



LONG TERM SUBSCRIBE

IPO Report

19th Nov '24

Snapshot

Company is a wholly owned subsidiary of NTPC Limited, a 'Maharatna' central public sector enterprise. Company is the largest renewable energy public sector enterprise (excluding hydro) in terms of operating capacity as of September 30, 2024 and power generation in Fiscal 2024. Company's 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. Company's operational capacity was 3,220 MW of solar projects and 100 MW of wind projects across six (6) states as of September 30, 2024. Company is strategically focused on developing a portfolio of utility-scale renewable energy projects, as well as projects for public sector undertakings ("PSUs") and Indian corporates. Company's projects generate renewable power and feed that power into the grid, supplying a utility or offtaker with energy.

VALUATION

Company is bringing the issue at price band of Rs 102-108 per share at p/e multiple of 259x on post issue annualized FY25 PAT basis.

Company is promoted by NTPC Limited, which has a legacy of around five decades. Company benefit from a strong balance sheet and AAA rating from CRISIL . With strong parent support and diversified portfolio with long term PPA, the Company is able to maintain a healthy interest coverage ratio but looking after valuation , we recommend " Long Term Subscribe" on issue.

Price Band (Rs./Share)	102-108
Opening date of the issue	19th Nov '2024
Closing Date of the issue	22nd Nov'2024
No of shares pre issue	75,00,000,000 Eq Shares
Issue Size	Rs 10000 Cr
Fresh Issue	Rs 10000 Cr
Fresh Issue	981402870-926824883 Eq Shares
Face Value (Rs/ share)	Rs10/share
Employee Discount	Rs 5/share
Bid Lot	138

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 61,11,11,111 Eq Shares)
Non-Institutional	15% of the offer (Approx 12,22,22,223 Eq Shares)
Retail	10% of the offer (Approx 8,14,81,482 Eq Shares)
Employees	1,94,17,475 Eq Shares
Shareholder	9,25,92,592 Eq Shares
Lead managers	IDBI Capital Markets , HDFC Bank, IIFL Securities, Nuvama Wealth Management
Registrar to the issue	KFin Technologies Limited

WHAT WE LIKE

Company is promoted by NTPC Limited, which has extensive experience in executing large- scale projects, longterm relationships with offtakers and suppliers and financial strength

Company is among the top 10 renewable energy players in India in terms of operational capacity as of September 2024. Company 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 that will include 60 GW renewable energy capacity by 2032.

Company have a Portfolio of 16,896 MWs solar and wind projects as of September 30, 2024 with diversification across geographies and offtakers

Company have 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, company had 17 offtakers across 41 solar projects and 11 wind projects. As of September 30, 2024, all of company's offtakers from which company earned revenue in the six months period ended September 30, 2024 were government agencies and public utilities with which company have long-term PPAs with an average term of 25 years.

Growing revenues along with strong credit ratings that enable a low cost of capital employed

Company's revenue from operations has grown at a CAGR of 46.82% from ₹9,104.21 million in Fiscal 2022 to ₹19,625.98 million in Fiscal 2024 . Company's Operating EBITDA has grown at a CAGR of 48.23% from ₹7,948.88 million in Fiscal 2022 to ₹17,464.70 million in Fiscal 2024 . Company's Profit After Tax has grown at a CAGR of 90.75 % from ₹947.42 million in Fiscal 2022 (on a special purpose carved-out basis) to ₹3,447.21 million in Fiscal 2024 (on a restated basis).



COMPANY BACKGROUND

For company's operational projects, company have entered into long-term Power Purchase Agreements ("PPAs") or Letters of Award ("LoAs") with an offtaker 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, company's "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, company's "Capacity under Pipeline, for which a memorandum of understanding ("MOU") or term sheet has been entered with joint venture partners or offtakers but where definitive agreements have not yet been entered, consisted of 9,175 MWs. As of September 30, 2024, company's Capacity under Pipeline together with company's Portfolio consisted of 26,071 MWs. Company measure the rated capacity of company's plants in megawatts in alternate current (AC). Rated capacity is the expected maximum output that a power plant can produce without exceeding its design limits. "Megawatts Operating" represents the aggregate megawatt rated capacity of renewable power plants that are commissioned and operational as of the reporting date. "Megawatts Contracted & Awarded" represents the aggregate megawatt rated capacity of renewable power plants as of the reported date which include (i) PPAs signed with customers, and (ii) capacity won and allotted in auctions and where LoAs have been received.

Company is promoted by its 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"). Company 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 its long-term success as its sustainability arm and partner and looks upon company to lead its efforts in proactively supporting India's energy transition to cleaner renewable energy.

In the six months period ended September 30, 2024 and Fiscal 2024, renewable energy sales accounted for 95.43% and 96.17%, respectively, of its revenue from operations as per company's Restated Consolidated Financial Information. In Fiscal 2023 and Fiscal 2022, renewable energy sales accounted for 96.94% and 97.19%, respectively, of company's revenue from operations as per its Special Purpose Carved-Out Combined Financial Statements.

