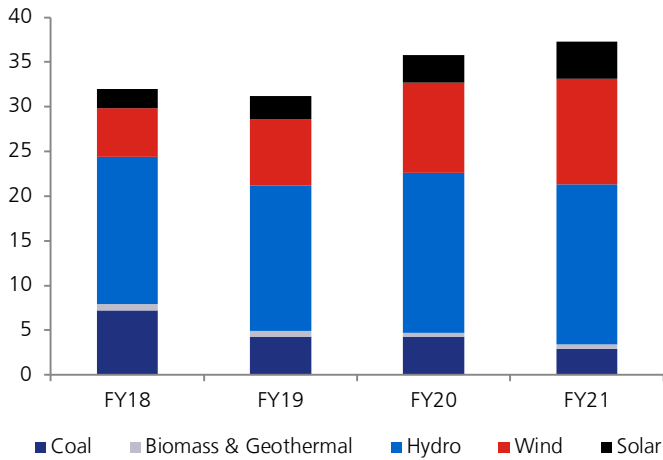


Key Charts

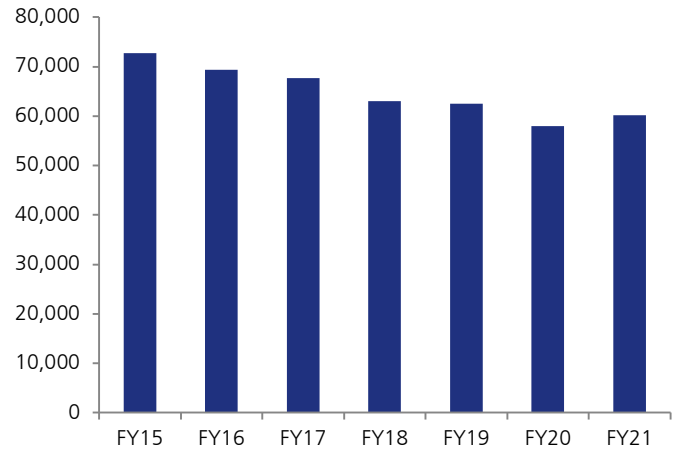
Financial Summary

Exhibit 39. Generation Capacity Breakup, GW



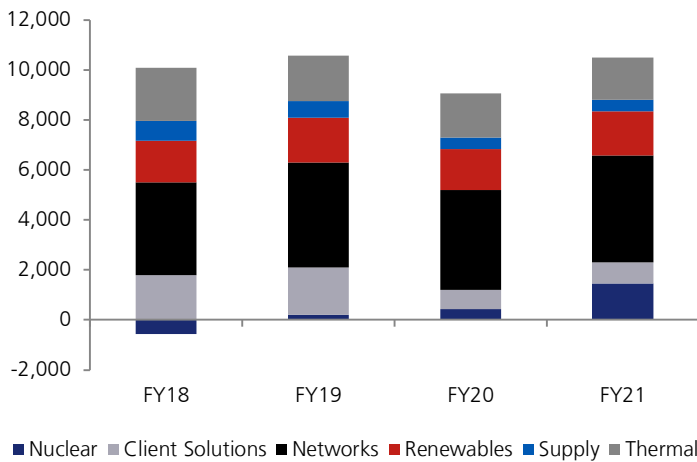
Source: Company, Bloomberg

Exhibit 40. Revenue Trend, USD mn



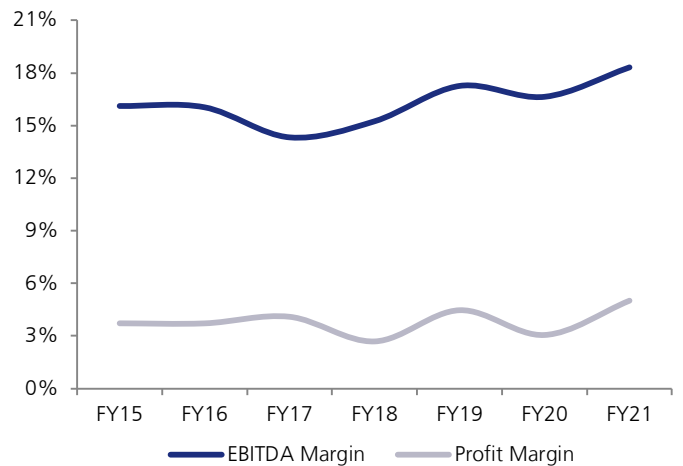
Source: Company, Bloomberg

Exhibit 41. EBITDA Breakup, USD mn



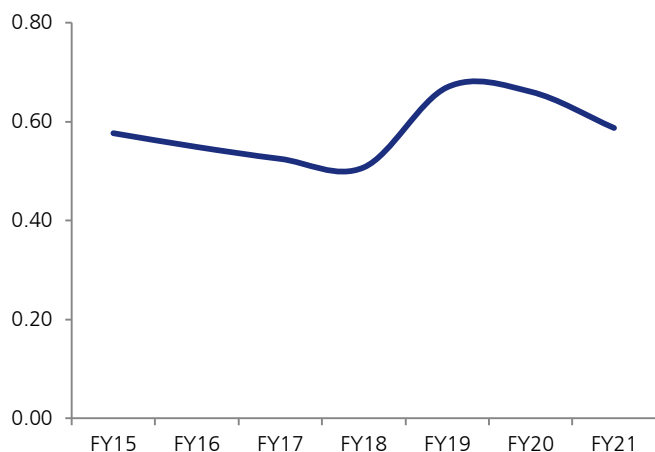
Source: Company, Bloomberg

Exhibit 42. Margin Profile



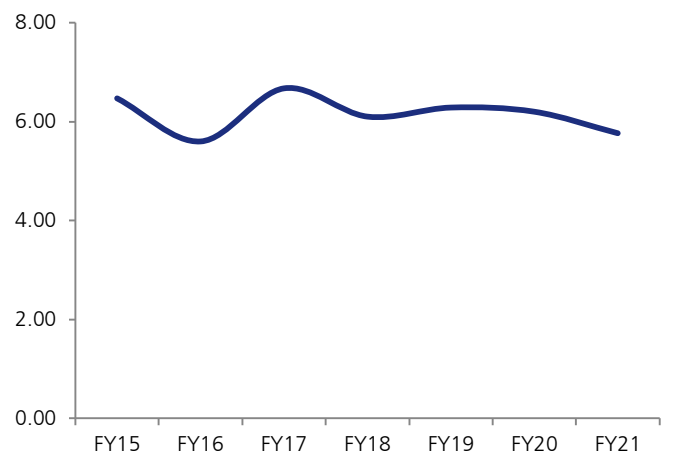
Source: Company, Bloomberg

Exhibit 43. Net Debt to Equity



Source: Company, Bloomberg

Exhibit 44. EV/EBITDA



Source: Company, Bloomberg

Exhibit 45. JM Financial Utilities Coverage Universe – Price Target and Recommendation

Company Name	Rating	CMP	TP (INR)	Upside/Downside (%)	P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
					FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
NTPC	BUY	169	205	21%	11.6	9.8	8.1	1.2	1.1	1.0	9.5	8.4	7.4	10%	11%	13%
Power Grid Corp	BUY	216	255	18%	10.0	9.6	9.3	1.9	1.8	1.8	5.7	5.3	5.0	17%	17%	17%
Coal India	HOLD	232	240	4%	5.1	6.6	7.4	2.3	1.9	1.7	2.8	3.3	3.5	54%	32%	24%
Tata Power	HOLD	219	220	1%	14.2	15.6	15.4	2.6	2.3	2.0	13.3	11.8	10.5	18%	15%	13%
JSW Energy	SELL	298	245	-18%	31.4	36.0	32.3	2.6	2.5	2.3	16.1	14.8	12.0	9%	7%	7%
Torrent Power	HOLD	526	490	-7%	21.9	16.2	13.4	2.3	2.1	1.8	8.5	7.4	6.5	11%	13%	15%
CESC	BUY	79	100	27%	8.6	8.2	7.9	1.0	0.9	0.8	6.2	5.8	5.5	11%	11%	11%
Engie SA					8.6	8.3	9.3	0.9	0.8	0.8	5.3	5.1	5.4	11%	12%	8%
Next Era					27.9	25.6	23.6	3.6	3.5	3.0	17.0	16.2	14.7	12%	13%	12%
Orsted					29.8	26.9	24.4	3.2	3.0	3.0	13.1	12.0	10.2	12%	12%	10%
AGL Energy					19.7	8.7	6.9	0.9	0.8	0.8	6.1	4.6	4.0	4%	9%	11%
Azure					0.1	0.1	-	0.0	0.0	-	6.7	6.1	-	8%	8%	-
China Shenhua Energy Co					7.6	7.6	-	1.4	1.3	-	4.0	4.1	-	17%	16%	-
E.ON SE					10.7	10.7	10.9	1.6	1.5	1.4	7.6	7.5	7.4	15%	14%	14%
Enel SpA					9.0	8.5	8.5	1.7	1.6	1.5	6.9	6.6	6.4	19%	19%	17%
NRG Energy					6.3	5.6	5.7	1.8	1.5	-	5.7	5.7	6.4	40%	35%	33%
TEPCO					8.4	3.5	6.5	0.4	0.3	0.3	20.6	14.0	13.0	0%	5%	5%

Source: Company, JM Financial

Companies

Best play on energy transition

NTPC is India's largest power generating utility, accounting for 17% of the total installed capacity and 24% of the generation in the country. The total installed capacity of the Group was 70,254MW (including JVs/subsidiaries) as on 30th Sept'22. With a vision to become an integrated power company, NTPC is focusing on diversifying its generation capacity mix in favour of renewables in alignment with energy transition. Currently, it has an operational renewable capacity of 2.5GW with another 5.3GW of capacity under construction, and aims to reach 60GW+ by 2032. NTPC remains well placed to capitalise on the opportunities in renewables and other areas mainly on the back of competitive advantages it enjoys in terms of stable cash flows from existing thermal assets, operational excellence, and low cost of debt. Going forward, NTPC will continue to see growth in earnings from coal-based thermal power plants under construction as well as the upcoming pipeline. Its renewable assets are expected to add a new stream of earnings over the medium to long term. Plans to monetise a part of its renewable portfolio via a strategic stake sale are also underway, which will further enhance the value proposition for its stakeholders. This makes NTPC the best placed among the Indian Gencos. NTPC is our top pick in the utility space, as the best transition play from the regulated business to the green energy business. We assume coverage with BUY rating and a FY25 TP of INR 205 (implying 21% upside).

- Regulatory business model generating stable cash flows:** The company has more than 57GW of installed Thermal power generation capacity, operating on a regulatory business model giving fixed returns on project equity. NTPC plans to add 6-7GW of thermal power capacities over the next 4-5 years; these are at various stages of construction. It enjoys PPAs for its existing capacities and already has space available for adding brownfield power plants. The addition in thermal capacities via the regulated equity route will continue to improve the company's earnings profile. On the thermal side, along with its own capacity addition, NTPC will also be on the lookout for inorganic growth via acquisitions of stressed assets (recently acquired 50% stake in Jhabua Power Ltd through NCLT).
- Leading the push towards green energy:** NTPC has set a target of 60GW+ Renewable capacity by 2032 with an aim to build a 40% non-fossil fuel portfolio. It is looking to add c.9GW of renewable capacities over the next 3 years. As of date, NTPC has 2.5GW operational and 5.3GW under-construction renewable capacities. It is also aiming to monetise its RE portfolio through a stake sale of 10-20% of NTPC Green Energy Ltd by end of FY23. In our view, as India aims to move towards cleaner fuels, the renewed focus on renewables is a positive for the company, while we remain watchful of how the return profile shapes up, going forward. NTPC has also forayed into a variety of business areas including fuel cells, e-mobility, green hydrogen solutions, power distribution and waste-to-energy. This transition will also help in improving its score on ESG metrics.
- Low cost of debt to facilitate upcoming capex:** The stable cash flows from thermal assets help NTPC fund the transition to renewables as well as the capex for installation of Flue

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Recommendation and Price Target

Current Reco.	BUY
Current Price Target (12M)	205
Upside/(Downside)	21.2%

Key Data – NTPC IN

Current Market Price	INR169
Market cap (bn)	INR1,640.7/US\$19.8
Free Float	40%
Shares in issue (mn)	9,696.7
Diluted share (mn)	9,696.7
3-mon avg daily val (mn)	INR2,421.7/US\$29.2
52-week range	183/118
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	-1.3	13.6	34.5
Relative*	-2.5	-4.0	25.4

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	1,115,312	1,326,693	1,410,056	1,560,911	1,761,922
Sales Growth (%)	1.9	19.0	6.3	10.7	12.9
EBITDA	339,738	402,796	354,687	389,344	440,019
EBITDA Margin (%)	30.5	30.4	25.2	24.9	25.0
Adjusted Net Profit	164,816	169,603	140,935	167,066	202,953
Diluted EPS (INR)	17.0	17.5	14.5	17.2	20.9
Diluted EPS Growth (%)	41.3	2.9	-16.9	18.5	21.5
ROIC (%)	6.4	6.7	5.5	6.3	7.4
ROE (%)	13.5	13.0	10.1	11.3	12.7
P/E (x)	9.9	9.7	11.6	9.8	8.1
P/B (x)	1.3	1.2	1.2	1.1	1.0
EV/EBITDA (x)	10.1	8.6	9.5	8.5	7.4
Dividend Yield (%)	3.5	4.3	3.6	4.3	5.2

Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

Gas Desulfurisation (FGD) in thermal power plants. On the RE side, where there are no sizable operational costs, having access to low-cost debt due to sovereign debt rating gives the company a strong competitive edge while earning similar equity IRR.

- **Capex target:** The capex for 1HFY23 stood at INR 166bn compared to INR 151bn in 1HFY22. The capital outlay for FY23 is expected to be INR 275bn. Capex targets for FY24 and FY25 stand at INR 250-260bn and INR 200-210bn respectively.
- **Recent developments:** NTPC has incorporated NTPC Green Energy Ltd (NGEL), which will consolidate the assets of NTPC Renewable Energy Ltd (NREL), the existing renewable assets in NTPC and other joint ventures. NTPC Green ultimately will become a holding company and act as the green vehicle under NTPC. The company's intent is to monetise its renewable portfolio via a strategic sale (10-20%) by end of FY23. On the thermal side, NTPC has already awarded the Talcher Thermal Power Project (2x660 MW) to BHEL. It is targeting to award Lara (2x800 MW) by Mar'23, Sipat (1x800MW) in 2QFY24 and Singrauli (2x800MW) as well as Darlipalli (1x800MW) in FY25. The management has also guided around INR 120bn annual capex on coal power projects over the next 5-6 years.
- **Key monitorables:** i) Valuation of its Renewable portfolio from stake sale transaction; ii) Growth in power demand; iii) Timely execution of capacities under construction; iv) Progress on privatisation of Puducherry Power Distribution
- **Key risks:** i) Slowdown or lower-than-expected growth in power demand; ii) lower utilisation rates; iii) Delays in execution of capacities under construction; iv) risk of aggressive bidding in renewables;
- **We assume coverage with BUY rating and a FY25 TP of INR 205:** We value the company's thermal business at 1.8x FY25E Regulated Equity and assign 8x multiple to FY25E EBITDA of its RE business. We assume coverage with BUY rating and an SOTP-based FY25 TP of INR 205 (implying 21% upside).

