IPO NOTE

NTPC GREEN ENERGY LIMITED

18.11.2024

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Canara Bank Securities Ltd
A Wholly Owned Subsidiary Of Canara Bank

- NTPC Green Energy Ltd is a wholly-owned subsidiary of NTPC Limited, a 'Maharatna' central public sector enterprise.
- They are the largest renewable energy public sector enterprise (excluding hydro) regarding operating capacity as of September 30, 2024, and power generation in Fiscal 2024.
- Their renewable energy portfolio encompasses both solar and wind power assets with presence across multiple locations in more than six states which helps mitigate the risk of location-specific generation variability.
- As of September 30, 2024, their operational capacity was 3,220 MW of solar projects and 100 MW of wind projects across six (6) states.
- They are strategically focused on developing a portfolio of utility-scale renewable energy projects, as well as projects for public sector undertakings ("PSUs") and Indian corporations.
- Their projects generate renewable power and feed it into the grid, supplying a utility or off-taker with energy.
- For their operational projects, they have entered into long-term Power Purchase Agreements ("PPAs") or Letters of Award ("LoAs") with an off-taker that is either a Central government agency like the Solar Energy Corporation of India ("SECI") or a State government agency or public utility.
- As of September 30, 2024, their "Portfolio" consisted of 16,896 MWs including 3,320 MWs of operating projects and 13,576 MWs of contracted and awarded projects.
- As of September 30, 2024, their "Capacity under Pipeline, for which a memorandum of understanding ("MOU") or term sheet has been entered with joint venture partners or off-takers but where definitive agreements have not yet been entered, consisted of 9,175 MW.
- As of September 30, 2024, their Capacity under Pipeline together with their Portfolio consisted of 26,071 MW.
- They are promoted by their parent company, NTPC Limited, India's largest power company both in terms of installed capacity as of March 31, 2024 and power generation in Fiscal 2024.
- NTPC Limited is a public sector enterprise under the ownership and administrative control of the Ministry of Power ("MOP") of the Government of India ("GoI").
- They benefit from the support, vision, resources and experience of NTPC Limited and its consolidated subsidiaries, associates and joint ventures (the "NTPC Group"), which is looking to expand its non-fossil-based capacity to 45-50% of its portfolio that will include 60 GW renewable energy capacity by 2032.
- The NTPC Group is committed to their long-term success as its sustainability arm and partner and looks upon them to lead its efforts in proactively supporting India's energy transition to cleaner renewable energy.

Issue Details

Price Band (in ₹ per share)	102.00-108.00
Issue size (in ₹ Crore)	10000.00
Fresh Issue (in ₹ Crore)	10000.00
OFS (in ₹ Crore)	NA
Issue open date	19.11.2024
Issue close date	22.11.2024
Tentative date of Allotment	25.11.2024
Tentative date of Listing	27.11.2024
Total number of shares (lakhs)	9803.92-9259.26
No. of shares for QIBs (75%) (lakhs)	6470.59-6111.11
No. of shares for NII (15%) (lakhs)	1294.12-1222.22
No. of shares for S-HNI (33%)(lakhs)	431.37-407.41
No. of shares for B-HNI (66%)(lakhs)	862.75-814.81
No. of shares for retail investors (10%) (lakhs)	862.75-814.81
No of shares for Employee Reservation (lakhs)	206.19-194.17
Shareholder's Reservation	980.39-925.93
Minimum order quantity	138
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	14076-14904
Maximum no. of shares for Retail investors at Lower Band	1932 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	1794 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	197064-193752
Minimum no. of shares for sHNI (2 Lakhs) at upper band	1932 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	9246 (67 lots)
Minimum number of shares for bHNI at upper band	9384 (68 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- PRESIDENT OF INDIA (ACTING THROUGH THE MINISTRY OF POWER)
- GOVERNMENT OF INDIA
- NTPC LIMITED

