

Recommendation	Neutral	BACKGROUND		
Price Band	Rs 102-108	<p>NTPC Green Energy Limited (NGEL), a subsidiary of NTPC Limited, began operations in February 2023, managing 3,320 MW of renewable energy (RE) capacity, predominantly solar. It has a robust pipeline of 26,071 MW, targeting India's energy transition goals under NTPC's vision of achieving 60 GW RE capacity by 2032. Focused on utility-scale RE projects, NGEL leverages innovative technologies, strategic partnerships, and geographic diversification to maintain operational efficiency and mitigate risks. Backed by NTPC's expertise, it is a leading public-sector RE enterprise, with over 95% of FY25 H1 revenue from renewable energy sales.</p> <p>Objects and Details of the Issue:</p> <p>The public issue consists of fresh issue aggregating up to Rs 10000 Cr. Fresh Issue shall be utilized towards: (Investment in their Subsidiary, NTPC Renewable Energy Limited for repayment in outstanding borrowings - 7500 Cr)</p> <p>Investment Rationale:</p> <ul style="list-style-type: none"> • Strong Parentage of NTPC Limited • Diversified Renewable Energy Portfolio • Proven Project Execution and Procurement Expertise • Growing Project Pipeline through Strategic Bidding and Partnerships • Focus on New Energy Solutions Green Hydrogen, Green Chemicals, and Battery Storage • Driving Efficiency and Cost Reductions in Project Execution and O&M • Commitment to Sustainability and India's Energy Transition Goals <p>Valuation and Recommendation:-</p> <p>NTPC Green Energy Ltd. leverages the strong parentage of NTPC Limited, a diversified renewable portfolio, and a focus on solar and wind projects. The company shows good operational efficiency and has a growing pipeline of projects backed by strategic partnerships. However, its reliance on power purchase agreements (PPAs) and regulatory uncertainties may affect financial stability. Compared to peers, the company's ROE (5.5%) is lower, owing to lower leveraging. High valuation multiples, such as EV/EBITDA (59.8x) and P/B (4.4x) makes us believe that the company is fully priced relative to peers. Considering these factors, we recommend a Neutral rating for the IPO.</p>		
Bidding Date	19 th - 22 nd Nov 2024			
Book Running Lead Manager	IDBI Capital, HDFC Bank Ltd, IIFL Cap, Nuvama Wealth.			
Registrar	KFin Technologies Limited			
Sector	Power Generation & Distribution			
Minimum Retail Application- Detail At Cut off Price				
Number of Shares	138			
Minimum Application Money	Rs.14904			
Payment Mode	ASBA			
Financials (Rs Cr)	FY23	FY24		
Total Income	170	1,963		
EBITDA	151	1746		
PAT for the year	171	345		
Valuations (FY24)	Upper Band			
Market Cap (Rs Cr)	91,000			
Adj EPS	0.4			
PE	264			
EV/ EBITDA	60			
Enterprise Value(Rs Cr)	104384			
Post Issue Shareholding Pattern				
Promoters	89.0%			
Public/Other	11.0%			
Offer structure for different categories				
QIB	75%			
Non-Institutional	15%			
Retail	10%			
Post Issue Equity (cr)	8425.9			
Issue Size (Rs in cr)	10000			
Face Value (Rs)	10			
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		Financials	FY23	FY24
		Net Revenues	170	1,963
		Growth (%)	-	1056.6%
		EBITDA	151	1,746
		EBITDA Margin (%)	89.2%	89.0%
		PBT	53	488
		Adjusted PAT	171	345
		EPS	0.20	0.41
		ROCE	0.9%	5.9%
		EV/Sales	615.1	53.2
		EV/EBITDA	689.5	59.8
		P/E	531.5	264.0

