

NTPC Green Energy Limited

Energy | India

IPO | 15 November 2024

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About the Company

NTPC Green Energy Limited (NGEL) is the largest renewable energy public sector enterprise (excluding hydro) in terms of operating capacity as of Sep'24 and power generation in FY24. Its 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. Its operational capacity was 3,220 MW of solar projects and 100 MW of wind projects as of Sep'24.

Strong Industry trends in solar power

There is huge potential for power demand in India as electricity requirements have risen at a CAGR of approximately 8.4% between FY21-24 and expects power demand to grow by 5.5-6.0% in the next five years which will be supported by infrastructure-linked capital expenditure. In the renewable energy basket (including large hydro) as of September 2024, solar energy accounted for a share of 45% spurred by robust government backing, technological advancements, affordable financing, supportive policies, thrust on go-green initiatives/sustainability targets, cost optimization due to increased grid electricity tariffs, subsidy initiative (specially in rooftop solar).

Inhouse expertise and adoption of technologies

NGEL 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. NGEL use the turnkey EPC contract model based on specific project conditions in solar projects, its operation and maintenance ("O&M") services for our renewable energy projects are provided through third-party service providers with a strong focus on improving the operational efficiency of plants employing innovative technologies like robotic dry cleaning of photovoltaic rays, usage of drone and SCB thermography, dashboards and module and string level tracing monitoring the overall performance of the plant.

Newer projects to multiply growth

NGEL is investing in hydrogen, green chemical and battery storage capabilities and solutions as well as associated technologies which includes the development of a green hydrogen hub at Pudimadaka and finalizing a tie-up for electrolyzers. In the area of battery storage, it intends to install the grid scale battery storage as part of firm and dispatchable renewable energy (FDRE)/ round-the clock (RTC) projects to complement the solar and wind power.

Financials in brief

NGEL financials have seen an increase in revenue from Rs. 910 Crs in FY22 to 1963 Crs in FY24 which grew by a CAGR of 46.8% with improvement in margins and profitability as PAT has grown at a CAGR of 90.8% for the same period. Its average capacity utilization factor (CUF) for the assets has improved from 19.2% to 23.9% in solar from FY22-24 with an 3x increase in generation of power. NGEL has share of 17% in installed and 24% share in power generation as of Sep'24 and has 26 GW+ of portfolio + pipeline in solar and wind projects across geographies with an average age of 25 years of PPA and holds a vision of 60 GW RE capacity by 2032 indicating consistent growth in revenues with improved profitability achieving economies of scale.

Our View

NGEL benefits from NTPC's financial strength and long-term relationships with off takers and suppliers, growing its revenues along with strong credit ratings that enable a low cost of debt executing large scale projects. NGEL has deep domain expertise of the management team focusing on new energy solutions like green hydrogen, green chemicals and storage with prudent growth and contributing towards fulfilling India's net zero goals. We believe with a prudent business model and strong earnings growth with improved financials and return ratios, **we recommend a Subscribe to the issue for the long term.**

IPO Details

Price Band (Rs)	102-108
Face Value (Rs)	10
Issue Open/Closing Date	19-Nov-24/22-Nov-24
Fresh Issues (Crs)	10000
OFS (Crs)	0.0
Total Issue (Crs)	10000
Minimum Bid Qty. (Nos)	138
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs Crs)*	91000

*At higher band

Object of the Issue

- ▶ Repayment in full or in part, of certain outstanding borrowings availed by subsidiaries.
- ▶ General corporate purposes.

Strengths

- ▶ Strong parentage from NTPC Limited, India's largest power company.
- ▶ Deep domain expertise and diversified portfolio with long term PPA.
- ▶ 26 GW+ portfolio pipeline in solar and wind projects across geographies.
- ▶ Experienced team in renewable energy project procurement and execution.

Key Risks

- ▶ Delayed payments from discoms could hurt financials in short term.
- ▶ Significant competition from traditional and renewable energy companies.