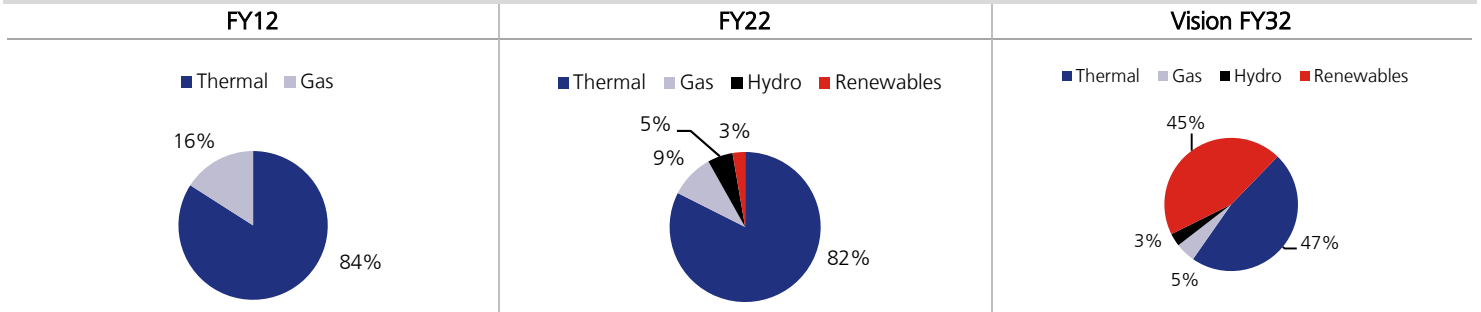
Exhibit 46. SOTP Table

Particulars	Value (INR mn)	Comments	Multiple (x)	Target Value (INR mn)	Value per Share (INR/Sh)
Thermal	742,307	FY25E Regulated Equity	1.8	1,364,749	141
Renewable	35,065	FY25E EV/EBITDA	8	280,521	29
CWIP	285,368	FY23 BV	1.0	285,368	29
Cash & Cash Equivalent	57,864	FY23 BV	1.0	57,864	6
Total	1,120,605	Implied Multiple	1.8	1,988,504	205

Source: Company, JM Financial

■ **Business overview:** NTPC is India’s largest power generating utility, accounting for 17% of the total installed capacity and 24% of the generation in the country. The total installed capacity of the Group was 70,254MW (including JVs/subsidiaries) as on 30 Sep’22. NTPC has been accorded the status of a Maharatna, which gives it considerable operating as well as financial flexibility in raising low-cost funds from domestic as well as international markets. NTPC’s thermal capacities are fully backed by long-term PPAs (typically 25 years) which provide long-term revenue and cash flow visibility along with complete recovery of fixed expenses, including debt servicing charges. PPAs also include a provision for earning incentives for achieving normative performance parameters. NTPC has long-term fuel supply agreements (FSA) with Coal India Ltd. and Singareni Collieries Co. Ltd. for an Annual Contracted Quantity (ACQ) meeting more than 85% of its annual requirement, helping it mitigating fuel risk over a longer horizon.

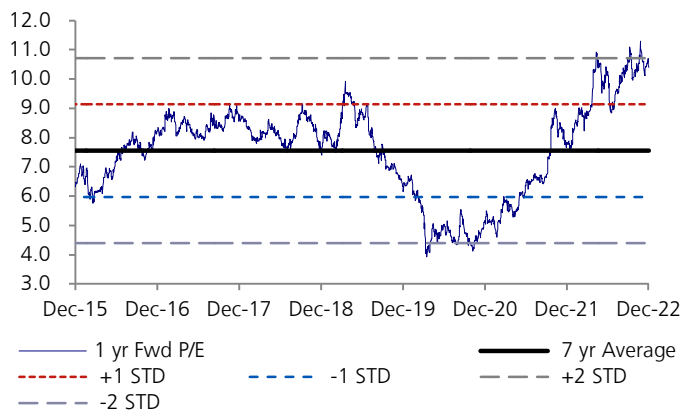
Exhibit 47. Transition



Source: Company, JM Financial

Valuation Bands:

Exhibit 48. 1 Year Forward P/E



Source: Company, JM Financial

Exhibit 49. P/B



Source: Company, JM Financial

Exhibit 50. EV/EBITDA

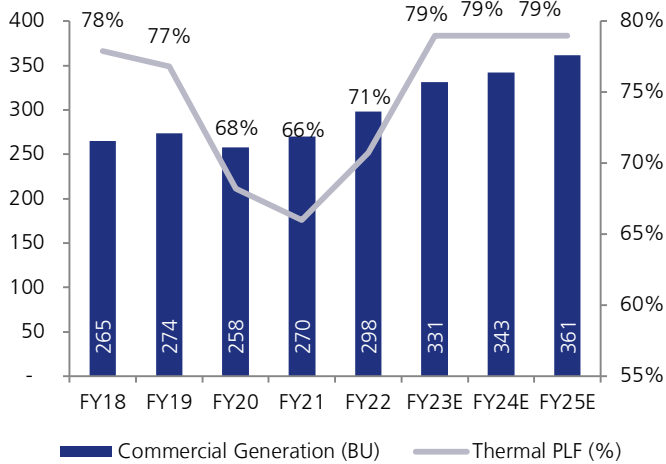


Source: Company, JM Financial

Key Charts

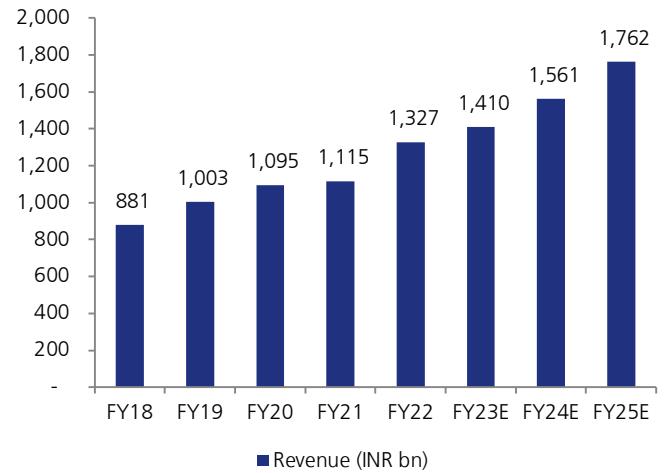
Financials

Exhibit 51. Commercial Generation



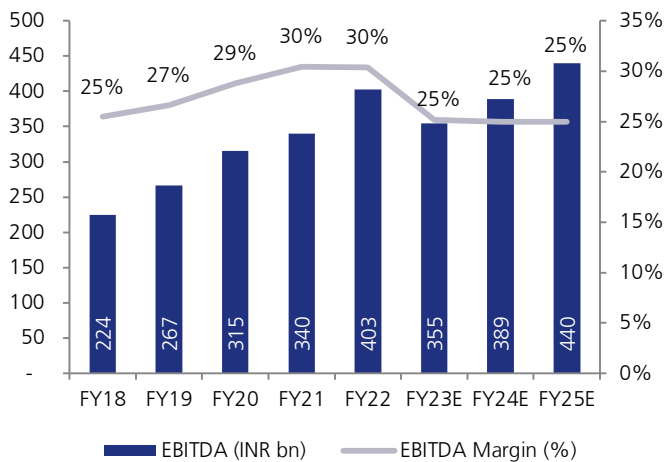
Source: Company, JM Financial

Exhibit 52. Revenue



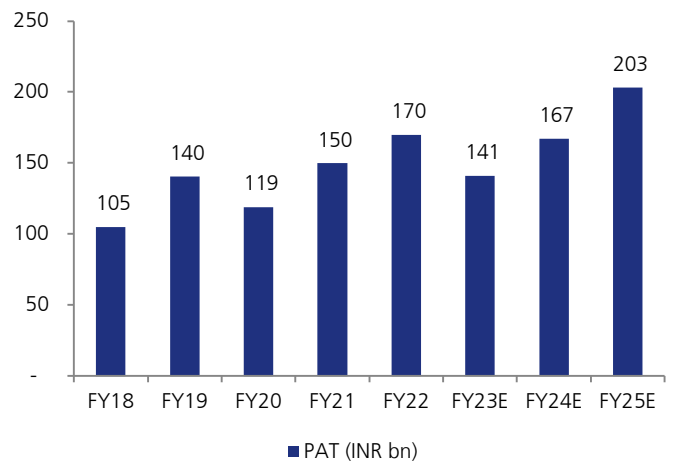
Source: Company, JM Financial

Exhibit 53. EBITDA & EBITDA Margin



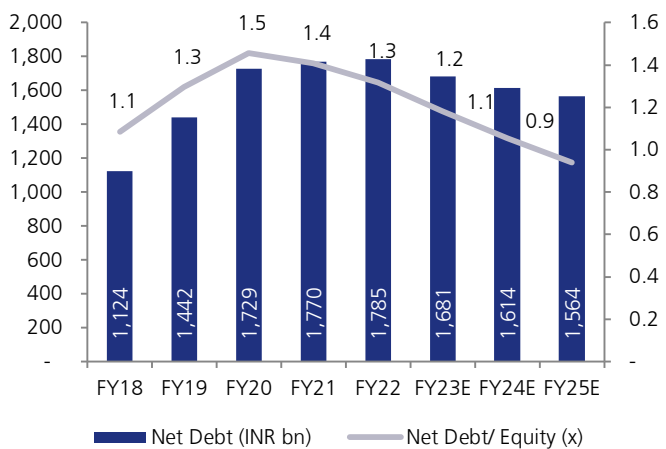
Source: Company, JM Financial

Exhibit 54. PAT



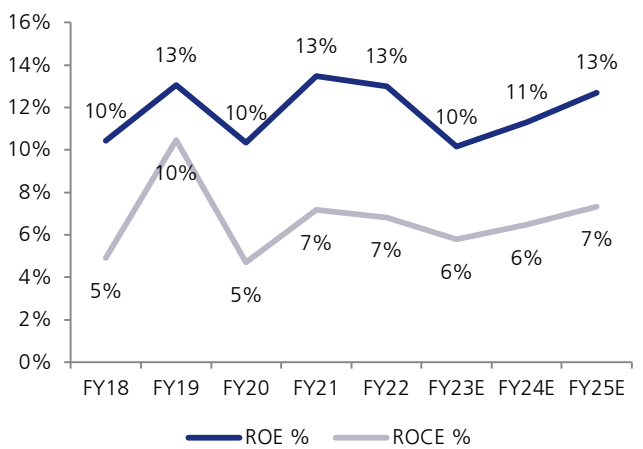
Source: Company, JM Financial

Exhibit 55. Net Debt to Equity



Source: Company, JM Financial

Exhibit 56. Return Ratios



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	1,115,312	1,326,693	1,410,056	1,560,911	1,761,922	
Sales Growth	1.9%	19.0%	6.3%	10.7%	12.9%	
Other Operating Income	0	0	0	0	0	
Total Revenue	1,115,312	1,326,693	1,410,056	1,560,911	1,761,922	
Cost of Goods Sold/Op. Exp	611,487	753,377	891,033	983,794	1,104,161	
Personnel Cost	59,539	63,101	74,721	82,136	90,782	
Other Expenses	104,547	107,420	89,613	105,636	126,960	
EBITDA	339,738	402,796	354,687	389,344	440,019	
EBITDA Margin	30.5%	30.4%	25.2%	24.9%	25.0%	
EBITDA Growth	7.7%	18.6%	-11.9%	9.8%	13.0%	
Deprn. & Amort.	124,503	137,878	138,656	140,500	143,898	
EBIT	215,235	264,917	216,031	248,844	296,121	
Other Income	40,157	23,250	25,000	25,000	25,000	
Finance Cost	92,241	93,160	88,571	87,002	87,060	
PBT before Excep. & Forex	163,151	195,008	152,460	186,842	234,061	
Excep. & Forex Inc./Loss(-)	19,032	14,865	14,865	14,865	14,865	
PBT	182,183	209,873	167,324	201,706	248,926	
Taxes	24,205	50,471	36,590	44,842	56,175	
Extraordinary Inc./Loss(-)	-15,122	0	0	0	0	
Assoc. Profit/Min. Int.(-)	10,186	13,045	13,045	13,045	13,045	
Reported Net Profit	146,346	166,759	138,092	164,222	200,109	
Adjusted Net Profit	164,816	169,603	140,935	167,066	202,953	
Net Margin	14.8%	12.8%	10.0%	10.7%	11.5%	
Diluted Share Cap. (mn)	9,696.7	9,696.7	9,696.7	9,696.7	9,696.7	
Diluted EPS (INR)	17.0	17.5	14.5	17.2	20.9	
Diluted EPS Growth	41.3%	2.9%	-16.9%	18.5%	21.5%	
Total Dividend + Tax	57,784	71,069	59,193	70,168	85,240	
Dividend Per Share (INR)	6.0	7.3	6.1	7.2	8.8	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	192,896	223,114	170,372	204,754	251,974	
Deprn. & Amort.	124,503	137,878	138,656	140,500	143,898	
Net Interest Exp. / Inc. (-)	57,724	79,466	88,571	87,002	87,060	
Inc (-) / Dec in WCcap.	8,286	19,141	-6,497	12,833	10,562	
Others	-28,286	-20,986	-25,000	-25,000	-25,000	
Taxes Paid	-30,683	-20,731	-36,590	-44,842	-56,175	
Operating Cash Flow	324,441	417,882	329,512	375,248	412,318	
Capex	-232,820	-243,309	-81,952	-150,998	-190,142	
Free Cash Flow	91,621	174,573	247,560	224,250	222,176	
Inc (-) / Dec in Investments	-5,000	5,000	0	0	0	
Others	27,475	9,927	0	0	0	
Investing Cash Flow	-210,345	-228,382	-81,952	-150,998	-190,142	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-57,784	-71,069	-59,193	-70,168	-85,240	
Inc / Dec (-) in Loans	108,575	7,234	-90,095	-30,803	1,122	
Others	-161,282	-127,880	-84,988	-87,002	-87,060	
Financing Cash Flow	-110,491	-191,716	-234,276	-187,973	-171,178	
Inc / Dec (-) in Cash	3,605	-2,216	13,284	36,277	50,998	
Opening Cash Balance	40,273	46,797	44,581	57,864	94,141	
Closing Cash Balance	43,878	44,581	57,864	94,141	145,139	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	1,257,385	1,353,737	1,423,604	1,531,476	1,664,262	
Share Capital	96,967	96,967	96,967	96,967	96,967	
Reserves & Surplus	1,160,418	1,256,771	1,326,637	1,434,510	1,567,295	
Preference Share Capital	0	0	0	0	0	
Minority Interest	35,237	37,604	37,604	37,604	37,604	
Total Loans	1,813,520	1,829,185	1,739,090	1,708,287	1,709,409	
Def. Tax Liab. / Assets (-)	98,878	109,517	109,517	109,517	109,517	
Total - Equity & Liab.	3,205,020	3,330,043	3,309,815	3,386,884	3,520,791	
Net Fixed Assets	3,000,022	3,153,690	3,096,986	3,107,483	3,153,727	
Gross Fixed Assets	2,726,937	3,081,252	3,122,228	3,197,727	3,292,798	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	700,957	837,814	976,471	1,116,971	1,260,869	
Capital WIP	974,042	910,252	951,228	1,026,727	1,121,798	
Investments	108,383	113,066	113,066	113,066	113,066	
Current Assets	880,472	898,412	939,715	1,013,928	1,112,116	
Inventories	98,096	101,393	119,754	136,622	155,053	
Sundry Debtors	281,998	273,421	283,079	304,147	332,906	
Cash & Bank Balances	43,878	44,581	57,864	94,141	145,139	
Loans & Advances	0	0	0	0	0	
Other Current Assets	456,499	479,018	479,018	479,018	479,018	
Current Liab. & Prov.	783,856	835,124	839,952	847,593	858,117	
Current Liabilities	142,022	159,190	164,018	171,659	182,183	
Provisions & Others	641,834	675,934	675,934	675,934	675,934	
Net Current Assets	96,616	63,288	99,763	166,336	253,999	
Total - Assets	3,205,020	3,330,043	3,309,815	3,386,884	3,520,791	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	14.8%	12.8%	10.0%	10.7%	11.5%	
Asset Turnover (x)	0.3	0.3	0.3	0.4	0.4	
Leverage Factor (x)	3.2	3.1	3.0	2.8	2.7	
RoE	13.5%	13.0%	10.1%	11.3%	12.7%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	129.7	139.6	146.8	157.9	171.6	
ROIC	6.4%	6.7%	5.5%	6.3%	7.4%	
ROE	13.5%	13.0%	10.1%	11.3%	12.7%	
Net Debt/Equity (x)	1.4	1.3	1.2	1.1	0.9	
P/E (x)	9.9	9.7	11.6	9.8	8.1	
P/B (x)	1.3	1.2	1.2	1.1	1.0	
EV/EBITDA (x)	10.1	8.6	9.5	8.5	7.4	
EV/Sales (x)	3.1	2.6	2.4	2.1	1.8	
Debtor days	92	75	73	71	69	
Inventory days	32	28	31	32	32	
Creditor days	41	45	39	38	36	

Source: Company, JM Financial

Power Grid Corp | BUY

Green Corridor propels it to next wave of growth

Power Grid Corporation of India Limited (PGCIL) is the India's largest power transmission utility, owning about 85% of the interstate transmission network and carrying around 45% of total power generated in the country. On the basis of its nation-wide transmission infrastructure development and operating experience, PGCIL also wins, on nomination basis, projects that are of strategic importance or to be constructed in very difficult terrains. The company enjoyed a high growth phase from FY09-19 led by high capex and expansion in gross fixed assets. However, growth has moderated over the last 3-4 years due to lack of capacity addition. The upcoming auctions in the transmission space under Inter-State Transmission System (ISTS) as part of Transmission System Integration for 500GW RE by 2030 are expected to provide the next leg of growth for PGCIL; the company is targeting 40-50% market share from this. We expect PGCIL to deliver c.7% EPS CAGR and c.7% dividend yield over FY22-25. We assume coverage with a BUY rating and an SOTP-based FY25 TP of INR 255 (implying 18% upside).