As of September 30, 2024, company had 17 offtakers across 41 solar projects and 11 wind projects. Company define offtakers as parties with whom company have megawatts operating, contracted or awarded (signed PPA or from whom company have received an LoA). As of September 30, 2024, all 9 of company's offtakers from which company earned revenue in the six months period ended September 30, 2024 were government agencies and public utilities with which company have long-term PPAs with an average term of 25 years. Company along with the NTPC Group have a demonstrated track record of developing, constructing and operating renewable power projects, driven by its experienced in-house management and procurement teams. As of September 30, 2024, company is in the process of constructing 36 renewable energy projects in 6 states consisting of 13,576 MWs Contracted and Awarded. Company is considered a partner of choice by many PSUs for fulfillment of their renewable energy development goals. Company have signed joint venture agreements to produce renewable power with Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL), Mahatma Phule Renewable Energy & Infrastructure Technology Limited (MAHAPRET), Damodar Valley Corporation (DVC) and two other PSUs and have signed MOUs or term sheets with other private corporates.

Company, along with the NTPC Group, have strong inhouse experience in renewable energy project execution and procurement. In solar projects, company usually take responsibility for procurement of major equipment and supplies and the contractor builds, commissions and hands over the solar plant. Company also use the turnkey EPC contract model based on specific project conditions. In wind projects, company generally use the turnkey EPC model, entering into contracts with OEMs for manufacturing, installing, and commissioning wind turbines and the balance of plant.

Operation and maintenance ("O&M") services for company's renewable energy projects are provided through third party service providers. Company have a strong focus on improving the operational efficiency of company's plants. Towards that end, company is employing technologies including

- Robotic dry cleaning of photovoltaic ("PV") arrays;
- Drone photovoltaic thermography;
- String Combiner Box ("SCB") thermography;
- Live dashboards for generation performance monitoring on company's plant information server;
- Mechanized module washing, vegetation removal;
- CCTV Surveillance for plant security; and
- Module and string level I-V tracing



INVESTMENT RATIONALE

<p><i>Experienced team in renewable energy project execution and procurement as well as operating and maintenance</i></p>	<p>Company is the renewable energy arm and subsidiary of NTPC Limited, and company along with the NTPC Group have a strong track record of developing, constructing and operating renewable power projects, driven by its experienced in-house management and procurement teams. As of September 30, 2024, company is in the process of constructing projects in 6 states consisting of 13,576 MWs, contracted and awarded.</p>
<p><i>Growing revenues along with strong credit ratings that enable a low cost of capital employed</i></p>	<p>Company’s portfolio of operating solar and wind projects, focus on maintaining high capacity utilization (as evidenced by company’s CUF), operational efficiency and low operating costs are company’s strengths that have yielded its growth in revenues and EBITDA. Company’s revenue from operations has grown at a CAGR of 46.82% from ₹9,104.21 million in Fiscal 2022 to ₹19,625.98 million in Fiscal 2024 . Company’s Operating EBITDA has grown at a CAGR of 48.23% from ₹7,948.88 million in Fiscal 2022 to ₹17,464.70 million in Fiscal 2024 . Company’s Profit After Tax has grown at a CAGR of 90.75 % from ₹947.42 million in Fiscal 2022 (on a special purpose carved-out basis) to ₹3,447.21 million in Fiscal 2024 (on a restated basis).</p>
<p><i>Experienced Management Team</i></p>	<p>Company have a strong management team with extensive experience in the renewable energy sector, in-depth understanding of managing solar and wind power projects and proven track record of performance. Company’s senior management team, led by the Board of Directors, have decades of experience in the Indian power industry. Company’s senior management team has played an instrumental role in solidifying company’s offtaker relationships as well as company’s relationship with regulators. Company rely on its leadership and management team’s guidance to understand and anticipate market trends, manage its business operations and growth, leverage customer relationships and respond to changes in customer preferences. Company will continue to benefit from the experience, leadership and vision of its management team and Board.</p>
<p><i>Company have a Portfolio of 16,896 MWs solar and wind projects as of September 30, 2024 with diversification across geographies and offtakers</i></p>	<p>As of September 30, 2024, company’s 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, company’s Capacity under Pipeline consisted of 9,175 MWs. Together company’s Portfolio and Capacity under Pipeline, as of September 30, 2024, consisted of 26,071 MWs. In the six months period ended September 30, 2024 and Fiscal 2024, renewable energy sales from its solar and wind projects accounted for 95.43% and 96.17% of company’s revenue from operations from its Restated Consolidated Financial Information. In Fiscal 2023 and Fiscal 2022, renewable energy sales from company’s solar and wind projects accounted for 96.94% and 97.19% of its revenue from operations from company’s Special Purpose Carved-Out Combined Financial Statements.</p>



OBJECTS OF OFFER

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Investment in company's wholly owned Subsidiary, NTPC Renewable Energy Limited (NREL) for repayment/ prepayment, in full or in part of certain outstanding borrowings availed by NREL; and
2. General corporate purposes.