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	FY24(12)
Installed Capacity(MW)	1445	2611	2925
Revenue	910	1450	1963
EBITDA	795	1310	1746
EBITDA Margin (%)	87.3%	90.3%	89.0%
PAT	95	456	345
PAT Margin (%)	10.4%	31.5%	17.6%
Cash PAT Margin (%)	41.5%	63.0%	50.3%
RoE (%)	23.1	26.7	17.8
D/E ratio	4.41	1.09	1.98

Source: RHP

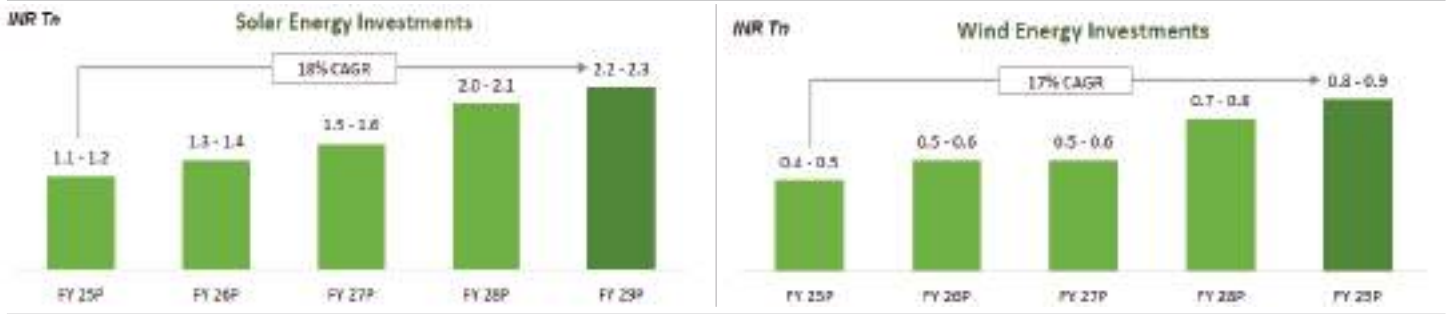
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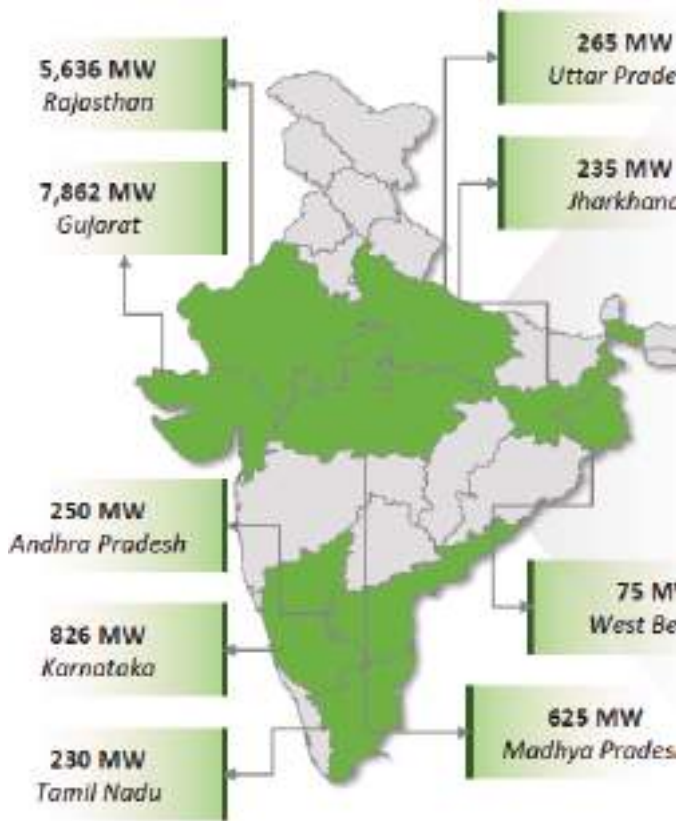
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Exhibit 1: Expected investments in solar and wind energy generation to cater to capacity addition