Objects of the Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

- Investment in the wholly owned Subsidiary, NTPC Renewable Energy Limited (NREL), for repayment/ prepayment, in full or in part of certain outstanding borrowings availed by NREL.
- General corporate purpose.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	H1FY25	FY24	FY23
Share Capital	7500.00!	5719.61	4719.61
Net Worth	8189.18	6232.14	4887.43
Revenue from Operations	1082.29	1962.59	169.69
Operating EBITDA	931.56	1746.47	151.38
Operating EBITDA Margin (%)	86.07	88.99	89.21
Profit/(Loss) After Tax	175.30	344.72	171.22
EPS (in Rs.)	0.30	0.73	4.66
Net Asset Value (in Rs.)	10.92	10.90	10.36
Total Borrowing	17057.49	12796.74	5417.84
P/E#	180.00^	147.95	NA
P/B#	9.89	9.91	NA

**Restated consolidated financials; #Calculated at upper price band; ^Annualized; !September 7, 2024: Rights Issue of 1,780,388,965 equity shares to NTPC Limited.*

Profit & Loss Statement

Particulars (In Crores)	FY2023	FY2024
INCOME		
Revenue from operations	169.69	1962.60
Other income	0.94	75.06
Total Income	**170.63**	**2,037.66**
YoY Growth (%)		1094.19%
Employee benefit expenses	2.81	37.01
Employee Expenses-% of Revenue	1.65%	1.82%
Other Expenses	15.50	179.11
EBIDTA	**152.32**	**1821.53**
EBIDTA Margin (%)	89.77%	92.81%
Depreciation and amortisation expense	49.91	642.76
EBIT	**102.42**	**1178.77**
EBIT Margin (%)	60.36%	60.06%
Finance cost	49.87	690.57
Profit before share of profits of joint ventures accounted for using equity method	52.54	488.20
Add: Share of profits of joint ventures accounted for using equity method	0.00	
Profit before tax	**52.55**	**488.20**
Tax expenses		
Current tax	0.01	0.01
Deferred Tax	-118.69	143.47
Total tax expenses	**-118.68**	**143.48**
Profit for the year	**171.23**	**344.72**
PAT Margin (%)	100.91%	17.56%
Earnings per share		
Basic earnings per share (₹)	4.66	0.73

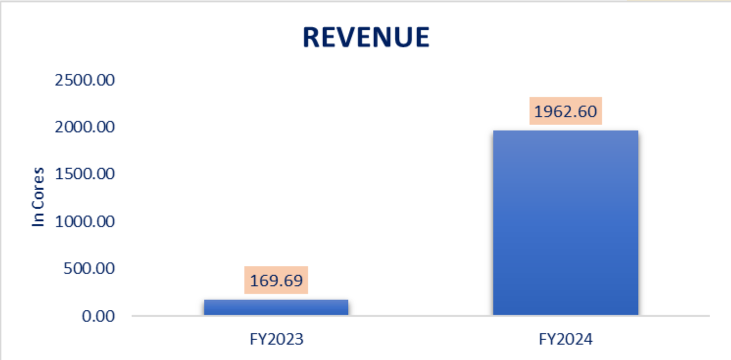
Cashflow Statement

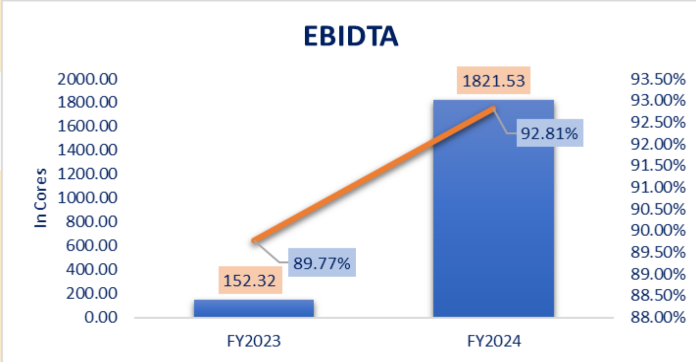
Particulars (In Crores)	FY2023	FY2024
Cash generated from operating activities	17.27	1581.80
Income tax paid (net of refunds)		-2.67
Net cash generated from operating activities	17.27	1579.12
Net cash used in investing activities	-10304.30	-9207.05
Net cash used in financing activities	10353.47	7670.81
Net increase/ (decrease) in cash and cash equivalents	**66.44**	**42.88**
Cash and cash equivalent as at 1 April	6.31	72.75
Cash and cash equivalent as at year end	**72.75**	**115.63**