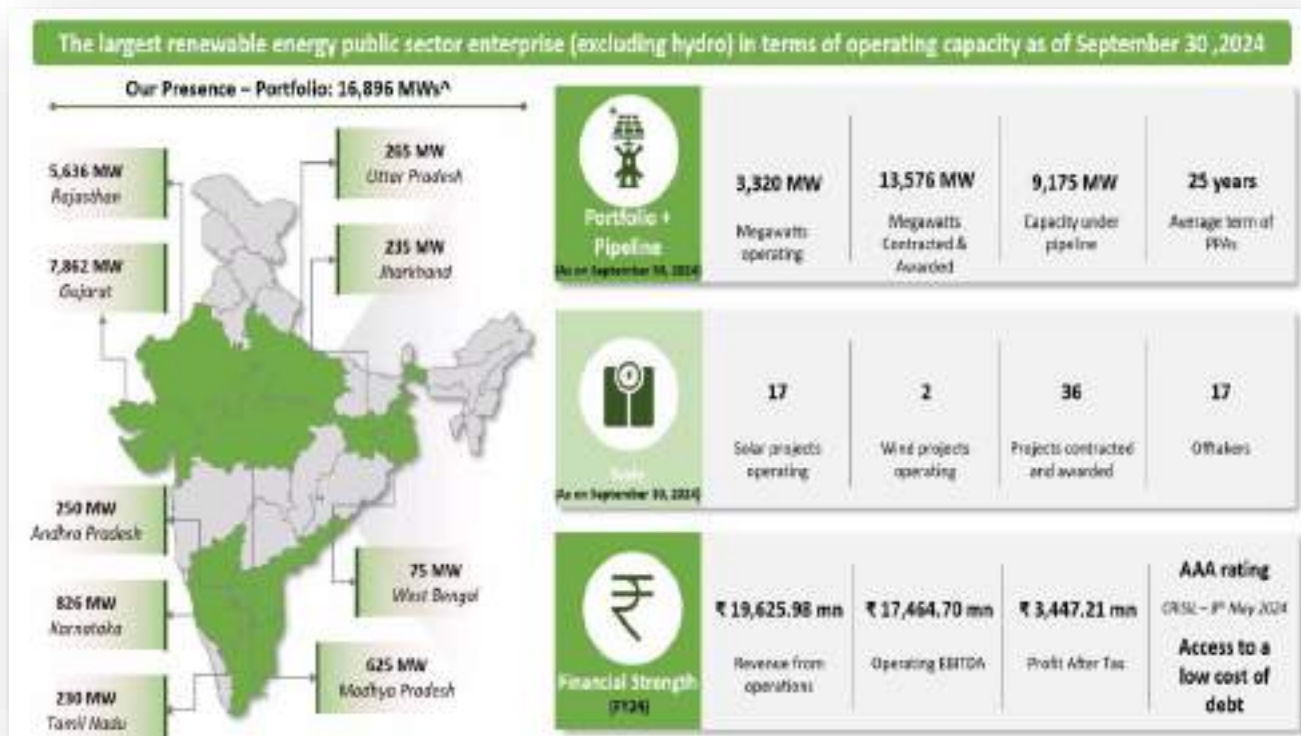
Source: Company data, NBRR

Company Background

NTPC Green Energy Limited (NGEL), a wholly-owned subsidiary of NTPC Limited, was incorporated on April 7, 2022, and commenced operations following the transfer of NTPC's renewable energy (RE) assets and equity shareholding in NTPC Renewable Energy Limited (NREL) on February 28, 2023. NGEL is India's largest public-sector renewable energy enterprise (excluding hydro) with an operational capacity of 3,320 MW, comprising 3,220 MW solar and 100 MW wind projects across six states as of September 30, 2024. Its portfolio also includes 13,576 MW of contracted and awarded projects and 9,175 MW under pipeline, targeting a total capacity of 26,071 MW.

Promoted by NTPC Limited, a 'Maharatna' PSU under the Ministry of Power, NGEL benefits from NTPC's expertise and is pivotal to achieving the group's vision of 60 GW renewable energy capacity by 2032. NGEL focuses on developing utility-scale renewable energy projects for PSUs and corporates, leveraging long-term Power Purchase Agreements (PPAs) with Central and State government agencies and public utilities. Renewable energy sales constituted over 95% of its revenue in the first half of FY25, with operational plants maintaining competitive capacity utilization factors (CUFs) of 24.73% overall. NGEL employs innovative technologies such as robotic cleaning, drone thermography, and live performance monitoring to enhance operational efficiency. It utilizes diverse execution models, including turnkey EPC contracts for wind projects and in-house procurement management for solar projects. Supported by a skilled management team, NGEL ensures streamlined project execution, emphasizing technological and operational excellence.