RISKS

There is a concentrated pool of utilities and power purchasers for electricity generated by company's plants and projects. Accordingly, company derived a significant portion (more than 87%) of its revenue from operations from its top five offtakers in Fiscal 2024, with its single largest offtaker contributing around 50% of company's revenue from operations in Fiscal 2024. Loss of any of these customers or a deterioration of their financial condition could adversely affect company's business, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Green Hydrogen

Different types of hydrogen

Hydrogen, the universe's most abundant element, is making waves as a clean energy source for a sustainable future. Hydrogen can be classified into different types based on its colour, which is often an indication of its production method, purity, or intended use and also use of fuel for production of hydrogen. Green hydrogen is produced from renewable energy sources, such as solar, wind, or hydro power, through electrolysis of water. This process splits water molecules into hydrogen and oxygen, without generating any greenhouse gas emissions. Green hydrogen is considered a clean and sustainable energy carrier. National Green Hydrogen Mission Green hydrogen mission and policy The National Green Hydrogen Mission was approved by the government on January 4, 2022. The mission aims to make India a leading producer and supplier of green hydrogen in the world. The mission would result in development of green hydrogen production capacity of at least 5 million metric tonne per annum with an associated renewable energy capacity addition of about 125 GW in the country. As per Central Government, the targets by 2030 are likely to bring in over Rs. 8 trillion investments. The initial outlay for the Mission is Rs.197.44 billion, including an outlay of Rs.174.9 billion for the Strategic Interventions for Green Hydrogen Transition Programme (SIGHT) programme, Rs.14.66 billion for pilot projects, Rs.4 billion for R&D, and Rs. 3.88 billion towards other Mission components. Under the SIGHT, two distinct financial incentive mechanisms have been proposed, one is targeting domestic manufacturing of electrolyzers and the other for production of Green Hydrogen. The Mission will also support pilot projects in emerging end-use sectors and production pathways

Key highlights of green hydrogen policy

Some of the key highlights of Green Hydrogen Policy are as follows:

- The waiver of inter-state transmission charges shall be granted for a period of 25 years for Green Hydrogen and Green Ammonia projects commissioned before 31st December 2030.
- Developers can manufacture Green Hydrogen/Green Ammonia using Renewable Energy from co-located or remotely located plants, or from the Power Exchange. They will be granted Open Access within 15 days of a complete application. Open Access charges will be in accordance with the Rules. • Banking permitted for a period of 30 days for renewable energy used for making Green Hydrogen /Green Ammonia.
- Under the Electricity (Transmission system planning, development, and recovery of Inter State Transmission charges) Rules 2021, renewable energy projects set up to manufacture green hydrogen/green ammonia will be granted priority for ISTS connectivity.
- Land in Renewable Energy Parks can be allotted for the manufacture of Green Hydrogen / Green Ammonia.
- Manufacturers of green hydrogen/ammonia can set up bunkers near ports to store green ammonia for export or use by shipping. Port authorities will provide land for storage at applicable charges.
- Renewable energy used to produce green hydrogen /ammonia counts towards RPO compliance for consumer and the discom in whose area the project is located.
- Distribution licensees may also procure and supply Renewable Energy to the manufacturers of Green Hydrogen / Green Ammonia in their States. In such cases, the Distribution licensee shall only charge the cost of procurement as well as the wheeling charges and a small margin as determined by the State Commission.
- MNRE to create a single portal for all Green Hydrogen/Ammonia clearances. All clearances will be provided within a period of 30 days from date of application.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	1696.90	19625.98	10083.21	10822.91
Total Expenditure (B)	183.09	2161.26	937.11	1493.51
EBIDTA	1513.81	17464.72	9146.10	9329.40
EBIDTA Margin	89.21	88.99	90.71	86.20
Other Income	9.41	750.59	128.16	504.48
Depreciation	499.06	6427.58	3109.37	3578.28
EBIT	1024.16	11787.73	6164.89	6255.60
Interest	498.72	6905.73	3356.89	3778.15
PBT	525.44	4882.00	2808.00	2477.45
Share of profit in Asso	0.00	-0.02	0.00	-13.75
PBIT	525.44	4881.98	2808.00	2463.70
Exceptional	0.00	0.00	0.00	0.00
PBT	525.44	4881.98	2808.00	2463.70
Tax	-1186.84	1434.77	726.38	710.70
PAT	1712.28	3447.21	2081.62	1753.00
NPM	100.91	17.56	20.64	16.20
ROE%	4.85	9.34	5.53	2.14
EPS	0.36	0.60	0.44	0.23
Eq Cap	47,196.11	57,196.11	47,196.11	75,000.00
Net Worth	48,874.32	62,321.42	50,955.83	82,810.00

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>NTPC Green Energy Limited</i>	<i>10.00</i>	<i>0.73</i>	<i>--</i>	<i>5.53</i>	<i>10.90</i>
Peers					
Adani Green Energy Limited	10	6.21	259.83	12.81	62.08
ReNew Energy Global PLC	0.0001	9.94	47.05	3.94	290.15

(Source: RHP)



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