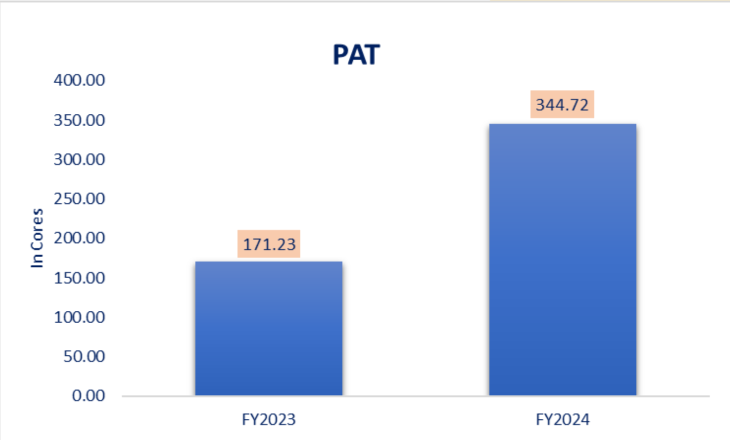
Balance Sheet

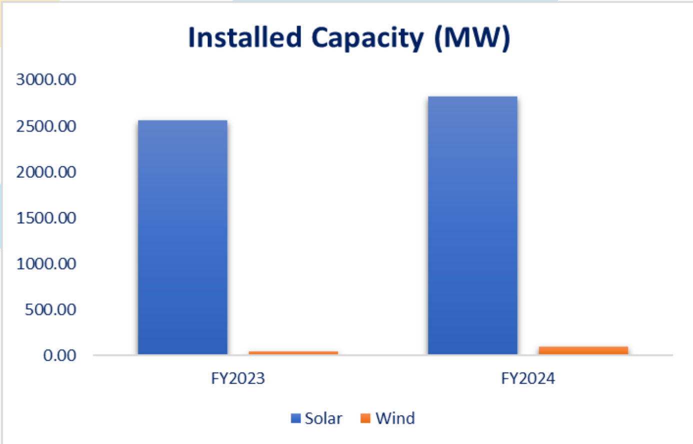
Particulars (In Crores)	FY2023	FY2024
Assets		
Non-current assets		
Property, plant and equipment	14758.12	17573.00
Capital work-in-progress	1749.35	7138.07
Intangible assets	-	-
Investments accounted for using equity method	-	0.05
Financial assets		
Other financial assets	77.77	82.50
Other non-current assets	1052.20	1158.99
Total non- current assets	**17637.44**	**25952.61**
Current assets		
Inventories	9.30	24.50
Financial assets		
Trade receivables	325.50	704.81
Cash and cash equivalents	72.75	115.63
Bank balances other than cash and cash equivalents		356.52
Other financial assets	380.60	43.95
Other current assets	5.81	8.40
Total Current Assets	**793.95**	**1253.81**
Assets classified as held for sale		
Total assets	**18431.40**	**27206.42**
Equity and liabilities		
Equity		
Equity share capital	4719.61	5719.61
Other equity	167.82	512.53
Non-controlling interests	0.06	0.07
Total equity	**4887.49**	**6232.21**
Liabilities		
Non-Current liabilities		
Financial liabilities		
Borrowings	5243.53	12164.51
Lease liabilities	684.22	978.27
Deferred tax liabilities (net)	1086.49	1229.96
Other non-current liabilities	1694.59	1934.36
Total Non-Current liabilities	**8708.83**	**16307.09**
Current liabilities		
Financial liabilities		
Borrowings	174.31	632.23
Lease Liabilities	34.95	80.92
Trade payables		
Due to MSME	12.90	9.70
Due to other than MSME	89.37	52.78
Other financial liabilities	4448.90	3790.19
Other current liabilities	74.65	101.21
Provisions		0.08
Total Current liabilities	**4835.08**	**4667.12**
Total liabilities	**13543.91**	**20974.21**
Total equity and liabilities	**18431.40**	**27206.42**