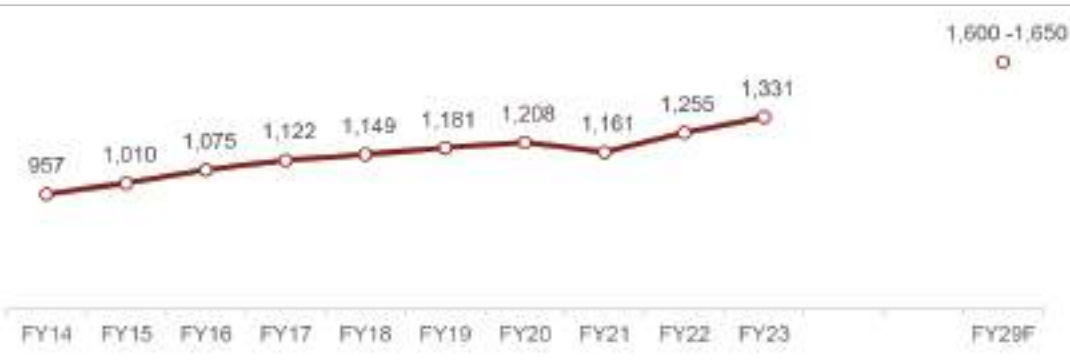
Source: RHP; CRISIL; P: Projected

Exhibit 2: Our Presence – Portfolio: 16,896 MWs^



Source: RHP, ^: Including projects of 892 MW for which location is yet to be identified

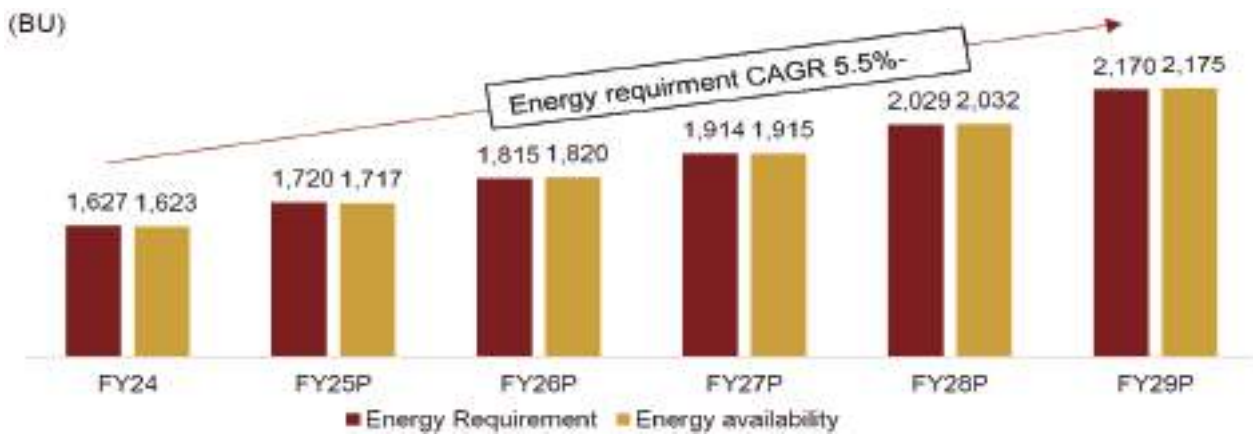
Exhibit 3: Per capita electricity consumption (in kWh)