With a robust pipeline, strategic partnerships with entities like RRVUNL, DVC, and private corporates, and NTPC's guidance, NGEL is positioned as a partner of choice in India's energy transition. It aims to mitigate location-specific risks through geographic diversification and has emerged as a key player in India's renewable energy sector.



Investment Rationale

Strong Parentage of NTPC Limited:

NTPC Green Energy Limited (NGEL) benefits from being promoted by NTPC Limited, a 'Maharatna' PSU and one of India's largest power companies with over 76 GW of installed capacity. NTPC's extensive experience in executing large-scale projects, financial strength, and long-term relationships with stakeholders enhance NGEL's credibility and operational capabilities. NTPC is targeting 45-50% non-fossil-based capacity by 2032, aligning with India's clean energy transition. NGEL leverages NTPC's reputation, credit strength, and strong relationships with DISCOMs and financial institutions for competitive financing. This parentage enables NGEL to maintain high execution standards and build brand equity as a renewable energy leader.

Diversified Renewable Energy Portfolio:

NGEL has a substantial portfolio of 16,896 MW solar and wind projects, including 3,320 MW operational capacity and 13,576 MW contracted or awarded as of September 2024. Its projects are geographically spread across nine states, mitigating concentration risk while ensuring access to resource-rich areas like Rajasthan and Gujarat. NGEL caters primarily to government and public utilities through long-term PPAs averaging 25 years, ensuring stable revenue streams. With 95%+ of revenue coming from renewable energy sales, NGEL demonstrates a strong focus on clean energy. Strategic partnerships with PSUs and MOUs with private corporates further position NGEL as a partner of choice in renewable energy.

Proven Project Execution and Procurement Expertise:

NGEL and NTPC have a strong track record in renewable energy project development, leveraging an experienced in-house team and efficient land acquisition processes. By managing 8,900 acres of freehold land and 45,700 acres of leasehold land, NGEL ensures project viability through timely access to transmission infrastructure. NGEL employs diverse EPC models to optimize costs and efficiency, including turnkey and split-scope approaches for solar and wind projects. Advanced O&M technologies like robotic cleaning, drone thermography, and live monitoring dashboards enhance operational performance and longevity of assets. NGEL's reliance on reputed domestic and international suppliers ensures high-quality project execution.

Growing Project Pipeline through Strategic Bidding and Partnerships

NTPC Green Energy aims to leverage the growing renewable energy market, projected to add 137-142 GW solar and 34-36 GW wind capacity between FY25 and FY29. The company focuses on prudent bidding and financial discipline to secure projects that meet predetermined internal rate of returns. In FY24, it emerged as a market leader in tariff-based competitive bidding with 3.5 GW of winning capacity. Strategic joint ventures with PSUs and private corporates, such as partnerships with RRVUNL, MAHAPREIT, and DVC, position the company to expand its renewable capacity and enhance market presence. This approach emphasizes leveraging expertise in large-scale solar and wind projects and exploring accretive acquisitions.

Focus on New Energy Solutions: Green Hydrogen, Green Chemicals, and Battery Storage

The company is investing in cutting-edge green technologies like green hydrogen, chemicals, and battery storage systems to complement its renewable energy portfolio. Key initiatives include developing one of the world's largest

green hydrogen hubs in Andhra Pradesh and 2.7 GW of Round-the-Clock renewable energy capacity. NTPC Green Energy is also advancing grid-scale battery storage solutions, targeting 41.7 GW/208 GWh of battery energy storage Capacity by FY30. Collaborative ventures with state and private entities further bolster its position in green energy innovation, focusing on domestic and export markets for hydrogen derivatives like green ammonia and sustainable aviation fuel.