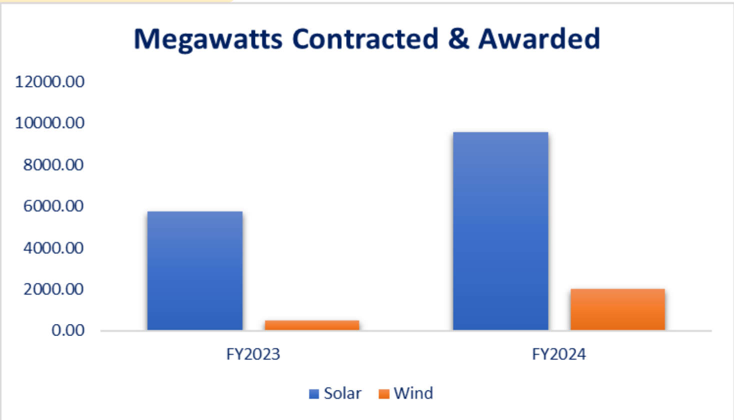
PERFORMANCE THROUGH CHARTS

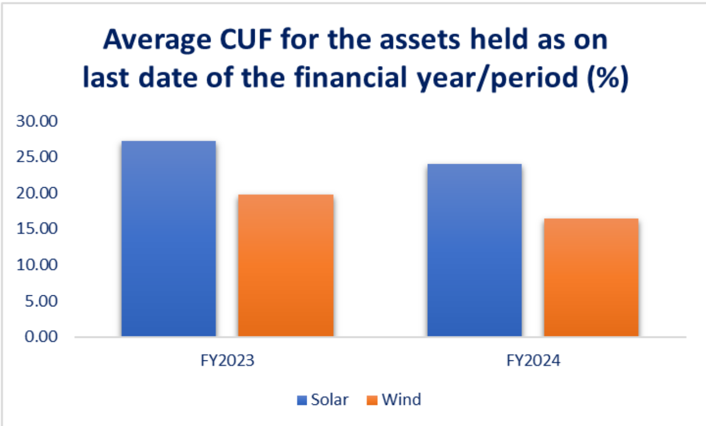


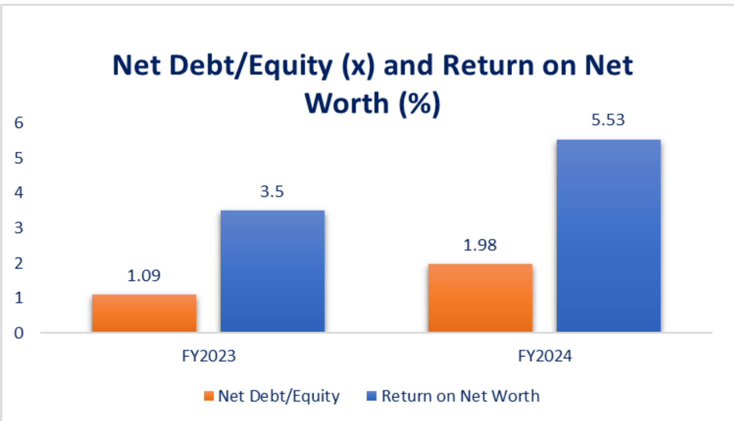












INDUSTRY REVIEW

Long-term Demand drivers and constraints

- Power demand is closely associated with a country's GDP. Healthy economic growth leads to growth in power demand.
- India is already the fastest-growing economy in the world, with an average GDP growth of 5.8% over the past decade.
- The trickle-down effect of government spending on infrastructure through the National Infrastructure Pipeline, expansion of the services industry, rapid urbanisation, and increased farm income from agriculture-related reforms are key macroeconomic factors that are expected to foster power demand.
- Significant policy initiatives such as 24x7 power for all, Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) scheme to provide electricity connections to all households, green energy corridor to facilitate the evacuation of REpower, green city scheme to promote the development of sustainable and eco-friendly cities, PLI scheme and low corporate tax rates among others are expected to further support power demand in the country.
- Apart from macroeconomic factors, power demand would be further fueled by railway electrification, upcoming metro rail projects, growing demand for charging infrastructure due to increased adoption of electric vehicles, and higher demand from key infrastructure and manufacturing sectors.
- However, increasing energy efficiency, a reduction in technical losses over the longer term, and captive, as well as off-grid generation from renewables, would restrict growth in power demand.

