands at 13.2GW (up 36% YoY).

Resume coverage with **HOLD**, TP of INR 570/share

JSW has locked in a strong pipeline of RE portfolio with a medium term target of 20GW by FY30. We resume coverage with **HOLD** and an SoTP-based target price of INR 570/share.

Market Data

Market Cap (INR)	1,021bn
Market Cap (USD)	12,232mn
Bloomberg Code	JSW IN
Reuters Code	JSWE.BO
52-week Range (INR)	652 /240
Free Float (%)	26.0
ADTV-3M (mn) (USD)	27.3

Price Performance (%)	3m	6m	12m
Absolute	18.2	51.2	124.2
Relative to Sensex	16.4	38.0	103.8

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	103,318	114,859	158,876	171,893
EBITDA	32,818	53,818	80,370	90,217
EBITDA Margin (%)	31.8	46.9	50.6	52.5
Net Profit	13,578	17,227	23,254	28,426
EPS (INR)	8.3	10.5	13.3	16.3
EPS % Chg YoY	556.3	26.9	27.5	22.1
P/E (x)	70.5	55.6	43.6	35.7
EV/EBITDA (x)	33.7	20.4	15.9	14.0
RoCE (%)	5.6	7.5	8.2	7.8
RoE (%)	7.5	8.7	9.7	9.7

Outlook and valuation

JSW has evolved significantly over the last five years. From being a thermal producer with 66% thermal capacity of its total installed capacity, it is now in the process of transitioning into a pure RE player in the next two–three years with a presence across RE assets with backward integration of solar manufacturing capacity, utility scale power storage systems and now also producing green hydrogen for group captive utilisation. Note that the company also benefits from the demand from group companies to reduce their carbon emissions.

JSW is looking to set up 20GW of capacity and storage capacity of 40Gwh by 2030. To meet these targets, the company intends to spend INR 750bn over the next seven years – some of the projects it is taking up include pumped hydro storage, battery storage system and green hydrogen manufacturing.

However, we believe most of the upside is priced in at its current valuation and more clarity needs to emerge around the successful implementation of these projects.

We resume coverage with **HOLD** rating and an SoTP-based target price of INR 570/share.

Key risk: Delay in execution of RE projects; Sharp increase in merchant prices and volumes

Exhibit 1: SoTP-based target price of INR 570/share

Projects	Methodology	Multiple (x)	Equity Value (INR mn)
JSWEL - Vijaynagar	NPV with discount rate of 10%	NA	40,235
JSWEL - Ratnagiri	NPV with discount rate of 10%	NA	27,225
RWPL	NPV with discount rate of 10%	NA	35,670
JPTL	NPV with discount rate of 10%	NA	9,627
Ind-Barath	NPV with discount rate of 10%	15	71,786
BLMCL Loan/JSW Mineral	NPV with discount rate of 10%	NA	21,420
Hydro			
Kutehr	NPV with discount rate of 10%	NA	24,328
Baspa	NPV with discount rate of 10%	NA	11,000
Karcham	NPV with discount rate of 10%	NA	43,000
Renewables			
SECI IX & X	EV/EBITDA	14	80,646
Mytrah	EV/EBITDA	14	167,195
Captive RE	EV/EBITDA	14	74,670
SECI XII	EV/EBITDA	14	30,680
SECI-BESS	EV/EBITDA	14	34,236
RE bids in FY24	EV/EBITDA	14	210,590
Total			
Add: Cash			49,950
JSW Steel			61,600
Total Value			993,857
No. of shares			1,744
Target price			570

Source: I-Sec research

Q4FY24 conference call highlights

Q4FY24 result

- Revenue up 4% YoY to INR 27.6bn.
- EBITDA is up 57% YoY to INR 11.7bn largely led by: 1) acquired assets of Mytrah of INR 2.4bn; 2) increased merchant power sales of 1BU (vs. 629MU YoY), up INR 1.3bn; and 3c) Ind-Barath contribution up INR 300mn.
- Finance cost increased 2.3x YoY to INR 5.3bn, as debt increased owing to acquired assets and new commissioning.
- As a result, PAT grew 29% YoY to INR 3.5bn.