Driving Efficiency and Cost Reductions in Project Execution and O&M

To enhance operational efficiency, the company leverages NTPC Group's scale to optimize procurement and reduce costs for solar and wind projects. It adopts advanced technologies like AI-enabled tools, robotic cleaning systems, and drones for predictive maintenance and operational monitoring. Bulk O&M contracts and pooled critical spares reduce costs across multiple plants. Long-term warranties with OEMs and cluster-based manpower planning further streamline operations. These efforts aim to lower per-MW costs, improve energy generation, and ensure sustained profitability while maintaining high standards of execution.

Commitment to Sustainability and India's Energy Transition Goals

As NTPC's renewable energy arm, the company contributes to India's clean energy transition and Net Zero targets by avoiding 5.32 metric tons of CO₂e emissions in FY24. NTPC Green Energy employs water-saving robotic dry-cleaning systems for solar modules and registers its projects under international carbon programs like CDM and VCS. Its robust safety management system ensures a zero-accident workplace. The company plays a key role in achieving NTPC's goal of 60 GW renewable capacity by 2032, reaffirming its dedication to environmental, social, and governance (ESG) principles.

Risk/Concerns

Geographic Concentration Risk: A significant portion of NTPC Green’s operating renewable energy projects—over 60%—are concentrated in Rajasthan. This dependence makes the company vulnerable to regional risks such as natural disasters, political or economic disruptions, and adverse weather conditions. While no such disruptions have occurred to date, any future incident in this region could adversely impact operations, require significant capital investment, or necessitate strategic changes.

Power Purchase Agreement (PPA) Constraints: NTPC Green’s revenue is heavily dependent on long-term PPAs with fixed tariffs. These agreements expose the company to risks, including penalties for delays, challenges in renegotiating terms, and limited flexibility in managing costs amid rising operational expenses. While past performance shows no major failures, future breaches or unfavorable tariff changes could materially impact financial stability and operational performance.

Reliance on Promoter NTPC Limited: The Company heavily depends on NTPC Limited for branding, personnel, and operational support. A deterioration in this relationship, withdrawal of guarantees, or restrictions on the NTPC brand could harm its operations, reputation, and creditworthiness.

Project Development Uncertainties: Delays in renewable energy project development due to regulatory, technical, or logistical issues could attract penalties and harm cash flows. Challenges in meeting project timelines or PPA obligations might also result in contractual disputes and financial liabilities.

Regulatory and Policy Uncertainty: The renewable energy sector’s regulatory framework in India is subject to frequent changes, impacting NTPC Green’s operations and financial stability. Shifts in government policies, additional compliance requirements, or reduced incentives for renewable projects could increase costs and operational challenges. Any delays or policy reversals could hinder project financing and the company’s growth trajectory.

Supply Chain and Import Restrictions: NTPC Green faces risks from reliance on imported solar and wind components, particularly from China. Trade restrictions, tariffs, or forced-labor compliance regulations in global supply chains could raise costs or disrupt operations. While the company has diversified suppliers, sudden policy changes or material shortages could delay projects, increase costs, and impact financial performance.

Valuation and Recommendation

NTPC Green Energy Ltd. leverages the strong parentage of NTPC Limited, a diversified renewable portfolio, and a focus on solar and wind projects. The company shows good operational efficiency and has a growing pipeline of projects backed by strategic partnerships. However, its reliance on power purchase agreements (PPAs) and regulatory uncertainties may affect financial stability.

Compared to peers, the company's ROE (5.5%) is lower, owing to lower leveraging. High valuation multiples, such as EV/EBITDA (59.8x) and P/B (4.4x) makes us believe that the company is fully priced relative to peers. Considering these factors, we recommend a Neutral rating for the IPO.

Listed Peers

FY 24	Adani Green Energy	ACME Solar	NTPC Green
Capacity in MW	11,200	1,340	2,925
Revenue	9,220	1,319	1,963
CAGR (FY23-24)	19%	2%	1057%
EBITDA Margin	79.4%	82.6%	89.0%
PAT Margin	13.7%	52.9%	17.6%
Asset Turns (x)	0.12	0.11	0.10
ROE	16.8%	26.9%	5.5%
Debt/Equity	9.0	3.7	2.2
EV/EBITDA	40.1	23.3	59.8
P/E	211.2	22.0	264.0
EV/MW	26	19	36
P/BV	21.95	4.19	4.42