Outlook on energy requirement and availability;

- Despite the high base of preceding three years, CRISIL MI&A-Consulting expects power demand to grow by 5.5 - 6.0% in the next five years which will be supported by infrastructure-linked capex, strong economic fundamentals along with expansion of the power footprint via strengthening of T&D infrastructure, coupled with major reforms initiated by the GoI for improving the overall health of the power sector, particularly that of state distribution utilities, are expected to improve the quality of power supply, thereby propelling power demand.
- Peak demand is expected to grow at an annual average of 5-6% over fiscal 2024-29 to reach nearly 318 GW by fiscal 2029 with an expected persistent high temperature, rising urbanization, economic growth and infrastructure push leading to higher power consumption.

Capacity addition outlook;

- Capacity additions in the conventional power generation segment are projected to be around 32-35 GW from fiscals 2025 to 2029, driven by higher than decadal average power demand.
- Nuclear power capacity additions of 5-6 GW are expected during the period as ongoing projects at Kakrapara, Kalpakkam, and Rajasthan are nearing completion.
- CRISIL MI&A-Consulting expects 15-16 GW of hydropower installations including 7-8 GW pumped hydro storage projects (PSP) capacity additions over fiscals 2025-2029.
- RE capacity addition of over 180-190 GW is expected to be installed between fiscal 2025-29 driven by various government initiatives, favourable policies, competitive tariffs, innovative tenders, development of solar parks and green energy corridors, etc.
- RE capacity is estimated to account for about 50% of the installed capacity of 660-670 GW by fiscal 2029.
- BESS capacity additions, aimed at storing renewable energy during off-peak hours of power demand to support peak supply, are expected to be commissioned starting fiscal 2025, with 23-24 GW of BESS capacity likely to be added through fiscal 2029.

COMPETITIVE STRENGTHS OF THE COMPANY

They are promoted by NTPC Limited, which has extensive experience in executing large-scale projects, long-term relationships with off-takers and suppliers and financial strength;

- They are among the top 10 renewable energy players in India in terms of operational capacity as of September 2024.
- They benefit from the support, vision, resources and experience of the NTPC Group, which is looking to expand its non-fossil-based capacity to 45-50% of its portfolio which will include 60 GW of renewable energy capacity by 2032.
- The NTPC Group is committed to their long-term success as its sustainability arm and partner and looks upon them to lead its efforts in proactively supporting India's energy transition to cleaner renewable energy.
- The NTPC Group is a large-scale integrated energy business with an electric power generating capacity of over 76 GW as of September 30, 2024, across coal, hydro, gas and renewable operations with a pan-India presence.
- NTPC Limited is a 'Maharatna' central public sector enterprise under the ownership and administrative control of the MOP of the Government of India.
- The NTPC Group's core function is the generation and distribution of electricity to State electricity boards and utilities, Central Government agencies and other PSUs.
- In that regard, as of September 30, 2024, the NTPC Group contributed approximately 17 % of India's total installed capacity and approximately 24% of total power generated in India during the six months ended September 30, 2024.
- They enjoy the strong parentage of NTPC Limited, which has a legacy of around five decades, is one of India's largest power companies, and has experience in operating and maintaining power stations efficiently and in acquiring land for large power projects throughout India.
- In addition, they have superior execution capabilities, which is demonstrated by 5 decades of successful operations by NTPC Limited.
- They also benefit from long-term experience in dealing with State DISCOMs by their parent company.