- Next leg of growth to come from ISTS pipeline:** With the aim of synchronising electricity produced from renewable resources such as wind and solar with conventional power stations in the grid, Green Energy Corridor Phase-1 is under construction for grid integration and power evacuation of around 24GW of RE power. The Government of India in Jan'22 has approved the scheme on Green Energy Corridor (GEC) Phase-II for addition of ~10,750ckm of transmission lines and ~27,500MVA transformation capacities of substations. The scheme will facilitate grid integration and power evacuation of ~20GW of RE power projects. PGCIL will be a key beneficiary of this investment. The Rolling Plan 2027-28 (Interim Report) of Central Transmission Utility of India (CTUIL) for Inter-State Transmission System (ISTS) envisages an investment up to INR 1.4trln by FY27 and a similar amount for FY27-32 excluding the investments in battery storage. The majority projects under the scheme are to be awarded through the TBCB route. The company is targeting a market share of 40-50% in the upcoming TBCB bids. Over FY23-25E, we expect the company to incur a capex of INR 301bn and commission assets worth INR 315bn. We expect broad-based traction in transmission opportunities as the pace of RE generation capacity additions increase where commissioning time is 12-18 months vs. 4 years for thermal power projects. In the near term, projects worth INR 240bn across Rajasthan and Khavda (Part II & III) are likely to be bid out.

Asset monetisation through InvIT: In Q1FY22, PGCIL transferred 74% of its holdings in five SPVs to Power Grid Infrastructure Investment trust (PG InvIT) with a gross block of INR 72.4bn (balance 26% holdings in each SPVs to be transferred to the InvIT over Feb'22-Jan'24). Going forward, PGCIL is evaluating several options to monetise assets. It has a target for monetisation of INR 75bn under the MNP (INR 66bn pending) in FY23, and INR 150bn each for FY24 and FY25. It has no plans to carve out RTM projects from the parent for transfer to InvIT.



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Recommendation and Price Target

Current Reco.	BUY
Current Price Target (12M)	255
Upside/(Downside)	17.9%

Key Data – PWGR IN

Current Market Price	INR216
Market cap (bn)	INR1,508.8/US\$18.2
Free Float	43%
Shares in issue (mn)	6,975.5
Diluted share (mn)	6,975.5
3-mon avg daily val (mn)	INR3,403.9/US\$41.1
52-week range	248/186
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	1.1	-2.7	7.4
Relative*	-0.1	-17.8	0.1

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	396,398	416,163	431,062	444,042	458,214
Sales Growth (%)	5.0	5.0	3.6	3.0	3.2
EBITDA	353,548	360,372	372,618	382,914	394,286
EBITDA Margin (%)	89.2	86.6	86.4	86.2	86.0
Adjusted Net Profit	115,892	130,646	151,334	156,510	161,855
Diluted EPS (INR)	22.2	18.7	21.7	22.4	23.2
Diluted EPS Growth (%)	6.4	-15.5	15.8	3.4	3.4
ROIC (%)	9.0	10.0	10.5	11.1	11.8
ROE (%)	14.9	15.8	17.3	17.3	17.3
P/E (x)	9.8	11.5	10.0	9.6	9.3
P/B (x)	1.6	2.0	1.9	1.8	1.8
EV/EBITDA (x)	7.8	7.2	6.7	6.3	5.9
Dividend Yield (%)	6.0	7.2	6.9	7.2	7.4

Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

- **New initiatives:** While transmission continues to be main focus of the company, PGCIL is also actively identifying and evaluating various other non-transmission business opportunities as part of its growth strategy. PGCIL has setup the 'POWERGRID Energy Services Limited', a wholly owned subsidiary, with the objective of investing in and acting as project management consultant in new and emerging business areas of Energy Management, Smart Meters, Smart Grid, Energy Storage, etc. It has initiated procurement process for end-to-end smart metering solution for 10mn smart meters. It has signed MoUs with MGVCL & UGVCL (Gujarat state discoms) to implement advanced metering infrastructure (AMI) systems for 6.6mn smart meters. On an investment of INR 70-80bn (excluding opex), the company expects a WACC return of 10%. The payments will be received through fixed monthly rentals on per meter basis for 90 months from the state discoms. Project execution is expected to start from Q1 of CY24.
- **Capex and capitalisation:** Capex and capitalisation as on 1HFY23 stood at INR 32bn and INR 31bn respectively. The company has guided for a capex of INR c.88bn in FY23/FY24 and INR 120-125bn FY25E onwards. Over FY23-25E, we expect the company to incur a capex of INR 301bn and commission assets worth INR 315bn. With the intensity of capex coming down as compared to an average of INR 230-240bn during FY14-19, and healthy cash position from asset monetisation, we expect PGCIL to pay higher dividends in future, maintaining a healthy c7% dividend yield.
- **Leh project capex back-ended:** PGCIL has been tasked with building the marquee Leh-Kaithal transmission project to transmit 10GW of renewable energy capacity being set up in Ladakh. Due to security reasons, the project has been awarded to PGCIL on a 'nomination basis'. The 900km power transmission link will run from Pang in Leh to Kaithal in Haryana, and will have a 12GWh battery energy storage component. Implementation of the INR 260bn project (including storage capacity) will start in FY24, and it will take 5 years for completion. Hence, PGCIL's annual capex may see an uptick for this project's execution only by FY25/26 when the chunky sub-stations / storage elements get executed in the last phase.
- **Key monitorables:** 1) Number of bid wins in the ISTS auctions as it will determine the growth trajectory going forward; 2) How the RoE profile shapes up as share of TBCB projects will increase going forward; 3) Ramp-up of new business opportunities.
- **Key risks:** 1) Delay in Green Corridor execution; 2) Aggressive bidding in TBCB; 3) Increase in receivables
- **We assume coverage with BUY rating and a FY25 TP of INR 255:** We value the company on SOTP basis and assign a 1.7x multiple to its transmission business. We assume coverage with a BUY rating and a FY25 TP of INR 255 (implying 18% upside). Going forward, we expect the return profile to moderate as share of TBCB projects will increase which have relatively lower earnings than RTM projects.

Exhibit 57. SOTP Table

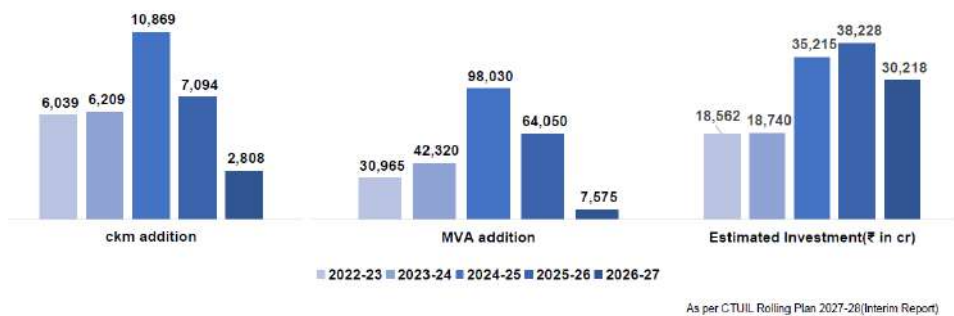
Particulars	Value (INR mn)	Comments	Multiple (x)	Target Value (INR mn)	Value per share (INR/Sh)
Regulated equity	918,586	FY25E Regulated Equity	1.7	1,550,939	222
CWIP	35,659	FY23 BV	1.0	35,659	5
Cash and investments (excess of equity reqmt)	120,609	FY23 BV	1.0	120,609	17
Value of telecom & consultancy business	5,986	FY25E earnings		47,892	7
TBCB SPV stake retained (26%)	9,731		1.0	9,731	1
Invit Stake retained (15%)	17,745	20% Discount to CMP	0.8	14,032	2
Total	1,108,317		1.6	1,779,026	255

Source: Company, JM Financial

- Business overview:** Power Grid Corporation of India Limited (PGCIL) is India's largest power transmission utility, owning about 85% of the interstate transmission network and carrying around 45% of total power generated in the country. It owns and operates most of India's inter-regional and inter-state power transmission system (ISTS) with a transmission network of 1,72,982ckm, 267 extra high-voltage alternating current (EHVAC) and high-voltage direct current (HVDC) substations with 4,86,590MVA transformation capacity as on 30 Sep'22. It is engaged mainly in transmission of bulk power across different states of India. It is under the administrative control of the Ministry of Power, GoI. PGCIL has also been notified as a Maharatna company by the GoI.

Exhibit 58. Sectoral Growth Outlook

ISTS expansion plan till 2027

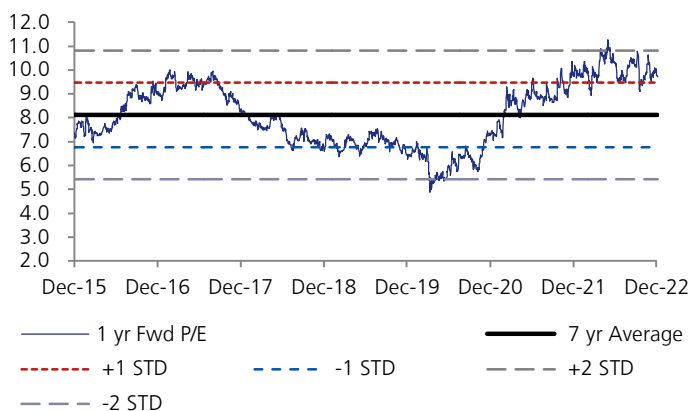


Investment upto ₹ 1.40L crore is expected by FY 2026-27

Source: Company, JM Financial

Valuation Bands:

Exhibit 59. 1 Year Forward P/E



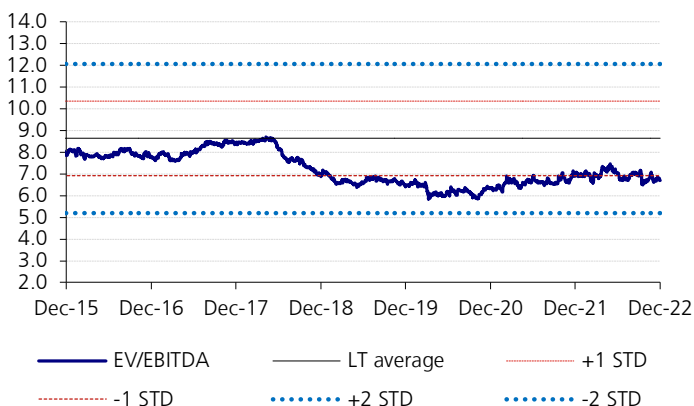
Source: Company, JM Financial

Exhibit 60. P/B



Source: Company, JM Financial

Exhibit 61. EV/EBITDA

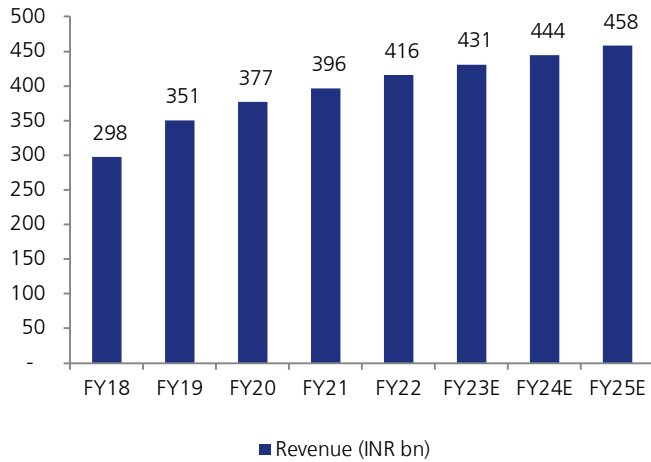


Source: Company, JM Financial

Key Charts

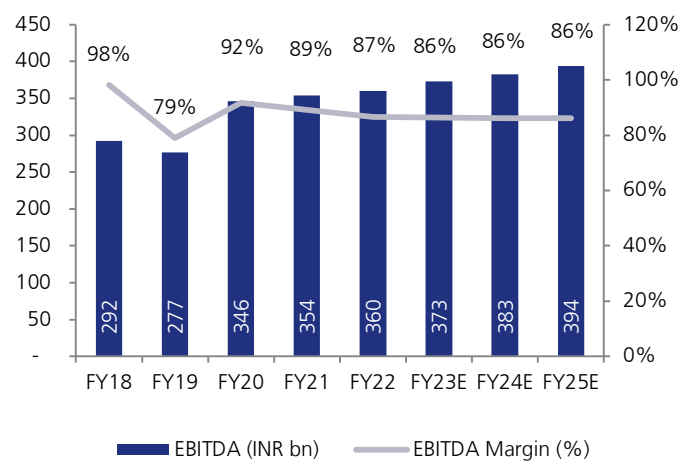
Financials

Exhibit 62. Revenue



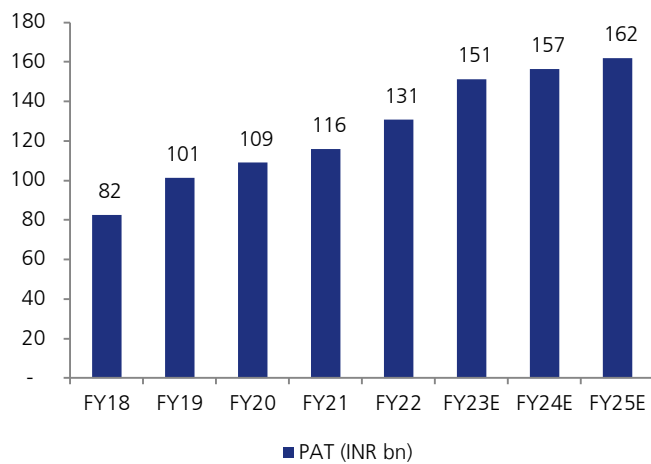
Source: Company, JM Financial

Exhibit 63. EBITDA & EBITDA Margin



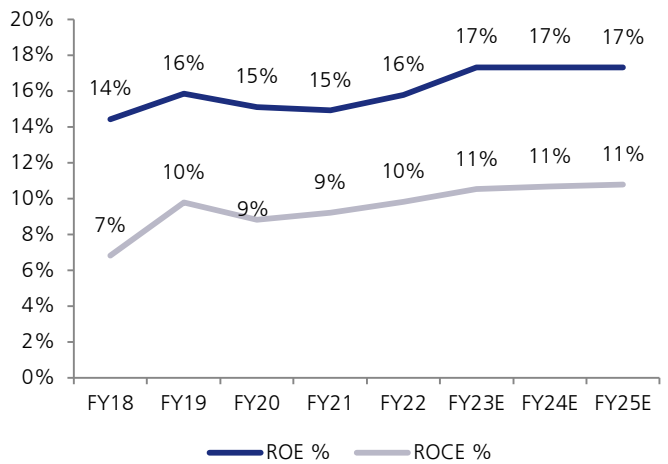
Source: Company, JM Financial

Exhibit 64. PAT



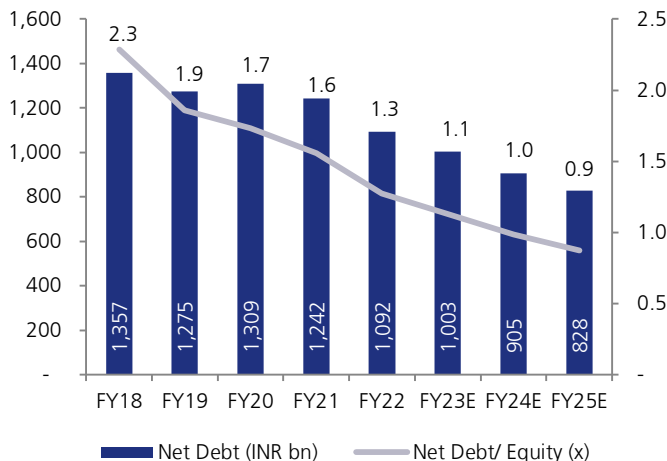
Source: Company, JM Financial

Exhibit 65. Return Ratios



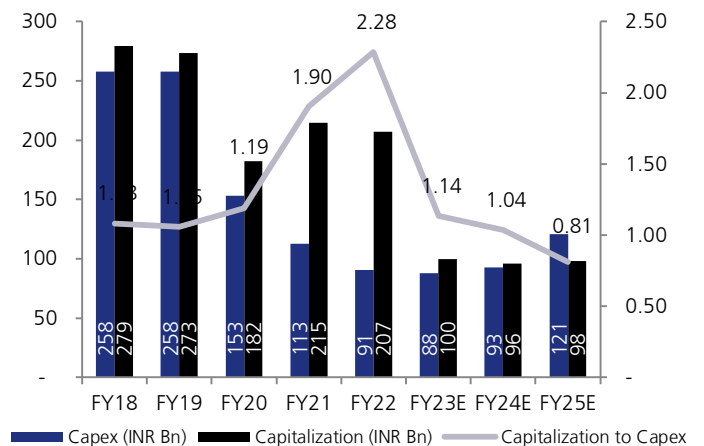
Source: Company, JM Financial

Exhibit 66. Net Debt to Equity



Source: Company, JM Financial

Exhibit 67. Capex to Capitalisation



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	396,398	416,163	431,062	444,042	458,214	
Sales Growth	5.0%	5.0%	3.6%	3.0%	3.2%	
Other Operating Income	0	0	0	0	0	
Total Revenue	396,398	416,163	431,062	444,042	458,214	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	21,148	22,439	23,809	25,263	26,805	
Other Expenses	21,702	33,353	34,634	35,865	37,122	
EBITDA	353,548	360,372	372,618	382,914	394,286	
EBITDA Margin	89.2%	86.6%	86.4%	86.2%	86.0%	
EBITDA Growth	2.1%	1.9%	3.4%	2.8%	3.0%	
Depn. & Amort.	120,392	128,717	138,686	143,616	148,649	
EBIT	233,156	231,655	233,932	239,298	245,637	
Other Income	11,837	10,816	30,000	30,000	30,000	
Finance Cost	81,347	80,362	74,764	73,661	73,318	
PBT before Excep. & Forex	163,647	162,108	189,168	195,637	202,318	
Excep. & Forex Inc./Loss(-)	2,147	785	0	0	0	
PBT	165,794	162,893	189,168	195,637	202,318	
Taxes	34,643	27,856	37,834	39,127	40,464	
Extraordinary Inc./Loss(-)	-10,786	33,203	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	120,365	168,241	151,334	156,510	161,855	
Adjusted Net Profit	115,892	130,646	151,334	156,510	161,855	
Net Margin	29.2%	31.4%	35.1%	35.2%	35.3%	
Diluted Share Cap. (mn)	5,231.6	6,975.5	6,975.5	6,975.5	6,975.5	
Diluted EPS (INR)	22.2	18.7	21.7	22.4	23.2	
Diluted EPS Growth	6.4%	-15.5%	15.8%	3.4%	3.4%	
Total Dividend + Tax	68,220	108,120	104,168	107,730	111,409	
Dividend Per Share (INR)	13.0	15.5	14.9	15.4	16.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	151,390	201,394	189,168	195,637	202,318	
Depn. & Amort.	120,392	128,717	138,686	143,616	148,649	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCcap.	-23,297	-63,509	11,248	16,919	17,279	
Others	67,407	31,828	0	0	0	
Taxes Paid	-21,865	-37,194	-37,834	-39,127	-40,464	
Operating Cash Flow	294,027	261,235	301,268	317,045	327,783	
Capex	-96,084	-78,189	-90,865	-92,792	-120,964	
Free Cash Flow	197,943	183,047	210,403	224,253	206,819	
Inc (-) / Dec in Investments	-2,936	94,828	-17,801	0	0	
Others	8,385	8,608	0	0	0	
Investing Cash Flow	-90,635	25,247	-108,666	-92,792	-120,964	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-68,220	-108,120	-121,876	-126,044	-130,349	
Inc / Dec (-) in Loans	-45,790	-93,261	-18,400	-15,046	4,675	
Others	-93,005	-88,207	0	0	0	
Financing Cash Flow	-207,016	-289,588	-140,276	-141,090	-125,674	
Inc / Dec (-) in Cash	-3,624	-3,106	52,326	83,163	81,145	
Opening Cash Balance	48,496	53,587	50,482	120,609	203,772	
Closing Cash Balance	44,872	50,482	102,808	203,772	284,917	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	796,901	857,617	887,075	917,540	949,046	
Share Capital	52,316	69,755	69,755	69,755	69,755	
Reserves & Surplus	744,586	787,862	817,320	847,786	879,292	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	1,295,219	1,141,994	1,123,594	1,108,548	1,113,223	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
Total - Equity & Liab.	2,092,120	1,999,611	2,010,669	2,026,089	2,062,270	
Net Fixed Assets	2,084,057	2,028,483	1,980,661	1,929,838	1,902,152	
Gross Fixed Assets	2,414,030	2,602,595	2,702,595	2,798,653	2,896,742	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	576,771	702,111	840,797	984,413	1,133,062	
Capital WIP	246,798	127,999	118,864	115,598	138,473	
Investments	13,469	133,564	133,564	133,564	133,564	
Current Assets	459,963	347,388	429,125	518,435	606,291	
Inventories	13,669	13,572	16,534	17,032	17,575	
Sundry Debtors	36,755	94,751	100,384	103,407	106,707	
Cash & Bank Balances	53,587	50,482	120,609	203,772	284,917	
Loans & Advances	4,496	5,050	5,050	5,050	5,050	
Other Current Assets	351,455	183,533	186,547	189,174	192,041	
Current Liab. & Prov.	465,369	509,824	532,681	555,747	579,738	
Current Liabilities	452,298	492,981	514,810	536,785	559,618	
Provisions & Others	13,071	16,843	17,871	18,962	20,120	
Net Current Assets	-5,406	-162,436	-103,557	-37,313	26,553	
Total - Assets	2,092,120	1,999,611	2,010,669	2,026,089	2,062,270	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	29.2%	31.4%	35.1%	35.2%	35.3%	
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2	
Leverage Factor (x)	3.3	3.1	2.9	2.8	2.8	
RoE	14.9%	15.8%	17.3%	17.3%	17.3%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	133.7	109.3	113.5	117.9	122.4	
ROIC	9.0%	10.0%	10.5%	11.1%	11.8%	
ROE	14.9%	15.8%	17.3%	17.3%	17.3%	
Net Debt/Equity (x)	1.6	1.3	1.1	1.0	0.9	
P/E (x)	9.8	11.5	10.0	9.6	9.3	
P/B (x)	1.6	2.0	1.9	1.8	1.8	
EV/EBITDA (x)	7.8	7.2	6.7	6.3	5.9	
EV/Sales (x)	6.9	6.2	5.8	5.4	5.1	
Debtor days	34	83	85	85	85	
Inventory days	13	12	14	14	14	
Creditor days	3,853	3,225	3,215	3,205	3,195	

Source: Company, JM Financial

Trading at Attractive Valuation

CESC Limited (CESC) is a fully integrated power utility with operations spanning the entire value chain: from coal mining to generation and distribution of power. CESC earned c.81% of its FY22 profits from steady and low-risk regulated businesses in Kolkata and Haldia. However, part of the FY22 regulated profits was offset by losses in the Rajasthan distribution franchises (high T&D losses in Kota). After the recent tie-up of 210MW from Dhariwal's 600MW Chandrapur TPP under a 3-year PPA with the Railways, effective from 1 Apr'22, CESC has LT PPAs for 95% of its 2.3GW generation capacity. We find CESC attractively priced at 0.8x FY25E P/B with potentially steady earnings growth on i) moderating losses at franchises; ii) recent PPA tie-up at Dhariwal; and iii) steady growth in regulated profitability with limited earnings risk (c.81% of FY22 PAT). We expect CESC to be a potential beneficiary of the impending distribution sector privatisation, going forward. We assume coverage with a BUY rating and a FY25 TP of INR 100 (implying 27% upside).

- Regulatory business model generating stable cash flows:** CESC's power distribution business in Kolkata works on a cost-plus tariff basis leading to stable cash flow over the long term. CESC is eligible to get a return of 15.5% from its generation and 16.5% from its distribution assets on the regulated equity deployed. Continual upgrades in distribution infrastructure to maintain and enhance the quality and reliability of supply has resulted in a gradual reduction in CESC's T&D losses (from 12% in FY12 to 8% in FY22), which is among the lowest in the country. This is significantly lower than its normative T&D losses of 14.3%. Also, other generation plant operational parameters such as station heat rate, auxiliary consumption, oil consumption and plant availability at its Budge Budge and Haldia plants remain superior vs. the normative targets, resulting in higher efficiency and incentive income. The financial performance of its key subsidiary - Dhariwal Infrastructure Limited (DIL) - has improved over the past couple of years, which has reduced the requirement of incremental funding support from CESC and other group companies. Additionally, there is a significant reduction in offtake risk for DIL, as it has recently tied up a 3-year medium-term PPA for 210MW (gross capacity: 230MW) out of the 300MW capacity under Unit-II, which was previously operating entirely based on a short-term arrangement.
- Turnaround in distribution franchisee to improve profitability:** CESC has been able to bring down overall T&D losses at the Rajasthan distribution franchise from 32% in FY17 to 17% in FY22 by bringing improvement in metering, billing and collection while improving quality and reliability of service for enhancing customer satisfaction. The company has made a conscious decision to avoid large capital allocation for renewable capacity addition and instead wait for distribution opportunities. In FY19, CESC also won the distribution franchisee (DF) of Malegaon circle, close to Nashik in Maharashtra, which commenced operations in FY20. Recently, it emerged as the highest bidder for acquiring 100% stake in the power distribution company for Chandigarh. However, it is yet to receive an LoI and, hence, we have not included it in our valuation. On the profitability

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Recommendation and Price Target

Current Reco.	BUY
Current Price Target (12M)	100
Upside/(Downside)	26.6%

Key Data – CESC IN

Current Market Price	INR79
Market cap (bn)	INR104.5/US\$1.3
Free Float	48%
Shares in issue (mn)	1,332.2
Diluted share (mn)	1,332.2
3-mon avg daily val (mn)	INR161.9/US\$2.0
52-week range	95/68
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	4.6	4.1	-11.2
Relative*	3.4	-12.0	-17.2

* To the BSE Sensex

Financial Summary

Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	120,630	132,808	150,262	154,312	158,468
Sales Growth (%)	3.3	13.7	24.6	16.2	5.5
EBITDA	36,100	36,538	35,603	36,540	37,502
EBITDA Margin (%)	29.9	27.5	23.7	23.7	23.7
Adjusted Net Profit	13,310	13,581	12,278	12,813	13,373
Diluted EPS (INR)	10.0	10.2	9.2	9.6	10.0
Diluted EPS Growth (%)	2.2	4.3	-7.8	-5.6	8.9
ROIC (%)	10.1	9.4	9.6	9.5	9.6
ROE (%)	13.8	13.2	11.3	11.1	10.9
P/E (x)	7.9	7.7	8.6	8.2	7.9
P/B (x)	1.1	1.0	1.0	0.9	0.8
EV/EBITDA (x)	6.0	6.1	6.3	6.0	5.7
Dividend Yield (%)	5.6	5.7	5.7	5.7	5.7

Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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front, Bharatpur and Bikaner are generating profits whereas Kota and Malegaon continue to report losses. With consistent efforts to reduce T&D losses (target to reduce 1.5-2% per annum over the next 2-3 years) and a 6-7% increase in energy demand, we expect the Kota and Malegaon circle to turnaround over the next 2-3 years.

- **Privatisation of discoms:** CESC is expected to be a potential beneficiary of the impending privatisation of the discoms. Its experience of managing multiple distribution businesses along with healthy balance sheet put the company in an advantageous position for the upcoming opportunities.
- **Key monitorables:** i) T&D loss trajectory going forward; ii) Upcoming pipeline for privatisation of discoms; iii) Update on Regulatory tariff orders from WBERC for Haldia plant; and iv) Update on Chandigarh discom licence.
- **Key risks:** i) Delayed turnaround in distribution franchisee; ii) Reduction in regulatory return; iii) sub-optimal capital allocation; and iv) Unsuccessful in winning bids for privatisation of discoms.
- **We assume coverage with a BUY rating and a FY25 TP of INR 100:** CESC is a play on investment and turnaround of the power distribution business. Going forward, the earnings are expected to gradually improve with consistent strong performance at DIL's plant and potential turnaround of Rajasthan and Malegaon DF in FY24/25E, while standalone business is largely stable given regulated RoE model. Valuations are attractive at 0.8x its FY25E P/BV and the stock offers a healthy dividend yield of c.6%. Hence, we assign a Buy rating on CESC with an SoTP-based TP of INR 100.





Exhibit 68. SOTP Table

Particulars	Stake (%)	Value (INR mn)	Comments	Multiple (x)	Total Value (INR mn)	Value per share (INR/Sh)
Kolkata operation						
a) Standalone business	100	49,007	Regulated Equity	1.7	83,143	62
b) Haldia	100	11,500	Regulated Equity	2.3	26,114	20
Dhariwal	100	10,221	NPV	1.0	10,221	8
Crescent Power	67.8	3,514	P/BV	1.0	2,383	2
Distribution Licensee (Noida)	72.7	6,543	Regulated Equity	1.7	8,074	6
Distribution Franchisee (Kota, Bikaner, Bharatpur, Malegaon)	100.0		NPV		3,097	2
Total		83,882	Implied multiple	1.6	133,033	100

Source: Company, JM Financial

- Business overview:** CESC commenced operations in 1899 and is a fully integrated electrical utility company involved in the generation and distribution of electricity. It is the sole distributor (licence valid up to 2038) of electricity within an area of 567sqkm of Kolkata, Howrah and adjoining areas and serves 3.5mn consumers which include domestic, industrial, and commercial users. It also owns and operates two thermal power plants, Budge Budge Generating Station (750MW) and Southern Generating Station (135MW) in the licensed area generating 885 MW of power. CESC has two wholly-owned subsidiaries, Haldia Energy Limited and Dhariwal Infrastructure Limited, each operating 2x300MW coal-based thermal power plants. The company has 18MW solar power plants and a 40MW coal washery rejects-based thermal power plant under its subsidiary, Crescent Power Limited. Through its subsidiary Noida Power Company Ltd, the company distributes power in Greater Noida, UP, with a licence area of 335 sq. km. It also operates three DFs in Rajasthan: Kota, Bharatpur and Bikaner. Besides the licensee power distribution business, CESC is gradually increasing its footprint in the power distribution franchise businesses. The company also won the DF of Malegaon circle, close to Nashik in Maharashtra, which commenced operations in FY20. CESC has stable earnings contributions from standalone operations with regulated power generation and distribution businesses getting assured RoE of 15.5% on generation assets and 16.5% on distribution assets.

Exhibit 69. Pan-India Distribution Footprint

	Kolkata	Noida	Rajasthan (KOTA, Bharatpur, Bikaner)	Malegaon	Chandigarh*	Total#
 Contract	Licensee Model	Licensee Model	Input based franchisee	Input based franchisee	Licensee Model	
 Area	567 sq. km	335 sq. km	381 sq. km	57 sq. km	114 sq. km	1340 sq. km
 Consumer Base	34 lakhs	1 lakhs	5 lakhs	1.1 lakhs	2.3 lakhs	41.1 lakhs
 Peak Load	~2300 MW	~450 MW	500+ MW	~200 MW	~370 MW	~3450 MW

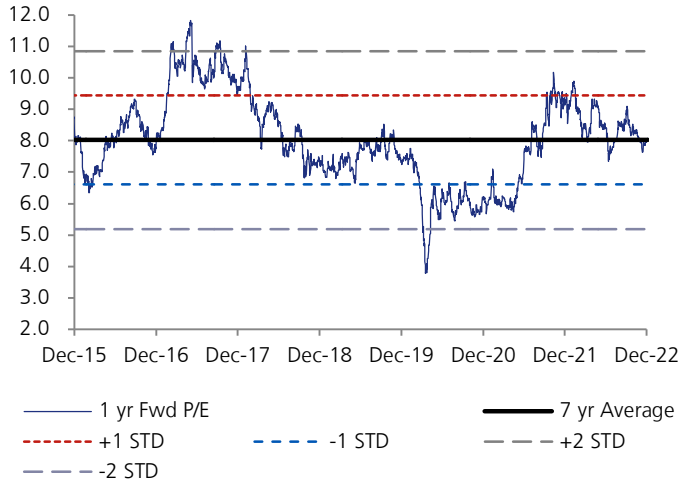
Presently serving more than 4 million Customers while handling around 3.4 GW power spanning across 1340 Sq. KM area.