Source: Company Data, NBRR

Financials

P&L (Rs. Cr)	FY23	FY24	H1FY25	FY25 Ann
Net Revenue	170	1,963	1,082	2,165
% Growth	-	1057%	-	10%
Cost of goods sold				
% of Revenues	0.0%	0.0%	0.0%	0.0%
Employee Cost	3	37	31	61
% of Revenues	1.7%	1.9%	2.8%	2.8%
Other expenses	16	179	119	237
% of Revenues	9.1%	9.1%	11.0%	11.0%
EBITDA	151	1,746	933	1,866
EBITDA Margin	89.2%	89.0%	86.2%	86.2%
Depreciation	50	643	358	716
Other Income	1	75	50	101
Interest	50	691	378	756
Exceptional item				
PBT	52.5	488.2	247.7	495.5
Tax	(119)	143	71	142
Tax rate	-226%	29%	29%	29%
PAT	171.2	344.7	176.7	353.4
% Growth	#DIV/0!	101%	-	3%
Minority Interest	0.0	0.0	-1.4	-2.7
Adj. PAT (norm. Tax)	171.2	344.7	175.3	350.6
EPS (Post Issue)	0.2	0.4	0.2	0.4

Ratios & Others	FY23	FY24	H1FY25	FY25 Ann
Debt / Equity	1.3	2.2	2.2	2.2
EBITDA Margin (%)	89.2%	89.0%	86.2%	86.2%
PAT Margin (%)	100.9%	17.6%	16.3%	16.3%
ROE (%)	3.5%	5.5%	4.3%	4.3%
ROCE (%)	0.9%	5.9%	4.8%	4.8%

Turnover Ratios	FY23	FY24	H1FY25	FY25 Ann
Debtors Days	700	131	78	78
Inventory Days	20	5	5	5
Creditor Days	220	12	15	15
Asset Turnover (x)	0.02	0.10	0.08	0.08

Valuation Ratios	FY23	FY24	H1FY25	FY25 Ann
Price/Earnings (x)	531.5	264.0	259.5	259.5
EV/EBITDA (x)	689.5	59.8	55.9	55.9
EV/Sales (x)	615.1	53.2	48.2	48.2
Price/BV (x)	18.6	14.6	11.0	11.0
Price/BV (Post issue)	-	4.4	-	-

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY23	FY24	H1FY25
Share Capital	4,720	5,720	7,500
Other Equity	168	513	689
Minority Interest	0.06	0.07	91.82
Networth	4,887	6,232	8,281
Total Loans	6,137	13,856	18,044
Other non-curr liab.	2,781	3,164	3,244
Trade payable	102	62	92
Other Current Liab	4,524	3,891	2,747
Total Equity & Liab.	18,431	27,206	32,408
Property, Plant and Equipme	14,758	17,573	19,076
CWIP	1,749	7,138	9,031
Goodwill/Other Intangible as	0	0	0
Non Current Financial asset	78	83	85
Other non Curr. assets	1,052	1,159	2,162
Inventories	9	25	28
cash and cash equivalents	73	116	1,252
Bank bal	0	357	203
Investments+loans	0	0	0
Trade receivables(debtor)	325	705	461
Other Current assets	386	52	110
Total Assets	18,431	27,206	32,408

Cash Flow (Rs. Cr)	FY23	FY24	H1FY25
Profit Before Tax	53	488	248
Provisions & Others	0	0	0
Op. profit before WC	146	1,699	917
Change in WC	(129)	(117)	194
Less: Tax	0	(3)	(1)
CF from operations	17	1,579	1,110
Purchase/Sale of fixed assets	(12,377)	(7,823)	(3,547)
Bank deposits/ Other financi	2,078	(1,436)	(2,022)
Interest income	1	52	33
CF from Investing	(10,298)	(9,207)	(5,536)
Equity Contribution received	5,083	1,000	1,780
Proceeds from borrowings	5,378	7,379	4,354
Payment liabilities	(57)	(24)	(28)
interest & div paid	(50)	(685)	(543)
CF from Financing	10,353	7,671	5,563
Net Change in cash	73	43	1,137
Cash & Bank at beginning	0	73	116
Cash & Bank at end	73	116	1,252

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