They have a Portfolio of 16,896 MW solar and wind projects as of September 30, 2024, with diversification across geographies and off-takers;

- They have a large portfolio of utility-scale solar energy projects and wind energy projects, as well as projects for PSUs and Indian corporations.
- These projects generate power and feed that power into the grid, supplying a utility or off-taker with energy.
- As of September 30, 2024, they had 17 off-takers across 41 solar projects and 11 wind projects. As of September 30, 2024, all of their off-takers from which they earned revenue in the six months ended September 30, 2024, were government agencies and public utilities with which they have long-term PPAs with an average term of 25 years.
- As of September 30, 2024, their Portfolio consisted of 16,896 MWs including 3,320 MWs operating projects and 13,576 MWs projects contracted and awarded.
- As of September 30, 2024, their Capacity under Pipeline consisted of 9,175 MW.
- Together their Portfolio and Capacity under Pipeline, as of September 30, 2024, consisted of 26,071 MWs.
- In the six months ended September 30, 2024, and Fiscal 2024, renewable energy sales from their solar and wind projects accounted for 95.43% and 96.17% of their revenue from operations from their Restated Consolidated Financial Information.
- In Fiscal 2023 and Fiscal 2022, renewable energy sales from their solar and wind projects accounted for 96.94% and 97.19% of their revenue from operations from their Special Purpose Carved-Out Combined Financial Statements.

Experienced team in renewable energy project execution and procurement as well as operating and maintenance;

- They believe that they along with the NTPC Group have strong in-house experience in renewable energy project execution and procurement.
- Their in-house team, working with third-party aggregators, developers, and EPC contractors, manages the land acquisition process.
- Their power projects are located primarily on land leased from state governments and third parties and freehold land purchased by them from private individuals and entities.
- As of September 30, 2024, they owned approximately 8,900 acres of freehold land and approximately 45,700 acres of leasehold land relating to their projects.
- The availability of transmission infrastructure for interconnection to the common grid is critical for the project's viability.
- They evaluate the power evacuation capacity available at nearby inter-state/intra-state substations using their in-house expertise and publicly available documents.
- Their project commissioning timelines are generally aligned concerning the substations' readiness for evacuation of power.
- The overall process involves submitting various applications to relevant statutory bodies and independent system operators for securing grid connection approvals, and installation of transmission lines including arrangement of a right of way.
- They benefit from the long-term experience of the NTPC Group in connecting its projects to the grid.

RISK FACTORS

Over 87% of their Fiscal 2024 revenue came from their top five off-takers, with the largest contributing ~50%. Losing any of these customers or a decline in their financial health could harm their business and financial performance;

- Since the transmission and distribution of electricity are controlled in most Indian jurisdictions by central and state government-utility companies, there is a concentrated pool of power purchasers for utility-scale electricity generated by their solar and wind plants and projects.
- As of September 30, 2024, they had 17 off-takers across 41 solar projects and 11 wind projects.
- In the six months that ended September 30, 2024, and in Fiscal 2024, Fiscal 2023 and Fiscal 2022, their off-takers were government agencies and public utilities.
- They had no private off-takers in these periods.
- Their business is concentrated with their top 9 offtakes from which they had revenue in the six months ended September 30, 2024.

Their profitability relies heavily on the availability and cost of solar modules, wind turbines, and other project materials. With their top 10 suppliers accounting for 92.65% of supplies in H1 FY2024 and 77.71% in FY2024, any supply disruptions or price volatility could adversely affect their business and financial performance;

- Their business and profitability are substantially dependent on the availability and cost of such materials, components and equipment and they are dependent on third-party suppliers for meeting these requirements.
- At present, they do not have any long-term supply contracts with any of their materials, components or equipment suppliers and typically source their requirements based on specific requirements.
- However, they may enter into long-term agreements for the supply of critical capital expenditure components such as solar modules, wind turbine generators and battery energy storage systems.
- The market prices of solar modules and wind turbine generators, in particular, have fluctuated in recent years.
- As they do not have long-term supply contracts, they may be exposed to price increases for these critical components which could impact their project margins and may adversely affect their business, results of operations and financial condition.
- They engage EPC contractors in both solar and wind projects through a competitive tender process.
- In solar projects, they have diversified their strategy for setting up power plants from using a turnkey EPC contract model (where the contractor is responsible from concept through commissioning) to a model where they take responsibility for procurement of major equipment and supplies and the contractor builds, commissions and hands over the solar plant.
- They also use the turnkey EPC contract model based on specific project conditions. In wind projects, they generally use the turnkey EPC model, entering into contracts with OEMs for manufacturing, installing, and commissioning wind turbines and the balance of the plant.
- However, they have also started bifurcating the total project scope into the balance of plant (including procurement of land) and supply and installation of wind turbine generators.

