

IPO Note – NTPC Green LTD.

Leading India's Green Revolution

19 November 2024

NTPC Green Energy Ltd (NGEL), a subsidiary of NTPC Ltd, is the largest renewable energy public sector enterprise (excluding hydro) by operating capacity (3,320 MW) as of Sep'24 and power generation as of Mar'24. Its portfolio includes solar and wind projects across six states with a 25-year average PPA. As of Sep'24, NGEL has 13,576 MW of contracted and awarded projects and 9,175 MW in the pipeline. The company aims to reach 60 GW of RE capacity by FY32.

Strong parentage of 'Maharatna' PSU having leadership in power generation: The company is a wholly owned subsidiary of NTPC Ltd. which is a PSU under the ownership & control of Ministry of Power of Government of India & a leader in conventional power generation in India catering to ~25% of India's power requirement. The company benefits from the experience and resources of NTPC Ltd. in its aggressive growth path. This can be seen from the company's track record to execute utility scale projects and commanding beneficial terms in negotiations on basis of economies of scale. The company also enjoys lower costs of borrowings on account of its healthy credit ratings, strong parentage & Govt. backing which converts into a big moat in this capex heavy industry.

Aggressive growth plans aligning with India's green energy targets: NGEL's 26,071 MW renewable energy portfolio as of Sep'24 includes 3,320 MW operational, 13,576 MW contracted, and 9,175 MW in the pipeline, spread across six states to reduce location-specific risks. With ~8,900 acres of freehold and ~45,700 acres of leasehold land, it is well-positioned to achieve 19 GW capacity. Key initiatives include a JV with MAHAPREIT for Renewable Energy Parks, battery storage, round-the-clock energy projects, and green hydrogen hubs in Pudimadoka and Rajasthan. Advanced 3rd party O&M services enhance asset efficiency and ensure healthy CUF in power generation.

Key Risks: - 1) The renewable generation is capex heavy and leveraged business, while the generation depends on natural resources like sun & wind, any fluctuations can distort the cash flow of the company. 2) RE sector expansion is currently driven by Govt. initiatives and policies, any unfavourable changes may lead to slow down in the sector. 3) Inadequate development of ancillary T&D infrastructure or storage solutions may hamper the growth.

Financials & valuation –

NGEL is valued at 15x FY27 EV/EBITDA at the upper price band of ₹108 per share, based on assumption 19GW operational capacity and ₹12,000cr EBITDA. While short-term gains may be muted, the valuation does not account for potential growth in green hydrogen, energy storage and other such initiatives that the company intends to develop as energy solution company.

Key Financials (Rs. Cr.) (As Reported)	FY22*	FY23*	FY24	H1FY25
Revenue	910	1,450	1,963	1,082
EBITDA	795	1,310	1,747	933
EBITDA margin (%)	87.3%	90.3%	89.0%	86.2%
PAT	95	457	345	177
PAT margin (%)	10.4%	31.5%	17.6%	16.3%
ROE (%)	4.9%	9.3%	5.5%	0.0%
ROCE (%)	4.9%	8.4%	6.2%	0.0%

Source: ABML Research, RHP, company presentation. *Carved out financials for NTPC Renewables Energy Ltd.

Rating	Subscribe for long-term
Issue Details	
Issue Opens	19-Nov24
Issue Closes	22-Nov-24
Face Value (₹)	10
Price Band (₹)	102-108
Bid Lot	138
Issue Size at higher price band (₹ Cr)	10,000
Market cap @ upper price band (₹ cr)	91,000
Listing	NSE/BSE
BRLMs	IDBI Capital, HDFC Bank, IIFL Capital, Nuvama Wealth
Registrar	KFin Technologies Ltd.

Shareholding Pattern (%)

	Pre-Issue	Post Issue
Promoter	100	89
Public	0	11

Issue Structure (In cr no. of shares)

Issue size	92.59
Break-up of net issue to public (%):	
QIB's portion	75%
Non-Institutional portion	15%
Retail Portion	10%

Source: ABML Research, RHP

Analyst Details

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