Strong RE bid wins in FY24

- JSW won utility scale RE bids worth 3.4GW in FY24, of which solar stood at 2.4GW and wind at 1GW. It has also won an FDRE bid of 180MW.
- Thus, the locked in capacity has increased 36% YoY to 13.2GW.

Ind-Barath commissioned

- Unit-1 of Ind-Barath was commissioned in Q4FY24 and has produced 196MU.
- Unit-2 is expected to be commissioned in H1FY25E.
- Fuel cost of Ind-Barath is estimated at INR 2.5–3/unit in FY25, as the coal requirements for Unit-1 have been sourced.
- Thus, any further increase in merchant power prices will lead to higher EBITDA contribution going forward.

Fund raising worth INR 50bn

- JSW raised equity funding worth INR 50bn in Apr'24 and has sought approvals for raising further equity funding worth INR 100bn.
- Capex for FY24 was at INR 80bn and for FY25 is estimated at INR 150bn.

Exhibit 2: Quarterly financial highlights (INR m)

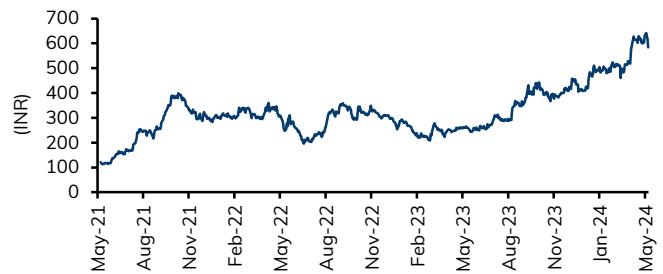
INR mn	Q4FY24	Q3FY24	Q4FY23	% chg QoQ	% chg YoY	FY23	FY24	% chg YoY
Net sales	27,559	25,428	26,700	5.0	(3.1)	103,318	114,859	11.2
EBITDA	11,685	11,108	7,453	(32.9)	(36.2)	32,818	53,818	64.0
OPM (%)	42.4	43.7	27.9	(1577) bps	(1449) bps	31.8	46.9	1,509 bps
Other inc.	1,235	1,186	1,358	14.4	9.9	5,352	4,554	(14.9)
Interest	5,332	5,208	2,331	(55.3)	(56.3)	8,443	20,534	143.2
Dep. & Amort.	4,267	4,001	2,913	(27.2)	(31.7)	11,692	16,334	39.7
PBT	3,321	3,086	3,567	15.6	7.4	18,036	21,504	19.2
PAT	3,513	2,313	2,721	17.6	(22.6)	13,578	17,227	26.9
Reported PAT	3,513	2,313	2,721	17.6	(22.6)	13,578	17,227	26.9
EPS (INR)	2.1	1.4	1.7	17.6	(22.6)	8.3	10.5	26.9

Source: I-Sec research

Exhibit 3: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	73.4	73.4	73.7
Institutional investors	9.2	18.1	17.9
MFs and others	0.3	0.7	0.9
FIIs/Banks	0.2	0.0	0.0
Insurance	0.3	0.4	0.4
FIIs	8.4	17.0	16.6
Others	17.4	8.5	8.4

Source: Bloomberg

Exhibit 4: Price chart


Source: Bloomberg

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	103,318	114,859	158,876	171,893
Operating Expenses	11,127	13,971	14,670	15,403
EBITDA	32,818	53,818	80,370	90,217
EBITDA Margin (%)	31.8	46.9	50.6	52.5
Depreciation & Amortization	11,692	16,334	21,792	23,972
EBIT	21,126	37,484	58,578	66,245
Interest expenditure	(8,443)	(20,534)	(32,062)	(34,383)
Other Non-operating Income	5,352	4,554	6,076	7,259
Recurring PBT	18,036	21,504	32,592	39,121
Profit / (Loss) from Associates	193	165	85	85
Less: Taxes	4,627	4,423	9,297	10,662
PAT	13,408	17,081	23,294	28,458
Less: Minority Interest	(24)	(19)	(126)	(117)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	13,601	17,247	23,254	28,426
Net Income (Adjusted)	13,601	17,247	23,254	28,426