*Emerged highest bidder to acquire 100% stake in Chandigarh Discom, acquisition not done yet.
excl. Chandigarh

Source: Company, JM Financial

Valuation Bands:

Exhibit 70. 1 Year Forward P/E



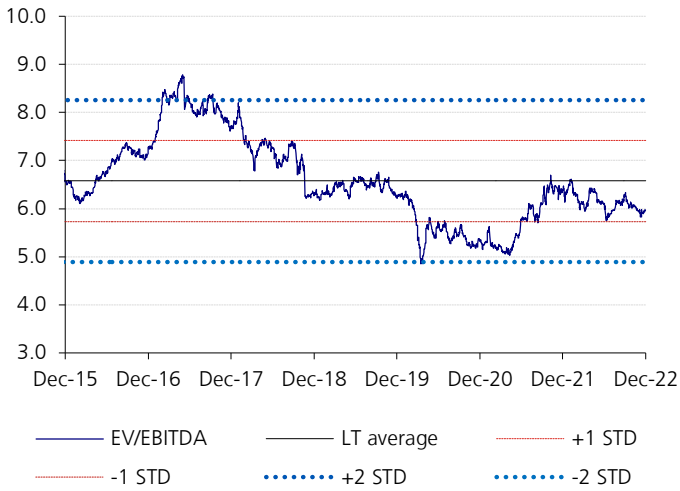
Source: Company, JM Financial

Exhibit 71. P/B



Source: Company, JM Financial

Exhibit 72. EV/EBITDA

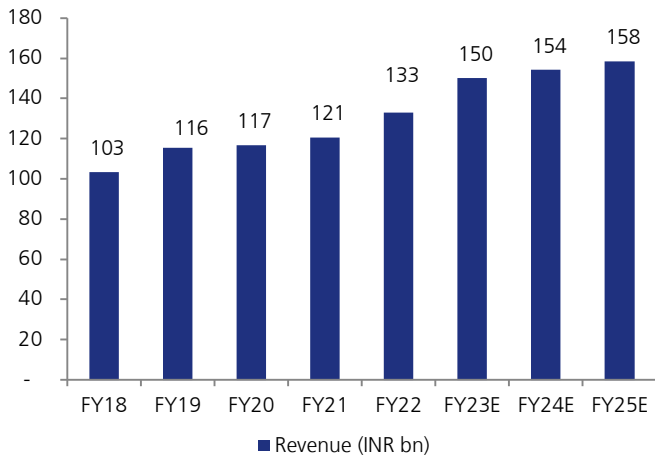


Source: Company, JM Financial

Key Charts

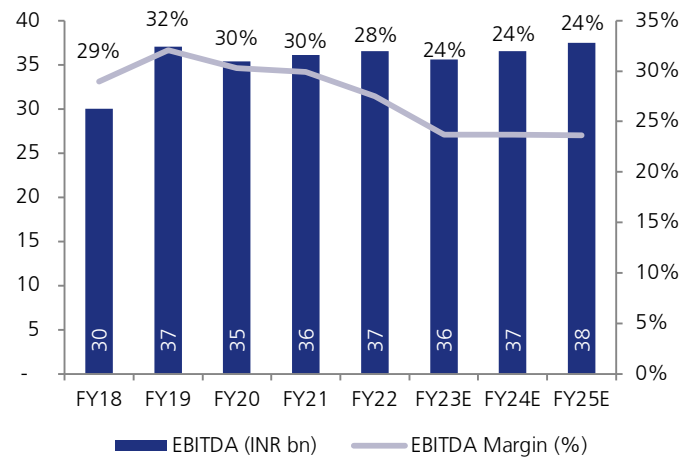
Financials

Exhibit 73. Revenue



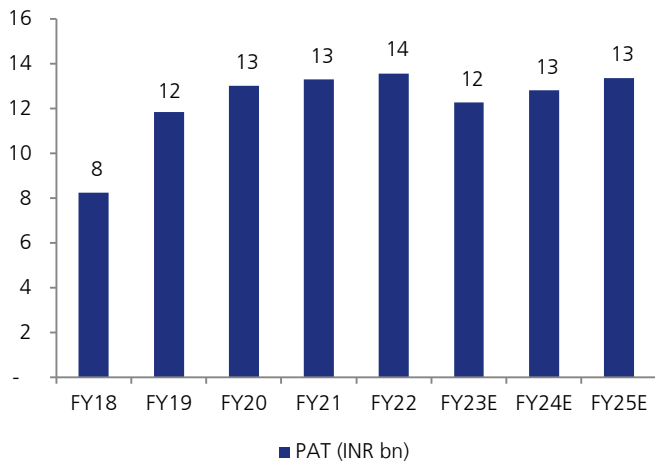
Source: Company, JM Financial

Exhibit 74. EBITDA & EBITDA Margin



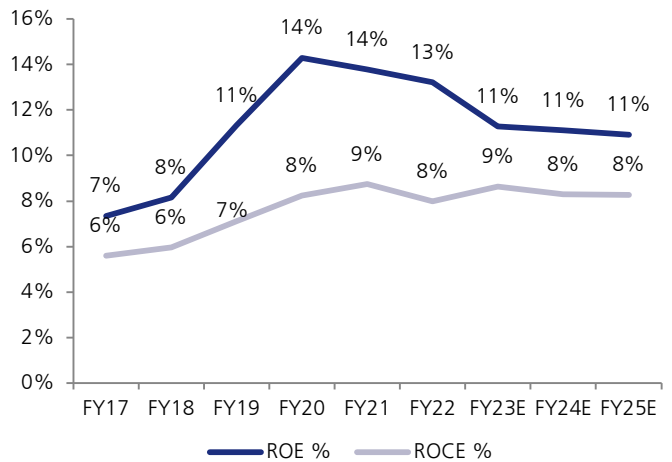
Source: Company, JM Financial

Exhibit 75. PAT



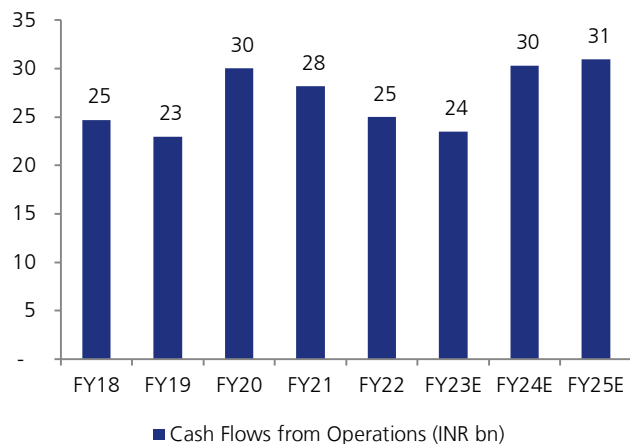
Source: Company, JM Financial

Exhibit 76. Return Ratios



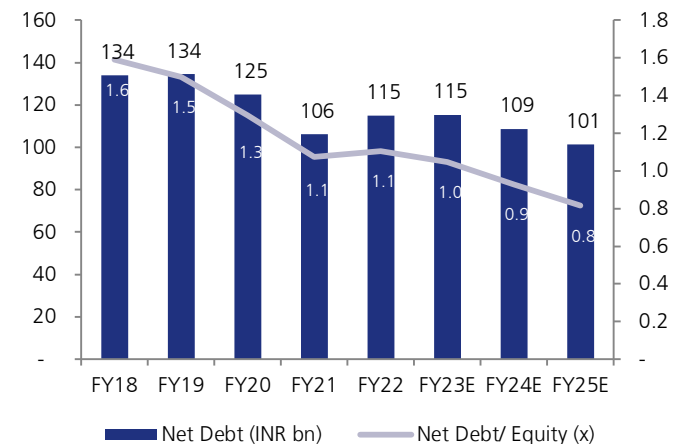
Source: Company, JM Financial

Exhibit 77. Cash Flows from Operations



Source: Company, JM Financial

Exhibit 78. Net Debt to Equity



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	120,630	132,808	150,262	154,312	158,468	
Sales Growth	3.3%	13.7%	24.6%	16.2%	5.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	120,630	132,808	150,262	154,312	158,468	
Cost of Goods Sold/Op. Exp	59,250	68,100	82,973	85,463	88,027	
Personnel Cost	10,740	10,809	12,660	12,934	13,211	
Other Expenses	14,540	17,362	19,026	19,375	19,728	
EBITDA	36,100	36,538	35,603	36,540	37,502	
EBITDA Margin	29.9%	27.5%	23.7%	23.7%	23.7%	
EBITDA Growth	2.1%	3.3%	-1.4%	0.0%	5.3%	
Deprn. & Amort.	8,670	8,847	9,111	9,331	9,546	
EBIT	27,430	27,691	26,492	27,209	27,956	
Other Income	2,350	2,757	3,043	3,043	3,043	
Finance Cost	12,260	11,293	13,265	13,265	13,265	
PBT before Excep. & Forex	17,520	19,155	16,270	16,987	17,733	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	17,520	19,155	16,270	16,987	17,733	
Taxes	3,890	5,114	3,612	3,772	3,937	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	320	460	380	402	423	
Reported Net Profit	13,310	13,581	12,278	12,813	13,373	
Adjusted Net Profit	13,310	13,581	12,278	12,813	13,373	
Net Margin	11.0%	10.2%	8.2%	8.3%	8.4%	
Diluted Share Cap. (mn)	1,332.2	1,332.2	1,332.2	1,332.2	1,332.2	
Diluted EPS (INR)	10.0	10.2	9.2	9.6	10.0	
Diluted EPS Growth	2.2%	4.3%	-7.8%	-5.6%	8.9%	
Total Dividend + Tax	5,940	6,026	6,026	6,026	6,026	
Dividend Per Share (INR)	4.5	4.5	4.5	4.5	4.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	17,520	19,155	16,270	16,987	17,733	
Deprn. & Amort.	8,670	8,847	9,111	9,331	9,546	
Net Interest Exp. / Inc. (-)	11,700	10,563	10,222	10,222	10,222	
Inc (-) / Dec in WCcap.	-6,240	-9,407	-8,486	-2,484	-2,605	
Others	-270	-250	0	0	0	
Taxes Paid	-3,200	-3,917	-3,612	-3,772	-3,937	
Operating Cash Flow	28,180	24,991	23,505	30,284	30,960	
Capex	-6,750	-7,703	-7,605	-7,450	-7,300	
Free Cash Flow	21,430	17,288	15,900	22,834	23,660	
Inc (-) / Dec in Investments	-5,880	-1,302	0	0	0	
Others	-2,270	3,254	3,043	3,043	3,043	
Investing Cash Flow	-14,900	-5,750	-4,562	-4,407	-4,257	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-5,940	-6,026	-6,026	-6,026	-6,026	
Inc / Dec (-) in Loans	9,170	4,466	0	0	0	
Others	-15,840	-3,766	-13,265	-13,265	-13,265	
Financing Cash Flow	-12,610	-5,326	-19,291	-19,291	-19,291	
Inc / Dec (-) in Cash	670	13,915	-348	6,586	7,411	
Opening Cash Balance	17,910	18,580	32,495	32,146	38,732	
Closing Cash Balance	18,580	32,495	32,146	38,732	46,143	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	98,732	103,964	110,216	117,003	124,349	
Share Capital	1,332	1,332	1,332	1,332	1,332	
Reserves & Surplus	97,400	102,632	108,883	115,671	123,017	
Preference Share Capital	0	0	0	0	0	
Minority Interest	3,970	4,342	4,721	5,123	5,546	
Total Loans	124,650	147,389	147,389	147,389	147,389	
Def. Tax Liab. / Assets (-)	41,590	42,875	42,875	42,875	42,875	
Total - Equity & Liab.	268,942	298,570	305,201	312,390	320,160	
Net Fixed Assets	241,050	231,212	229,706	227,825	225,579	
Gross Fixed Assets	298,842	301,596	309,201	316,651	323,951	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	59,132	71,408	80,520	89,850	99,396	
Capital WIP	1,340	1,025	1,025	1,025	1,025	
Investments	3,090	5,225	5,225	5,225	5,225	
Current Assets	114,480	118,154	130,573	140,360	151,114	
Inventories	5,970	6,594	14,550	14,942	15,345	
Sundry Debtors	23,150	20,955	25,767	28,576	31,516	
Cash & Bank Balances	18,580	32,495	32,146	38,732	46,143	
Loans & Advances	780	223	223	223	223	
Other Current Assets	66,000	57,887	57,887	57,887	57,887	
Current Liab. & Prov.	89,678	56,021	60,303	61,020	61,758	
Current Liabilities	31,920	41,073	45,355	46,072	46,810	
Provisions & Others	57,758	14,948	14,948	14,948	14,948	
Net Current Assets	24,802	62,133	70,270	79,340	89,355	
Total - Assets	268,942	298,570	305,201	312,390	320,160	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	11.0%	10.2%	8.2%	8.3%	8.4%	
Asset Turnover (x)	0.5	0.5	0.6	0.5	0.5	
Leverage Factor (x)	2.7	2.8	2.6	2.6	2.5	
RoE	13.7%	13.6%	11.8%	11.6%	11.4%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	74.1	78.0	82.7	87.8	93.3	
ROIC	10.1%	9.4%	9.6%	9.5%	9.6%	
ROE	13.8%	13.2%	11.3%	11.1%	10.9%	
Net Debt/Equity (x)	1.1	1.1	1.0	0.9	0.8	
P/E (x)	7.9	7.7	8.6	8.2	7.9	
P/B (x)	1.1	1.0	1.0	0.9	0.8	
EV/EBITDA (x)	6.0	6.1	6.3	6.0	5.7	
EV/Sales (x)	1.8	1.7	1.5	1.4	1.3	
Debtor days	70	58	63	68	73	
Inventory days	18	18	35	35	35	
Creditor days	43	74	76	76	76	

Source: Company, JM Financial

Coal India | HOLD

E-auction premiums to normalise

Coal remains the primary engine of growth for the energy sector in India. Holding a share of around 55% of the country's primary commercial energy, coal remains the bedrock of India's energy needs. During FY22, more than 70% of the power generated (1,490BU) was contributed by coal-based thermal power plants, which will be on a downward trajectory in the coming years due to the increasing share of renewables in the power generation. To meet the development needs of the country, the demand for coal is expected to consistently increase in the next decade - a growth driver for Coal India Ltd (CIL), which contributes around 80% to the nation's entire coal output. Elevated e-auction prices and increasing dispatches due to import substitution and improving power have allowed CIL to report strong dispatch growth over the last year. However, going forward, we expect e-auction premiums to gradually cool off with easing of power demand and moderation in international coal prices. We assume coverage on Coal India Ltd with a HOLD rating and a FY25 TP of INR 240 (implying 4% upside).

- **On course to achieve the production target of 700MT in FY23:** CIL is confident of achieving its production target of 700MT for FY23. In H1FY23, it has already achieved production / offtake of 299MT / 332MT (up 19.7% / 7.8% YoY). The company also expects to clock higher volumes during Q3FY23 compared to the original plan, which if achieved, will require much lower run-rate in Q4FY23 to achieve the FY23 production target. For FY24, we expect the company to reach 730MT levels against the mandate of 840MT given by the Ministry of Coal.
- **E-auction premiums to normalise:** The e-auction premiums have shot up almost 4x since the introduction of unified e-auction, which has further benefited from high international coal prices and increased demand for power. While near term e-auction prices look strong, we expect the same to soften going into FY24, which will likely put a cap on incremental benefits.
- **Pending wage hike negotiations:** Negotiations are going on between the management and the employees union for the wage revision that is due with effect from Jul'21. The company had provided INR c. 9bn in FY22, which has presently increased to a monthly provision of INR 1.5bn for the impact of on-going wage negotiations. We believe the impact of this wage hike on the financials for CIL will be partially cushioned by employee retirements (net retirements to range between 12,000-13,000 employees p.a.) and impending FSA hike. We look out for more clarity on any change in provision or progress in negotiations; this will be a key monitorable.
- **Enhancement of coal evacuation infrastructure:** Coal India has taken major initiatives to build matching logistics infrastructure to ensure evacuation of planned quantity of production. Under CIL's flagship 'First Mile Connectivity Projects', 44 Projects have been identified for implementation in two phases with target completion of FY24 (Phase-I) and FY25 (Phase-II), which will upgrade the mechanisation of coal loading and transportation



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Recommendation and Price Target

Current Reco.	HOLD
Current Price Target (12M)	240
Upside/(Downside)	3.8%

Key Data – COAL IN

Current Market Price	INR232
Market cap (bn)	INR1,427.0/US\$17.2
Free Float	23%
Shares in issue (mn)	6,162.7
Diluted share (mn)	6,162.7
3-mon avg daily val (mn)	INR2,427.0/US\$29.3
52-week range	263/139
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	-8.6	21.2	55.4
Relative*	-9.6	2.4	44.8

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	900,260	1,097,135	1,319,426	1,295,745	1,315,079
Sales Growth (%)	-6.3	21.9	20.3	-1.8	1.5
EBITDA	196,527	248,748	377,385	305,211	282,603
EBITDA Margin (%)	21.8	22.7	28.6	23.6	21.5
Adjusted Net Profit	137,254	175,628	281,371	217,818	192,061
Diluted EPS (INR)	22.3	28.5	45.7	35.3	31.2
Diluted EPS Growth (%)	-9.1	28.0	60.2	-22.6	-11.8
ROIC (%)	91.1	102.9	147.9	62.7	41.9
ROE (%)	40.0	44.1	53.5	31.9	24.1
P/E (x)	10.4	8.1	5.1	6.6	7.4
P/B (x)	3.9	3.3	2.3	1.9	1.7
EV/EBITDA (x)	6.5	4.3	2.8	3.3	3.5
Dividend Yield (%)	6.9	7.3	6.5	6.5	6.5

Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

system. It is expected that mechanised evacuation will increase from 151MTPA currently to 622.5MTPA. CIL has earmarked evacuation infrastructure projects in both the greenfield and brownfield areas under its command areas in the three subsidiaries to have a seamless coal evacuation system. Rail infrastructure is being built both on deposit basis as well as by forming SPVs with Rail PSUs and the concerned state government. CIL has identified seven Railway Projects for evacuation of coal, out of which three are funded by CIL on deposit basis and the remaining are being executed through JVs/SPVs with a track length of about 620km at an estimated capital expenditure of about INR 200bn.