F: Forecast

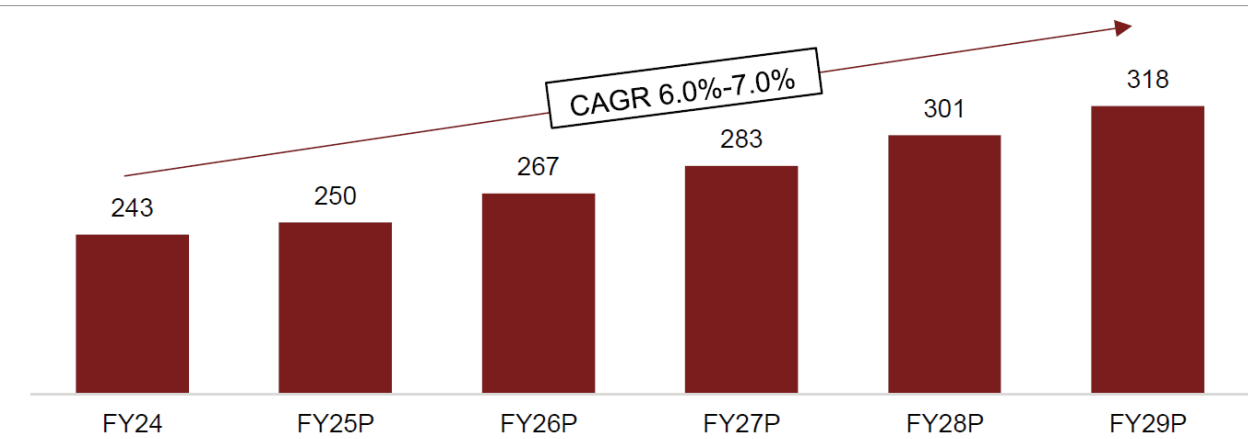
Source: RHP, Central Electricity Authority of India (CEA), CRISIL MI&A-Consulting

Exhibit 4: Energy demand outlook (fiscals 2025-29)



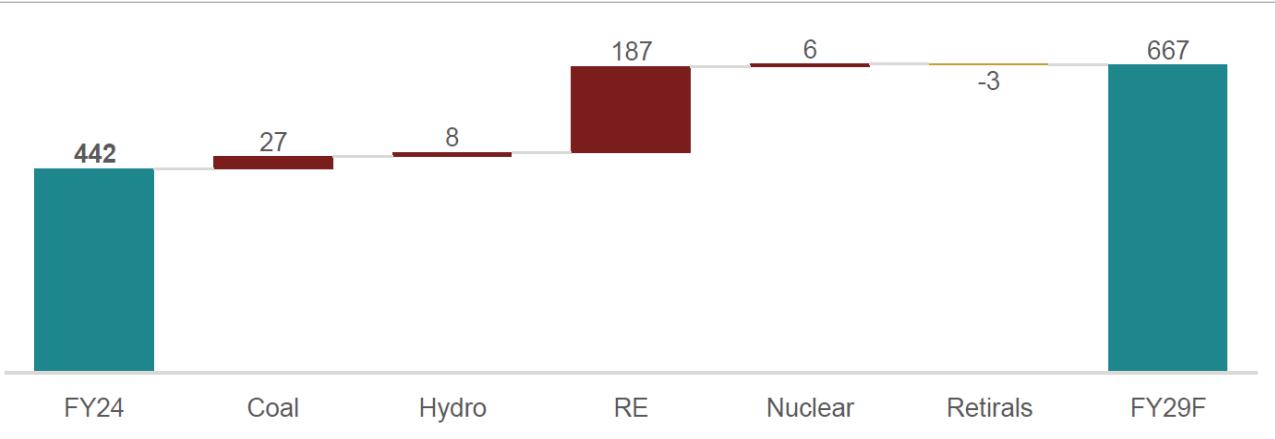
P: Projected, Source: RHP, CEA, CRISIL MI&A-Consulting

Exhibit 5: Peak demand to increase by 75 GW between fiscals 2025 and 2029 to cross 300 GW



P: Projected, Source: RHP, CEA, CRISIL MI&A-Consulting

Exhibit 6: All India installed estimated capacity addition by fiscal 2029 (in GW)



RE includes solar, wind, small hydro, and other renewable sources
 Source: RHP, CEA, CRISIL MI&A-Consulting

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