

22 November 2024

NTPC Green Energy – SUBSCRIBE

Investment Thesis

NTPC Green Energy Ltd. (NTPC Green) is coming out with an initial public offering (IPO) on November 19, 2024. The issue comprises of fresh issue of 925,925,926 equity shares worth Rs.100,000mn at highest price band. Objective of the issue is For investment in the wholly owned Subsidiary, NTPC Renewable Energy Ltd. (NREL), for repayment/ prepayment of full or in part of certain outstanding borrowings availed by NREL.

NTPC Green has large portfolio of utility-scale solar energy projects and wind energy projects, as well as projects for PSUs and Indian corporates. These projects generate power and feed that power into the grid, supplying a utility or offtaker with energy. As of September 30, 2024, it has 17 offtakers across 41 solar projects and 11 wind projects. Currently, its portfolio consisted of 16,896 MWs including 3,320 MWs operating projects and 13,576 MWs projects contracted and awarded. Also, it has Capacity under Pipeline consisted of 9,175 MWs. As per CRISIL Research, solar capacity addition is expected to be 137-142 GW over FY25-29 while wind power capacity addition will be 34-36 GW during the same period. In this growing market for renewable power, NTPC Green intend to continue to strengthen its position as one of the leading renewable energy companies in India (in terms of total commissioned capacity) in its core solar and wind energy businesses and focus on new geographies and new offtaker customers.

NTPC Green intend to leverage its experience in executing large solar and wind energy projects to further win bids and tenders of Central and State government agencies and state public utilities. NTPC Green aim to focus on gigawatt scale projects. Its bidding approach and financial discipline is aimed at achieving predetermined internal rate of returns (IRR) from its projects. To maintain a similar growth rate and to achieve IRR, NTPC Green intend to continue deploying a prudent approach which is backed by thorough diligence and data analysis of proposed projects. In FY24, it emerged as the market leader in the winning capacities under 'Tariff Based Competitive Bidding' in the sector with an aggregate capacity of 3.5 GW which is equivalent to AC capacity of around 5 GW.

Revenue from business Verticals

- NTPC Green's revenue grew at a CAGR of 46.8% during FY22-24 while EBITDA increased at a CAGR of 48.2% during the same period.

Consol. (Rs.Mn.)	FY23	FY24	H1FY25
Revenue	1,697	19,626	10,823
EBITDA	1,514	17,465	9,316
EBITDA Margin(%)	89.2%	89.0%	86.1%
PAT	1,712	3,447	1,753
EPS (Rs.) #	0.2	0.4	0.2
P/E (x) *#	531.5	264.0	519.1
RoE (%) #	2.0%	3.8%	

* At highest price band # Post listing

IPO Details

Issue Open Date	19 November 2024
Issue Close Date	22 November 2024
Price Band (Rs.)	Rs.102 – Rs.108
Issue Size*	Rs. 100,000.0Mn
Issue Size (Shares)	925,925,926
Market Lot	138 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

* At highest price band

Key Details

Fresh Issue*	Rs. 100,000.0Mn
Issue Type	Book Building
Book Running Lead Manager	IDBI Capital Market, HDFC Bank, IIFL Securities and Nuvama Wealth Management
Issue structure	QIB: 26.4% Non Institutional: 13.2% Retail: 8.8% Anchor Investors: 39.5% Employee: 2.1% Others: 10.0%
Credit of Shares to Demat Account	26 November 2024
Issue Listing Date	27 November 2024

* At highest price band

Key Business Highlights

- NTPC Green is the largest renewable energy public sector enterprise (excluding hydro) in terms of operating capacity as of September 30, 2024 and power generation in FY24. Its renewable energy portfolio encompasses both solar and wind power with presence across more than six states which helps mitigate the risk of location-specific generation variability.
- NTPC Green is strategically focused on developing a portfolio of utility-scale renewable energy projects, as well as projects for PSUs and Indian corporates. Its projects generate renewable power and feed that power into the grid, supplying a utility or offtaker with energy.
- As of September 30, 2024, NTPC Green's portfolio consisted of 16,896 MWs including 3,320 MWs of operating projects and 13,576 MWs of contracted and awarded projects. Further, its 'Capacity under Pipeline' for which a MOU or term sheet has been entered with JV partners consisted of 9,175 MWs.