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	90,693	72,681	140,480	171,148
of which cash & cash eqv.	50,850	49,950	70,148	95,384
Total Current Liabilities & Provisions	14,674	27,534	(77,873)	(75,435)
Net Current Assets	76,020	45,147	218,353	246,583
Investments	49,616	59,458	59,458	59,458
Net Fixed Assets	250,292	289,490	310,455	324,585
ROU Assets	-	-	-	-
Capital Work-in-Progress	47,795	47,795	47,795	47,795
Total Intangible Assets	-	-	-	-
Other assets	21,676	21,676	21,676	21,676
Deferred Tax Assets	-	-	-	-
Total Assets	445,398	528,659	657,736	700,096
Liabilities				
Borrowings	248,172	248,172	388,872	396,494
Deferred Tax Liability	8,042	8,526	(8,633)	(7,231)
provisions	-	-	-	-
other Liabilities	65	107	145	179
Equity Share Capital	16,423	16,405	17,440	17,440
Reserves & Surplus	171,643	189,175	259,911	293,213
Total Net Worth	188,066	205,581	277,352	310,654
Minority Interest	1,054	1,180	-	-
Total Liabilities	445,398	528,659	657,736	700,096

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	9,449	83,922	(75,859)	83,820
Working Capital Changes	(24,095)	29,973	(153,008)	(2,994)
Capital Commitments	(140,567)	(55,532)	(42,757)	(38,102)
Free Cashflow	150,015	139,454	(33,102)	121,922
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(140,567)	(55,532)	(42,757)	(38,102)
Issue of Share Capital	4	(18)	1,035	-
Interest Cost	(8,443)	(20,534)	(32,062)	(34,383)
Inc (Dec) in Borrowings	161,305	(12,718)	174,977	10,442
Dividend paid	(1,312)	(1,312)	(1,312)	(1,312)
Others	5,150	5,292	(3,824)	4,771
Cash flow from Financing Activities	156,704	(29,290)	138,814	(20,482)
Chg. in Cash & Bank balance	25,586	(900)	20,198	25,236
Closing cash & balance	50,850	49,950	70,148	95,384

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	8.3	10.5	13.4	16.4
Adjusted EPS (Diluted)	8.3	10.5	13.3	16.3
Cash EPS	15.4	20.5	25.8	30.0
Dividend per share (DPS)	0.8	0.8	0.8	0.8
Book Value per share (BV)	114.5	125.3	159.0	178.1
Dividend Payout (%)	9.6	7.6	5.6	4.6
Growth (%)				
Net Sales	34.7	11.2	38.3	8.2
EBITDA	41.8	64.0	49.3	12.3
EPS (INR)	556.3	26.9	27.5	22.1
Valuation Ratios (x)				
P/E	70.5	55.6	43.6	35.7
P/CEPS	38.0	28.5	22.6	19.4
P/BV	5.1	4.7	3.7	3.3
EV / EBITDA	33.7	20.4	15.9	14.0
P / Sales	9.3	8.3	6.4	5.9
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	42.5	59.0	59.8	61.4
EBITDA Margins (%)	31.8	46.9	50.6	52.5
Effective Tax Rate (%)	25.7	20.6	28.5	27.3
Net Profit Margins (%)	13.0	14.9	14.7	16.6
NWC / Total Assets (%)	0.1	0.0	0.2	0.2
Net Debt / Equity (x)	0.8	0.7	0.9	0.8
Net Debt / EBITDA (x)	4.5	2.6	3.2	2.7
Profitability Ratios				
RoCE (%)	5.6	7.5	8.2	7.8
RoE (%)	7.5	8.7	9.7	9.7
RoIC (%)	5.6	7.5	8.2	7.8
Fixed Asset Turnover (x)	0.5	0.4	0.5	0.5
Inventory Turnover Days	40	28	70	63
Receivables Days	94	28	95	85
Payables Days	52	0	92	82

Source Company data, I-Sec research

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