- **Key monitorables:** 1) e-auction volumes & prices; 2) International coal prices; 3) Power demand; 4) Outcome of wage revision negotiations; and 5) Revision in FSA prices

- **Key Risks:**

Downside risks: 1) Moderation in power demand; 2) weakness in international coal prices; 3) Lower-than-expected e-auction realisation; 4) any significant increase in non-core investments; 5) Higher-than-expected wage revision; and 6) Delay in increasing FSA prices.

Upside risks: 1) Strong power demand leading to increasing volumes; 2) Higher international coal prices indirectly leading to increase in premium of e-auction prices; 3) Upward revision in FSA prices.

- **We assume coverage with a HOLD rating and a TP of INR 240:** Improving demand for power and the substitution of imported coal (owing to elevated prices) have allowed Coal India to report strong dispatch growth. Prices of imported coal have seen a moderation in recent months, while provision for wage costs (due to revision due from July 2021) and higher capex costs will contain cash generation. We value CIL on SOTP basis and arrive at a TP of INR 240.

Exhibit 79. DCF Valuation

Particulars	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY40
FCFE	90,920	124,476	135,227	114,957	120,130	125,536	130,557	135,779	139,853	105,113
Disc Factor		1.00	0.89	0.80	0.71	0.63	0.56	0.50	0.45	0.14
PV of FCFE		124,476	120,599	91,430	85,209	79,411	73,653	68,313	62,751	15,010

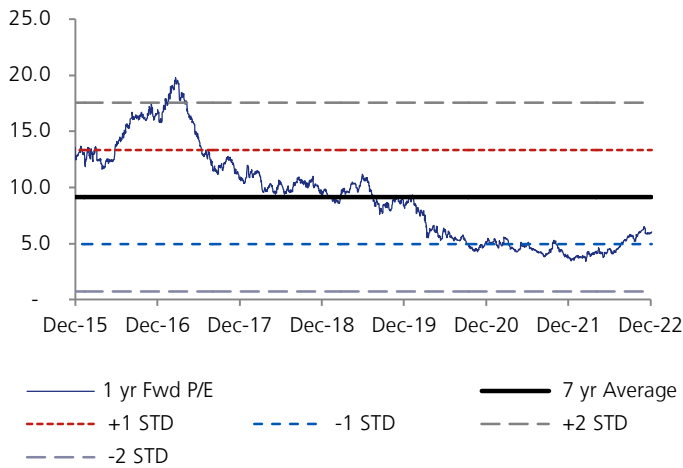
Particulars	INR mn	Assumptions	
PV of Cash Flows (FY23-40)	1,033,026	Terminal Growth Rate %	0%
PV of Terminal Cash Flow	123,744	WACC %	12%
Net Cash	323,830		
Total Value of Equity	1,480,599		
No of Shares	6,163		
Value per Share	240		

Source: Company, JM Financial

- Business overview:** Coal India Limited (CIL) was launched in Nov'75 with the government taking over private coal mines. With a modest production of 79 million tonnes (MT) in year of inception, CIL today is the largest coal producer in the world. The company produces around 80% of India's overall coal production operating through 84 mining areas, spread over eight states of India. Coal India Limited has 318 mines (as on 1 Apr'22) of which 141 are underground, 158 opencast and 19 mixed mines. CIL was granted the Maharatna recognition by the Government of India in Apr'11 giving more financial and operational autonomy. Almost 80% of the company's production is supplied to the power sector and the remaining goes to other sectors including steel, cement, fertilisers, etc.

Valuation Bands:

Exhibit 80. 1 Year Forward P/E



Source: Bloomberg, JM Financial

Exhibit 81. P/B



Source: Bloomberg, JM Financial

Exhibit 82. EV/EBITDA

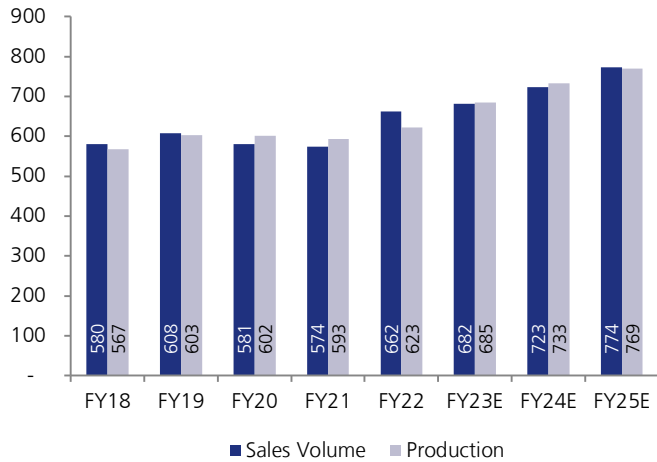


Source: Company, JM Financial

Key Charts

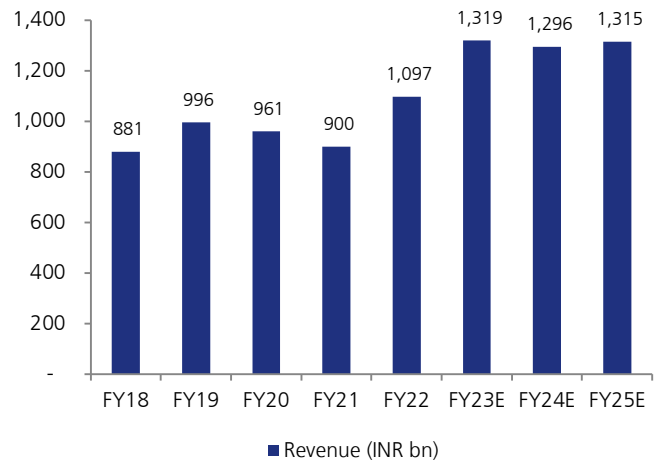
Financials

Exhibit 83. Sales & Production



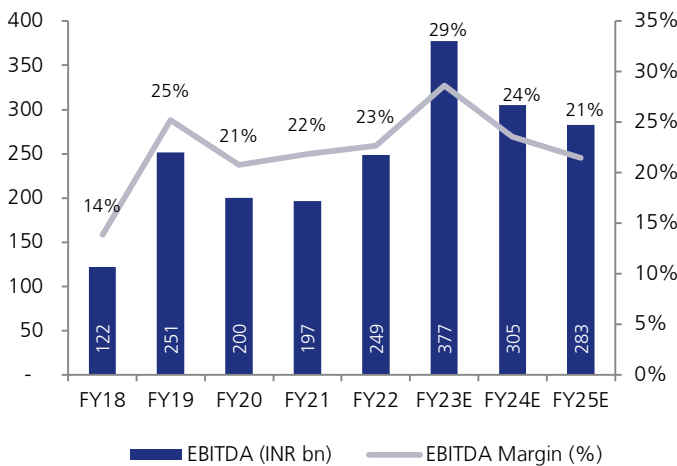
Source: Company, JM Financial

Exhibit 84. Revenue



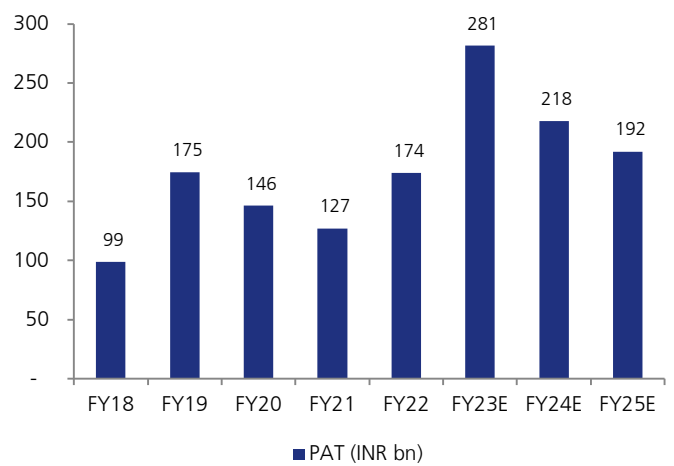
Source: Company, JM Financial

Exhibit 85. EBITDA & EBITDA Margin



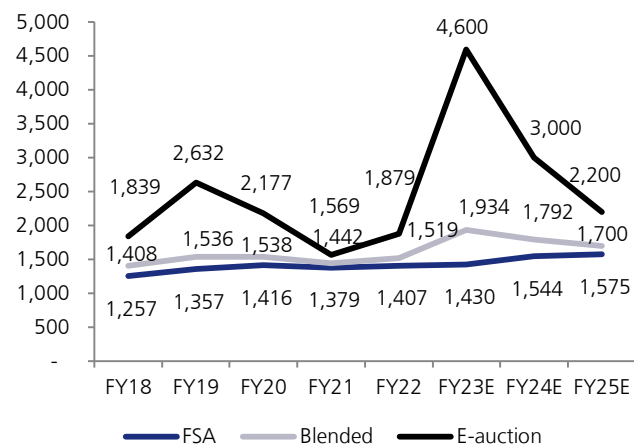
Source: Company, JM Financial

Exhibit 86. PAT



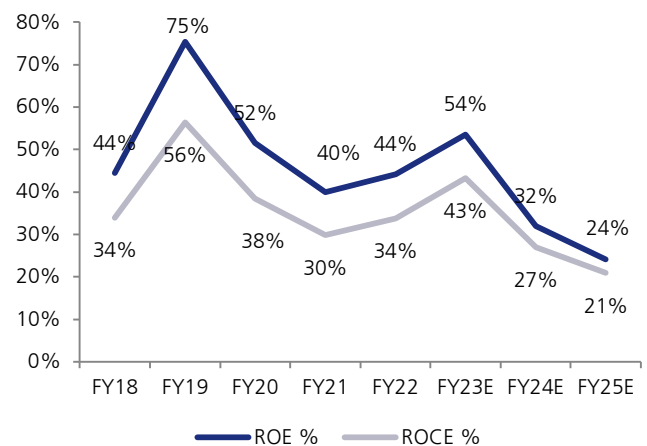
Source: Company, JM Financial

Exhibit 87. Average Realisation (INR/ton)



Source: Company, JM Financial

Exhibit 88. Return Ratios



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	900,260	1,097,135	1,319,426	1,295,745	1,315,079	
Sales Growth	-6.3%	21.9%	20.3%	-1.8%	1.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	900,260	1,097,135	1,319,426	1,295,745	1,315,079	
Cost of Goods Sold/Op. Exp	255,406	371,204	406,715	439,863	462,593	
Personnel Cost	385,924	407,008	451,283	469,175	486,632	
Other Expenses	62,403	70,174	84,044	81,496	83,251	
EBITDA	196,527	248,748	377,385	305,211	282,603	
EBITDA Margin	21.8%	22.7%	28.6%	23.6%	21.5%	
EBITDA Growth	-1.7%	26.6%	51.7%	-19.1%	-7.4%	
Deprn. & Amort.	37,179	44,287	49,104	59,814	70,014	
EBIT	159,348	204,462	328,280	245,396	212,589	
Other Income	37,428	39,045	58,658	55,777	54,183	
Finance Cost	6,422	5,415	4,572	5,172	5,772	
PBT before Excep. & Forex	190,354	238,092	382,367	296,002	261,000	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	190,354	238,092	382,367	296,002	261,000	
Taxes	53,071	62,379	100,996	78,184	68,939	
Extraordinary Inc./Loss(-)	-10,232	-1,843	0	0	0	
Assoc. Profit/Min. Int.(-)	-30	-86	0	0	0	
Reported Net Profit	127,022	173,784	281,371	217,818	192,061	
Adjusted Net Profit	137,254	175,628	281,371	217,818	192,061	
Net Margin	15.2%	16.0%	21.3%	16.8%	14.6%	
Diluted Share Cap. (mn)	6,162.7	6,162.7	6,162.7	6,162.7	6,162.7	
Diluted EPS (INR)	22.3	28.5	45.7	35.3	31.2	
Diluted EPS Growth	-9.1%	28.0%	60.2%	-22.6%	-11.8%	
Total Dividend + Tax	98,604	104,766	92,441	92,441	92,441	
Dividend Per Share (INR)	16.0	17.0	15.0	15.0	15.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	190,543	238,092	382,367	296,002	261,000	
Deprn. & Amort.	38,688	63,073	49,104	59,814	70,014	
Net Interest Exp. / Inc. (-)	0	0	4,572	5,172	5,772	
Inc (-) / Dec in WCcap.	-56,557	174,479	-46,079	2,595	-2,119	
Others	-10,451	-1,929	-58,658	-55,777	-54,183	
Taxes Paid	-56,630	-62,840	-100,996	-78,184	-68,939	
Operating Cash Flow	105,593	410,875	230,310	229,622	211,545	
Capex	-108,525	-275,984	-165,000	-150,000	-150,000	
Free Cash Flow	-2,932	134,891	65,310	79,622	61,545	
Inc (-) / Dec in Investments	0	0	0	0	0	
Others	111,914	11,174	58,658	55,777	54,183	
Investing Cash Flow	3,389	-264,810	-106,342	-94,223	-95,817	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-77,064	-107,834	-92,441	-92,441	-92,441	
Inc / Dec (-) in Loans	-5,508	-25,732	5,080	5,000	5,000	
Others	-184,886	153,303	-4,572	-5,172	-5,772	
Financing Cash Flow	-267,458	19,738	-91,933	-92,613	-93,213	
Inc / Dec (-) in Cash	-158,476	165,802	32,035	42,787	22,516	
Opening Cash Balance	284,468	125,992	291,794	323,830	366,616	
Closing Cash Balance	125,992	291,794	323,830	366,616	389,132	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	365,174	431,430	620,360	745,737	845,358	
Share Capital	61,627	61,627	61,627	61,627	61,627	
Reserves & Surplus	303,546	369,803	558,733	684,110	783,730	
Preference Share Capital	0	0	0	0	0	
Minority Interest	4,411	6,738	6,738	6,738	6,738	
Total Loans	26,881	33,018	38,098	43,098	48,098	
Def. Tax Liab. / Assets (-)	-33,374	-33,271	-33,271	-33,271	-33,271	
Total - Equity & Liab.	363,092	437,915	631,925	762,302	866,922	
Net Fixed Assets	528,951	595,741	711,637	801,822	881,808	
Gross Fixed Assets	553,611	639,623	804,623	954,623	1,104,623	
Intangible Assets	1,319	2,890	2,890	2,890	2,890	
Less: Deprn. & Amort.	176,075	212,645	261,749	321,563	391,578	
Capital WIP	150,095	165,873	165,873	165,873	165,873	
Investments	59,502	97,064	97,064	97,064	97,064	
Current Assets	988,682	1,068,248	1,161,660	1,200,035	1,226,153	
Inventories	89,475	70,757	104,831	102,950	104,486	
Sundry Debtors	196,231	113,677	140,980	138,449	140,515	
Cash & Bank Balances	125,992	291,795	323,830	366,616	389,132	
Loans & Advances	6,908	3,536	3,536	3,536	3,536	
Other Current Assets	570,076	588,484	588,484	588,484	588,484	
Current Liab. & Prov.	1,214,043	1,323,137	1,338,435	1,336,619	1,338,102	
Current Liabilities	189,450	176,110	191,409	189,592	191,075	
Provisions & Others	1,024,593	1,147,027	1,147,027	1,147,027	1,147,027	
Net Current Assets	-225,361	-254,889	-176,775	-136,584	-111,949	
Total - Assets	363,092	437,915	631,925	762,302	866,922	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	15.2%	16.0%	21.3%	16.8%	14.6%	
Asset Turnover (x)	0.6	0.6	0.7	0.6	0.6	
Leverage Factor (x)	4.5	4.3	3.6	3.0	2.8	
RoE	40.0%	44.1%	53.5%	31.9%	24.1%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	59.3	70.0	100.7	121.0	137.2	
ROIC	91.1%	102.9%	147.9%	62.7%	41.9%	
ROE	40.0%	44.1%	53.5%	31.9%	24.1%	
Net Debt/Equity (x)	-0.4	-0.8	-0.6	-0.6	-0.5	
P/E (x)	10.4	8.1	5.1	6.6	7.4	
P/B (x)	3.9	3.3	2.3	1.9	1.7	
EV/EBITDA (x)	6.5	4.3	2.8	3.3	3.5	
EV/Sales (x)	1.4	1.0	0.8	0.8	0.8	
Debtor days	80	38	39	39	39	
Inventory days	36	24	29	29	29	
Creditor days	44	37	39	37	36	

Source: Company, JM Financial

Tata Power | HOLD

Well positioned but Mundra overhang continues

Tata Power (TPWR) is India's largest integrated private power utility with presence across the energy value chain. It has around 12GW installed capacity as on 30th Sep'22 (excluding 1,980MW of Prayagraj Power Generation Co Ltd), including its thermal and clean energy generation businesses, which includes around 3.8GW of renewable energy capacity through TPREL and WREL. Its presence across the value chain of the power sector - generation, transmission and distribution, power trading, as well as fuel supply - cushions it from project-specific issues and helps achieve operating efficiencies and better working capital management at the group level. The company is currently a market leader in the 3rd party utility-scale renewable EPC, rooftop solar, solarisation of irrigation pumps and electric vehicle charging infrastructure space in India. With stable cash flows from its regulated generation and distribution businesses, the company is focusing its resources on transition to cleaner fuels and aiming to be a market leader in all sub-segments. The positives from the growth in renewables and distribution are factored in the valuations whereas the overhang of long term PPA for Mundra plant continues. We thus assume coverage with a HOLD rating and an SOTP-based FY25 TP of INR 220 (implying 1% upside).