Cost overruns or delays in renewable energy project construction could impact their business, financials, and cash flows. Their growth also relies on successfully executing contracted and awarded projects, and failure to do so could adversely affect their performance;

- Submitting a competitive bid for a renewable energy project requires extensive research, planning, and due diligence and the capacity to operate with low operating margins for a sustained period.
- If they miscalculate or misjudge their tariff rates and incorrectly factor the costs of construction, development, land acquisition and price of the components, the economics of successful bids may be affected, and the projects may become economically unviable.
- For instance, they estimate prices for system components and factor these costs into their bids, and if these prices vary from what they had anticipated, the profitability of their successful bids may be adversely affected.
- Their suppliers may attempt to renegotiate supply contracts if there is an increase in component prices, which may also increase their capital expenditure.
- They may also be required to incur unanticipated capital expenditure for interconnection rights, regulatory approvals, preliminary engineering permits, and legal and other expenses which could adversely affect the profitability of the projects and, as a result, their profitability.

PEER COMPARISON

Name of the company	Revenue from Operations (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	P/E*	P/B*
NTPC Green Energy Limited	1962.59	10.00	0.73	10.9	5.53	147.95	9.91
Adani Green Energy Limited	9220.00	10.00	6.21	62.08	12.81	240.42	24.05

**P/E & P/B ratio based on closing market price as of November 14th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.*

OUR VIEWS

- NTPC Green Energy Limited (NGEL), a wholly owned subsidiary of NTPC Limited, is India's largest renewable energy public sector enterprise (excluding hydro), showcasing its commitment to sustainable power.
- NGEL is integral to NTPC's strategic plan to achieve 45-50% non-fossil energy in its portfolio by 2032.
- The company has outlined an aggressive expansion plan to add 6 GW by FY25, 5 GW by FY26, and 8 GW by FY27, with a focus on solar energy, which currently contributes over 93% of its revenues.
- Operation and maintenance services are outsourced, ensuring operational efficiency.
- Going forward, NGEL's financing structure, supported by its status as a subsidiary of NTPC, leverages low-cost debt with a 1:4 debt-to-equity ratio, enhancing its cost-efficiency in capital deployment.
- On the financial front, NGEL has demonstrated robust growth. Its total income increased from ₹170.63 crores in FY23 to ₹2,037.66 crores in FY24, with net profits rising from ₹171.23 crores in FY23 to ₹344.72 crores in FY24. For H1 FY25, NGEL reported a total income of ₹1,132.74 crore and net profits of ₹175.30 crore, reflecting steady growth.
- However, FY23's profits were partially inflated by a one-time deferred tax credit of ₹118.68 crore.
- The renewable energy sector in India, with a targeted capacity of 500 GW by 2030, offers immense growth opportunities.
- NGEL's strategic focus on solar energy, expected advancements in energy storage, and its foray into green hydrogen underscore its adaptability to evolving market trends.
- Solar projects currently require a capex of approximately ₹5 crore per MW, while wind projects need ₹9 crore per MW, indicating significant upfront investments.
- Despite these challenges, NGEL's scale and strategic importance as a PSU position it favourably to capitalize on the sector's growth.
- Potential risks include the seasonal variability of renewable energy generation, regulatory changes, and competition from private renewable players.
- Prolonged monsoon periods, for instance, have historically impacted solar energy production. However, NGEL's geographically diversified portfolio mitigates such risks.
- Though aggressively priced, NGEL is coming at a valuation of 148x P/E which is still lesser compared to the 240x P/E of its listed industry peer.
- Furthermore, as battery prices decline and economies of scale improve, NGEL is poised to enhance its operational margins.
- NGEL's focus on green hydrogen and energy storage aligns with emerging trends in the renewable energy sector, offering new avenues for growth.

Given its strong financial backing, ambitious expansion plans, and alignment with India's renewable energy transition, NGEL is well-positioned to deliver long-term value to investors.

We recommend to **SUBSCRIBE** to this issue for potential long-term gains.

Sources: Company website and red herring prospectus

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