Valuation

- NTPC Green is also investing in hydrogen, green chemical and battery storage capabilities and solutions as well as associated technologies. Its current initiatives in green hydrogen and green chemicals include the development of a green hydrogen hub at Pudimadaka and finalizing a tie-up for electrolyzers. In the area of battery storage, NTPC Green intend to install the Grid scale battery storage as part of Firm and Dispatchable Renewable Energy (FDRE)n / Round-the Clock (RTC) projects to complement the solar and wind power in addition to participate in standalone Grid scale battery energy storage system service tenders in the market for various DISCOMS or Grid balancing. Also, NTPC Green is in process to install battery energy storage at a NTPC Thermal plant to smooth the flexibilization on pilot basis. Its investment in green hydrogen could lead to increase in opportunities both within India and in global markets, where demand for clean energy solutions is expected to rise.
- As a pure play renewable energy company, NTPC Green is working towards clean energy transition and contributing to India to meet its Net zero target. NTPC Green estimate that its renewable power generation helped to avoid the production of ~5.32 metric tons of CO₂ in FY24. It is also working to reduce water consumption and recognize that the water required for cleaning its solar modules may result in adverse environmental impact. We are in the process of installing robotic dry-cleaning systems to eliminate the requirement for water. NTPC Green has registered its renewable energy projects with different international carbon programs, such as Clean Development Mechanism (CDM), Verified Carbon Standard (VCS) and Global Carbon Council (GCC).
- NTPC Green is one of the leading renewable power generating PSU having solar and wind power generation assets alongside increase focus on hydroelectric assets and power storage plans. It is going to be the leader in the segment with additional activities on hydroelectric projects. The company aims to increase its operational capacity to 6, 11, 9 GW by FY25, FY26E, FY27E respectively from 3.3 GW as of Sep'24. With large portfolio of utility-scale solar energy projects and wind energy projects and investment in hydrogen, green chemical and battery storage capabilities and solutions as well as associated technologies, we are recommending SUBSCRIBE rating to the IPO of NTPC Green Energy Ltd. (NTPC Green) for medium to long term perspective.

Risk & Concern

- NTPC Green's operations heavily rely on government policies and incentives. Changes in energy policies, subsidies and/or tax benefits could impact the profitability of its projects and slow down growth.
- Solar and wind projects are weather dependent and factors like inconsistent sunlight or fluctuating wind speeds can lead to variability in energy generation, affecting revenue predictability.

Graphs & Charts

Figure 1: Net Sales Trend

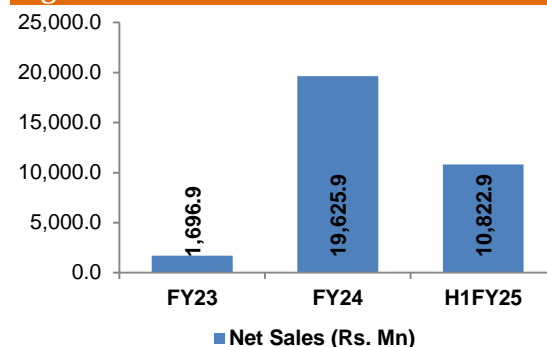


Figure 2: EBITDA & EBITDA Margin Trend

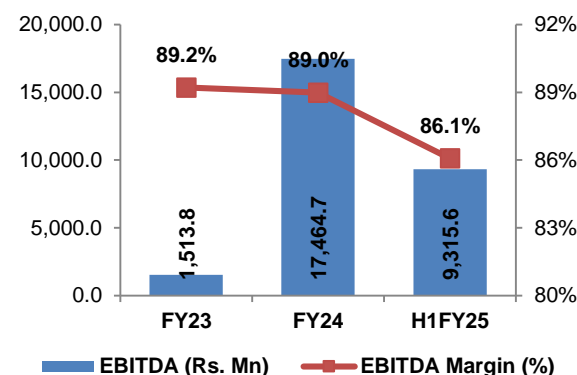


Figure 3: PAT Trend

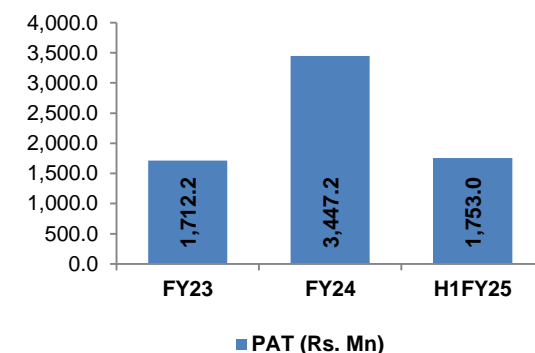
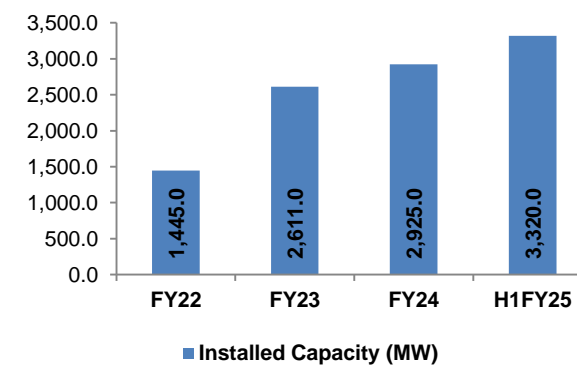


Figure 4: Installed Capacity (MW) Growth



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