- Stable cash flows from regulated businesses:** TPWR's stable cash flows from the regulated business - power distribution (Mumbai, Delhi, Odisha), generation (1,050MW Maithon, 428MW Jojobera, 930MW Mumbai, 108MW Rithala, and 447MW Hydro) and transmission - allows the company to earn RoE. The contribution of cash flows from the regulated businesses could increase over the medium term, driven by the company's focus on turnaround of Odisha distribution sector and capex in regulated assets.
- Resolution of Mundra Plant PPA - a key trigger:** Post the power crisis in Q1FY23, Tata Power has been operating the Mundra power plant under Section-11 of Electricity Act 2003; Since May'22, assured price pass-through mechanism has been provided. Under the arrangement, the project is entitled to recover its entire cost on attaining normative parameters. The management remains hopeful that the current arrangement becomes the basis for a more sustainable mechanism for fuel cost recovery. This arrangement will not have any major long-term impact on PAT unless it signs any long-term supplementary PPA with beneficiary states - Gujarat, Maharashtra and Rajasthan discoms. CGPL made a cumulative loss (ex-impairment) of INR 100bn until FY21 on adverse coal and currency movements. CGPL has been merged with the parent company to efficiently manage resources, lower funding costs and save tax. This will provide a tax break of more than INR 100bn to Tata Power from FY21 with retrospect. This would be value accretive for Tata Power as its profitability improves on deleveraging and asset divestment gains. With improvement in plant utilisation levels and sale of power under Section 11, under-recoveries for Mundra are expected to reduce in FY23. However, progress on supplementary PPAs remains a key monitorable, going forward.



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Recommendation and Price Target

Current Reco.	HOLD
Current Price Target (12M)	220
Upside/(Downside)	0.7%

Key Data – TPWR IN

Current Market Price	INR219
Market cap (bn)	INR699.3/US\$8.4
Free Float	46%
Shares in issue (mn)	3,195.3
Diluted share (mn)	3,195.6
3-mon avg daily val (mn)	INR2,894.2/US\$35.0
52-week range	298/190
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	-4.7	-0.3	-5.0
Relative*	-5.9	-15.7	-11.4

* To the BSE Sensex

Financial Summary

Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	330,791	428,157	504,112	550,596	629,121
Sales Growth (%)	14.3	47.9	52.4	28.6	24.8
EBITDA	75,387	75,111	79,979	96,560	117,684
EBITDA Margin (%)	22.8	17.5	15.9	17.5	18.7
Adjusted Net Profit	14,046	25,697	49,387	44,695	45,501
Diluted EPS (INR)	4.4	8.0	15.5	14.0	14.2
Diluted EPS Growth (%)	-1.0	81.0	251.6	73.9	-7.9
ROIC (%)	7.3	7.2	7.1	7.1	7.4
ROE (%)	6.2	10.7	17.7	14.7	13.0
P/E (x)	49.8	27.2	14.2	15.7	15.4
P/B (x)	3.1	3.1	2.6	2.3	2.0
EV/EBITDA (x)	14.0	15.2	15.1	13.4	11.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

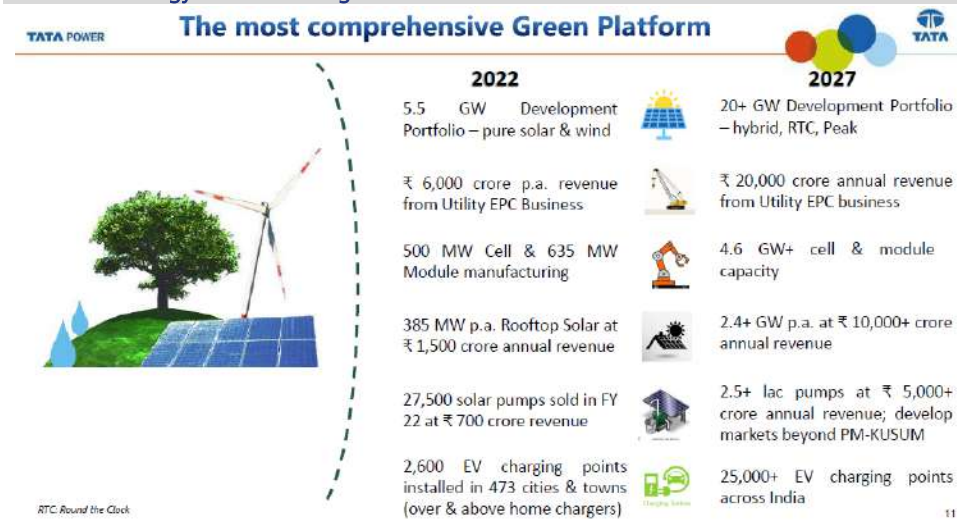
Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Ownership interest in Indonesian coal mines acts as a partial hedge against adverse fuel price movement:** TPWR holds 30% stake in PT Kaltim Prima Coal (KPC) and 26% stake in PT Baramulti Suksessarana Tbk (BSSR) for coal mining operations in Indonesia, which acts as a partial hedge against coal price volatility. The mining licence for KPC has been renewed for 10 years with a provision to extend the same for another 10 years. High coal prices are beneficial for the coal mines. The profitability of the combined CGPL and coal mine businesses as a result seem to be stable (they cancel out each other)
- **Potential to be a top renewable player:** Tata Power is one of the top 5 renewable players in India having a total 5.5GW of renewable asset portfolio (installed + under construction). The Group's entire renewable business, including the manufacturing, EPC and O&M services, are being brought under newly formed holding company Tata Power Renewable Energy Limited (TPREL), wherein Blackrock Real Assets and Mubadala Investment Company (a sovereign investor of the Government of Abu Dhabi) have invested INR 40bn in exchange for 10.53% stake. The proposed capital infusion will enable the Group to significantly scale its renewable energy business. The company is targeting a 20GW+ portfolio of green capacity by FY27E by adding 3GW of capacity p.a. over the next 5 years.
- **Focused on energy transition:** The company is building one of the most comprehensive green energy platforms by significantly enhancing its business in emerging areas, viz., cell and module manufacturing, solar rooftop, solar pump, EV chargers and solar EPC. It has set very aspirational targets in these businesses. Currently, the overall contribution from these businesses (apart from Solar EPC) is small, but the potential for scaling up each individual segment is high and the same remains a key monitorable.

Exhibit 89. Energy Transition Targets



Source: Company, JM Financial

- **Leader in private power distribution:** With power distribution for around 12mn customers in the two largest cities of India (New Delhi & Mumbai) and in Odisha, Tata Power is the largest private power distribution utility in the country (at 3% of overall power sold in India). TPWR intends to enhance its presence in the distribution and transmission sector by targeting upcoming opportunities in TBCB projects and discom privatisation. The company's performance of the recent takeover of the four circles in Odisha will be a key monitorable.
- **Key risks:** i) Further delay to tie-up PPA for CGPL; ii) Delay in execution of under construction projects; iii) Aggressive bidding under TBCB route

- Business overview:** Tata Power is India's largest integrated private power utility, with installed generation capacity of around 12GW (excluding 1,980MW of Prayagraj Power Generation Co Ltd), including its thermal and clean energy generation businesses, which include around 3.8GW of renewable energy capacity through TPREL and WREL. Its presence across the value chain of the power sector - generation, transmission and distribution, power trading, as well as fuel supply - cushions it from project-specific issues and helps achieve operating efficiencies and better working capital management at the group level. Further, Tata Power operates 4,150MW Mundra UMPP (commissioned in Mar'13) under CGPL, 1,050MW Maithon Power Plant (commissioned in Jul'12) under Maithon Power Limited (MPL) and 1,980MW Prayagraj Thermal Power Plant under Prayagraj Power Generation Co. Ltd, under the Resurgent platform (26% held by Tata Power Group and balance by other investors). The company acquired 30% stake in Indonesia-based coal mining companies (KPC and Arutmin) in Mar'07, and a 26% stake in PT Baramulti Suksesarana Tbk (BSSR) in Nov'12, through offshore SPVs (coal SPVs), for meeting the coal requirement of the Mundra UMPP. In Jan'14, the company announced that it had signed an agreement for the sale of its stake in PT Arutmin Indonesia, wherein sale proceeds are gradually being received. TPWR enhanced its domestic renewable energy portfolio to 3.6GW with the acquisition of Walwhan Renewable Energy Limited (earlier known as Welspun Renewables Energy Pvt Ltd) in 2016 and the commissioning of new projects over the past 5 years. The company is also a leader in Renewable EPC, Rooftop Solar EPC, Solar pumps and EV Charging Infrastructure. In addition, the company has a stake in the 126MW hydropower project in Zambia, the 120MW hydropower project in Bhutan and the 186MW hydro power project in Georgia. Further, it also has 375MW waste heat recovery-based power generation capacity. Also, the company is involved in the solar EPC business, through its subsidiary TPSSL. The Tata Power Group is involved in power distribution in Mumbai, Delhi, Ajmer and Odisha. Further, the company is present in power transmission in Mumbai with about 1,200Ckm of transmission lines. It is also involved in power transmission in other regions through a subsidiary, Powerlinks Transmission Ltd, which commenced operations from Sep'06.
- We assume coverage on Tata Power with a HOLD rating and a TP of INR 220:** With stable cash flows from its regulated generation and distribution businesses, the company is focusing its resources on transition to cleaner fuels and aiming to be a market leader in all sub-segments. The positives from the growth in renewables and distribution are factored in the valuations whereas the overhang of long term PPA for Mundra plant continues. We value the company on SOTP basis, arriving at a TP of INR 220/share (implying 1% upside).

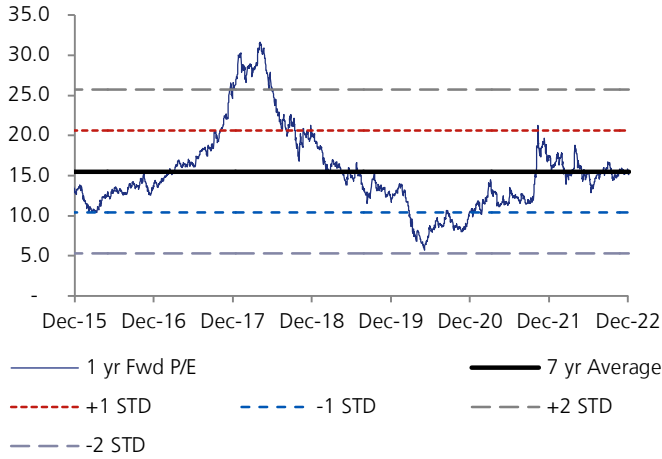
Exhibit 90. SOTP Table

Particulars	Value (INR mn)	Comments	Multiple (x)	Target Value (INR mn)	Value Per share (INR/Sh)
Regulated Business	109,590	Regulated equity	1.7	185,423	58
Coal + UMPP	19,420	DCF		26,340	8
Renewables	64,252	EV/EBITDA	11.0	359,683	110
Others	53,178	P/E and P/BV		126,536	44
Total					220

Source: Company, JM Financial

Valuation Bands:

Exhibit 91. 1 Year Forward P/E



Source: Company, JM Financial

Exhibit 92. P/B



Source: Company, JM Financial

Exhibit 93. EV/EBITDA

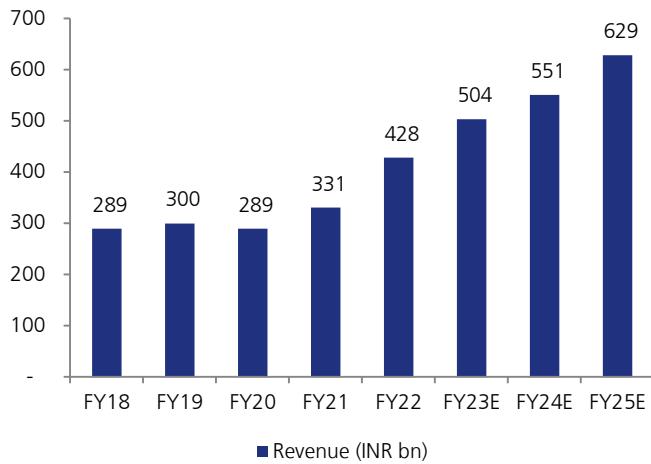


Source: Company, JM Financial

Key Charts

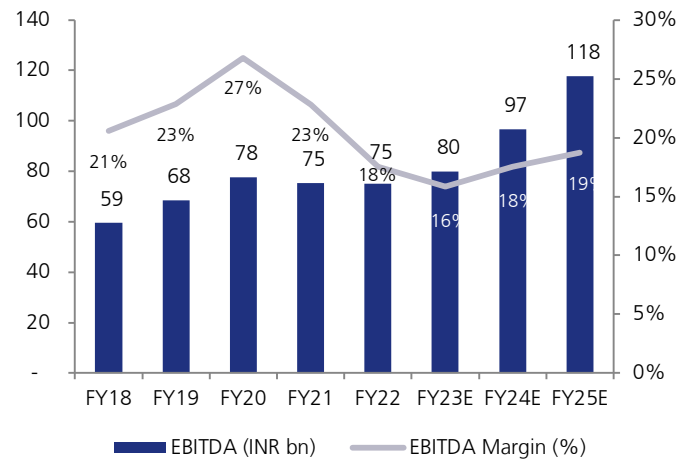
Financials

Exhibit 94. Revenue



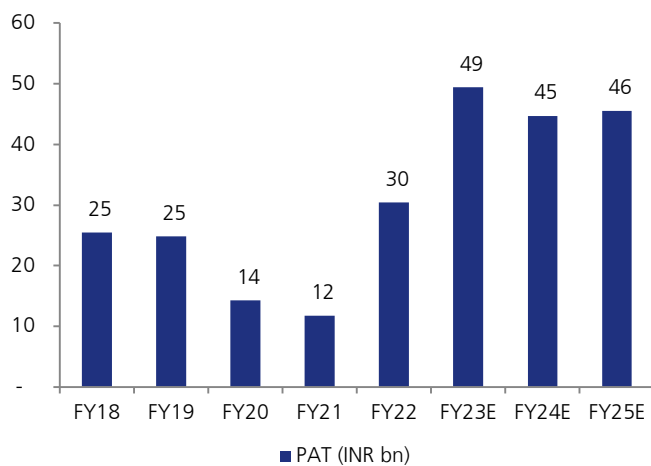
Source: Company, JM Financial

Exhibit 95. EBITDA & EBITDA Margin



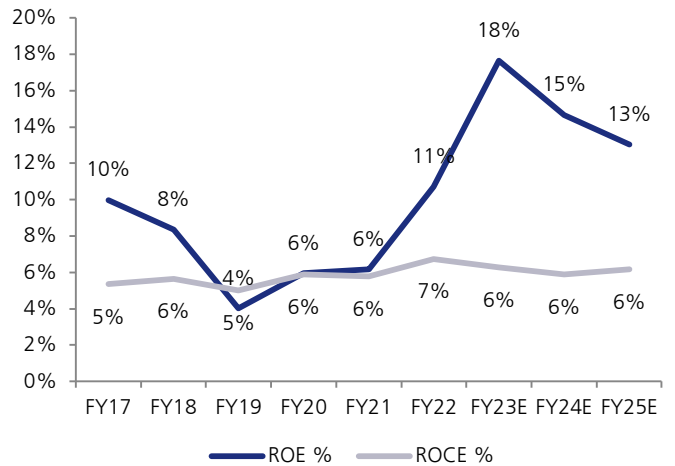
Source: Company, JM Financial

Exhibit 96. PAT



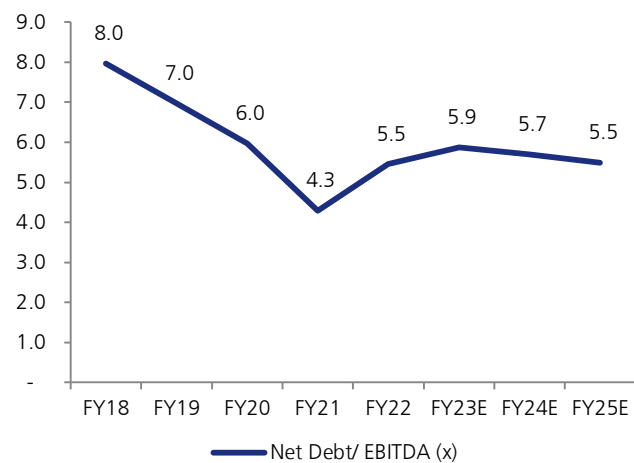
Source: Company, JM Financial

Exhibit 97. Return Ratios



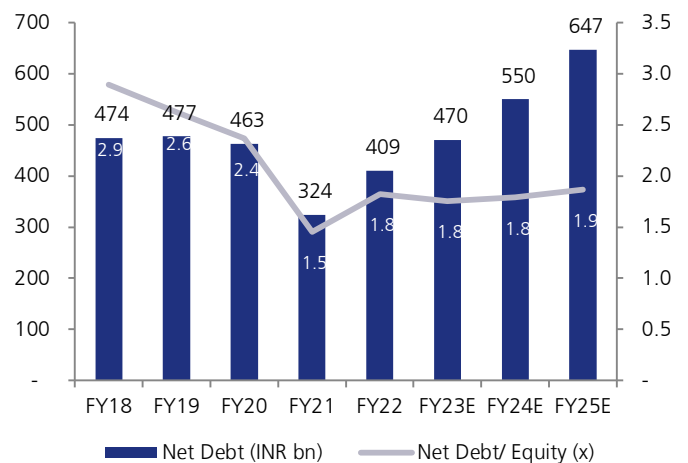
Source: Company, JM Financial

Exhibit 98. Net Debt to EBITDA



Source: Company, JM Financial

Exhibit 99. Net Debt to Equity



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	330,791	428,157	504,112	550,596	629,121	
Sales Growth	14.3%	47.9%	52.4%	28.6%	24.8%	
Other Operating Income	0	0	0	0	0	
Total Revenue	330,791	428,157	504,112	550,596	629,121	
Cost of Goods Sold/Op. Exp	174,094	229,315	286,884	288,175	283,970	
Personnel Cost	21,565	36,116	37,566	38,784	40,891	
Other Expenses	59,746	87,614	99,683	127,077	186,576	
EBITDA	75,387	75,111	79,979	96,560	117,684	
EBITDA Margin	22.8%	17.5%	15.9%	17.5%	18.7%	
EBITDA Growth	-2.8%	-3.1%	6.1%	28.6%	47.1%	
Depn. & Amort.	27,449	31,222	33,535	39,024	44,850	
EBIT	47,938	43,889	46,445	57,537	72,834	
Other Income	4,392	9,200	18,161	18,990	19,860	
Finance Cost	40,104	38,590	41,262	47,113	53,972	
PBT before Excep. & Forex	12,226	14,499	23,345	29,414	38,722	
Excep. & Forex Inc./Loss(-)	-1,093	-3,897	0	0	0	
PBT	11,133	10,601	23,345	29,414	38,722	
Taxes	5,019	3,796	10,968	12,246	14,178	
Extraordinary Inc./Loss(-)	-1,093	-3,897	0	0	0	
Assoc. Profit/Min. Int.(-)	11,847	15,287	42,992	33,509	26,938	
Reported Net Profit	11,736	30,375	49,387	44,695	45,501	
Adjusted Net Profit	14,046	25,697	49,387	44,695	45,501	
Net Margin	4.2%	6.0%	9.8%	8.1%	7.2%	
Diluted Share Cap. (mn)	3,195.6	3,195.6	3,195.6	3,195.6	3,195.6	
Diluted EPS (INR)	4.4	8.0	15.5	14.0	14.2	
Diluted EPS Growth	-1.0%	81.0%	251.6%	73.9%	-7.9%	
Total Dividend + Tax	257	257	257	257	257	
Dividend Per Share (INR)	0.1	0.1	0.1	0.1	0.1	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	17,669	25,352	63,346	59,932	62,670	
Depn. & Amort.	27,449	31,222	33,535	39,024	44,850	
Net Interest Exp. / Inc. (-)	38,597	35,665	23,100	28,123	34,112	
Inc (-) / Dec in WCcap.	12,544	-1,886	-43,180	-23,404	-39,402	
Others	-7,208	-16,478	0	0	0	
Taxes Paid	-4,470	-6,947	-10,968	-12,246	-14,178	
Operating Cash Flow	84,581	66,927	65,833	91,428	88,052	
Capex	-13,659	-70,690	-97,667	-137,227	-145,667	
Free Cash Flow	70,922	-3,762	-31,834	-45,799	-57,615	
Inc (-) / Dec in Investments	1,268	-3,893	0	0	0	
Others	19,067	11,856	18,161	18,990	19,860	
Investing Cash Flow	6,676	-62,726	-79,505	-118,237	-125,807	
Inc / Dec (-) in Capital	29,961	-7,424	0	0	0	
Dividend + Tax thereon	-5,263	-5,585	-5,585	-5,585	-5,585	
Inc / Dec (-) in Loans	-59,734	57,896	183,091	87,392	93,300	
Others	-16,035	-56,719	-41,262	-47,113	-53,972	
Financing Cash Flow	-51,071	-11,832	136,244	34,694	33,743	
Inc / Dec (-) in Cash	40,185	-7,630	122,572	7,886	-4,012	
Opening Cash Balance	20,942	74,037	66,407	188,979	196,864	
Closing Cash Balance	61,127	66,407	188,979	196,864	192,853	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	223,223	224,416	268,218	307,328	347,244	
Share Capital	3,196	3,196	3,196	3,196	3,196	
Reserves & Surplus	220,027	221,220	265,022	304,133	344,049	
Preference Share Capital	0	0	0	0	0	
Minority Interest	29,273	35,869	38,860	41,850	44,841	
Total Loans	384,812	475,900	658,991	746,383	839,683	
Def. Tax Liab. / Assets (-)	7,921	6,987	6,987	6,987	6,987	
Total - Equity & Liab.	645,229	743,172	973,056	1,102,548	1,238,755	
Net Fixed Assets	554,891	583,626	647,758	745,961	846,777	
Gross Fixed Assets	709,831	740,696	838,363	975,590	1,121,256	
Intangible Assets	37,924	39,700	39,700	39,700	39,700	
Less: Depn. & Amort.	228,862	243,122	276,656	315,680	360,530	
Capital WIP	35,998	46,351	46,351	46,351	46,351	
Investments	131,491	141,603	141,603	141,603	141,603	
Current Assets	300,291	393,924	585,934	617,813	651,285	
Inventories	18,848	42,315	93,023	101,601	116,091	
Sundry Debtors	50,010	66,655	85,386	100,801	123,795	
Cash & Bank Balances	61,127	66,407	188,979	196,864	192,853	
Loans & Advances	889	128	128	128	128	
Other Current Assets	169,418	218,419	218,419	218,419	218,419	
Current Liab. & Prov.	341,443	375,981	402,239	402,828	400,910	
Current Liabilities	72,772	105,732	131,990	132,579	130,661	
Provisions & Others	268,671	270,250	270,250	270,250	270,250	
Net Current Assets	-41,152	17,943	183,695	214,984	250,375	
Total - Assets	645,229	743,172	973,056	1,102,548	1,238,755	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	4.2%	6.0%	9.8%	8.1%	7.2%	
Asset Turnover (x)	0.5	0.6	0.6	0.6	0.6	
Leverage Factor (x)	3.3	3.5	3.3	3.5	3.6	
RoE	6.7%	12.2%	20.1%	16.8%	14.8%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	69.9	70.2	83.9	96.2	108.7	
ROIC	7.3%	7.2%	7.1%	7.1%	7.4%	
ROE	6.2%	10.7%	17.7%	14.7%	13.0%	
Net Debt/Equity (x)	1.5	1.8	1.8	1.8	1.9	
P/E (x)	49.8	27.2	14.2	15.7	15.4	
P/B (x)	3.1	3.1	2.6	2.3	2.0	
EV/EBITDA (x)	14.0	15.2	15.1	13.4	11.8	
EV/Sales (x)	3.2	2.7	2.4	2.3	2.2	
Debtor days	55	57	62	67	72	
Inventory days	21	36	67	67	67	
Creditor days	102	108	113	106	92	

Source: Company, JM Financial

Torrent Power | HOLD

Distribution gains offset by gas price overhang

Torrent Power Ltd (TPW), part of the Torrent Group, is an integrated power utility company operating in power generation, transmission and distribution businesses on a regulated business model, earning 14-15.5% return on regulated equity. The company commands benchmark performance as demonstrated by providing continuous power supply at >99.9% power availability in the licensed areas of Ahmedabad, Gandhinagar, Surat and Dahej SEZ, and a track record of supplying power 24X7 in the licensed areas with distribution losses at around 3.93% (one of the best globally). It is also focussing on increasing its operational footprint inorganically through several strategic acquisitions to harness emerging opportunities from energy transition. For instance, during FY22, the company expanded its Renewable Energy portfolio (both solar and wind) by acquiring three renewable projects totalling 231MW of additional capacities, growing its RE asset base to 1,018MW. Another 715MW of renewable projects are under development. During FY22, it also acquired 51% stake in the power distribution company of Dadra & Nagar Haveli and Daman & Diu union territory spanning an area of 603sqkm which distributes 9BU of power to around 1.5 lakh customers. In its franchised distribution business, it is focusing on expanding and upgrading the network in existing areas of Bhiwandi and Agra and improving operations in the areas of Shil, Mumbra & Kalwa to minimise AT&C losses. However, we find peak gas prices and c.57% untied power generation capacity as an overhang to FY23/24 earnings. We assume coverage on TPW with a HOLD rating and FY25 SOTP-based TP of INR 490 (implying 7% downside).

- Stable cash flows from regulated business:** The company continues to benefit from stable cash flows, backed by a regulated tariff structure, and high operating efficiency and, performance of its distribution and generation businesses (AMGEN and SUGEN plants), both of which assure 14-15.5% post-tax RoE. Regulated businesses, on an average, formed about 64% of revenue and 78% of EBITDA over the last 3 fiscals.
- Excellence in power distribution:** With proven examples of excellence in distribution license (DL) business – just 3.9% T&D loss in Ahmedabad/ Gandhinagar & Surat and, in franchised distribution (FD) business, viz., reduction in AT&C losses from 58% at the time of takeover to 11.64% in FY22 in Bhiwandi and from 58.77% to 12.10% in Agra – TPW is well positioned to progressively gain from reducing AT&C losses in newly acquired FD Shil, Mumbra, Kalwa (SMK) and DL Dadra and Nagar Haveli and Daman and Diu Power Distribution (DNHDD). SMK reported AT&C losses of 47% in FY17 which the company is targeting to reduce to 12% over 15 years. The company reported YoY reduction in T&D losses during H1FY23 from 6.12% to 5.57% in Ahmedabad, 3.6% to 3.13% in Surat, 13.07% to 10.98% in Bhiwandi, 13.09% to 11.35% in Agra, and 42.26% to 35.32% in SMK. The management has guided for a capex of INR 4 bn in H2FY23 in addition to INR 7.8bn already incurred in H1FY23.



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Recommendation and Price Target

Current Reco.	HOLD
Current Price Target (12M)	490
Upside/(Downside)	-6.7%

Key Data – TPW IN

Current Market Price	INR526
Market cap (bn)	INR252.7/US\$3.1
Free Float	31%
Shares in issue (mn)	480.6
Diluted share (mn)	480.6
3-mon avg daily val (mn)	INR233.9/US\$2.8
52-week range	610/415
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	3.3	15.4	-8.8
Relative*	2.1	-2.5	-15.0

* To the BSE Sensex

Financial Summary

Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	120,167	140,553	216,258	241,247	250,901
Sales Growth (%)	-10.8	17.0	53.9	11.6	4.0
EBITDA	34,652	35,910	37,691	42,313	46,104
EBITDA Margin (%)	28.5	25.2	17.3	17.4	18.2
Adjusted Net Profit	12,399	13,820	11,548	15,556	18,890
Diluted EPS (INR)	25.8	28.8	24.0	32.4	39.3
Diluted EPS Growth (%)	-12.2	11.5	-16.4	34.7	21.4
ROIC (%)	11.3	11.3	9.2	11.1	12.5
ROE (%)	12.8	13.7	11.1	13.5	14.5
P/E (x)	20.4	18.3	21.9	16.3	13.4
P/B (x)	2.5	2.5	2.3	2.1	1.8
EV/EBITDA (x)	9.2	8.9	8.5	7.4	6.5
Dividend Yield (%)	1.0	1.0	1.0	1.0	1.0

Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Building green generation portfolio:** Renewables form 26% of the company's total generation capacity of 4,160MW. Currently, 115MW SECI-V wind, and 300MW solar projects are under construction. With commissioning of these two projects, the total renewables portfolio will reach 1,483 MW, which will be 32% of the total generation capacity. In addition, PPA for recently awarded 300MW SECI-XII wind project is expected soon. The company has an ambition to go up to 5GW of renewables over the next 3-4 years.
- **LNG trading:** The company has built capabilities to import LNG from international markets at efficient prices to operate its power plants. For this, it has contracted Storage-cum-Regasification capacity of 1MTPA with Petronet LNG, Dahej Terminal, for 20 years from Apr'17. LNG prices in international markets remain highly volatile of late due to prevailing geopolitical conditions. The WIM (West India Marker) averaged USD c.30.85 per mmbtu in Q4 FY22, compared to USD c.8.57 per mmbtu in Q4FY21. The company has opted for trading of LNG rather than using it for its gas-based SUGEN and UNOSUGEN power plants. Accordingly, TPW gained from elevated LNG demand due to sudden surge in demand from the power sector through trading of LNG in H1FY23. It earned a profit of INR 1,550mn on sale of LNG. Prices of natural gas /RLNG are generally expected to remain high during CY23.
- **Underperformance of DGEN:** The 1,200 MW DGEN gas-based CCP plant, which accounts for about 30% of the total generation capacity, is stranded due to lack of approved PPAs and non-availability of LNG at viable prices. The unit operated at PLF of 6-10% during FY20 & FY21 and almost 'nil' in FY22 & H1FY23.
- **Key Risks:**

Upside risk: 1) PPAs getting tied up for DGEN

Downside risks: 1) Larger-than-expected capex or debt-funded acquisitions; 2) Lower-than-expected improvement in T&D losses in newly acquired distribution areas; 3) material deterioration in capital structure;
- **Valuation:** We believe the improvement in T&D losses in the distribution business along with renewable portfolio addition will drive the company's growth over the medium to long term however near term growth looks challenging with uncertainty over LNG prices and stranded gas capacities. We assume coverage on Torrent Power Ltd (TPW) with a HOLD rating and an SOTP-based TP of INR 490 (implying a 7% downside).

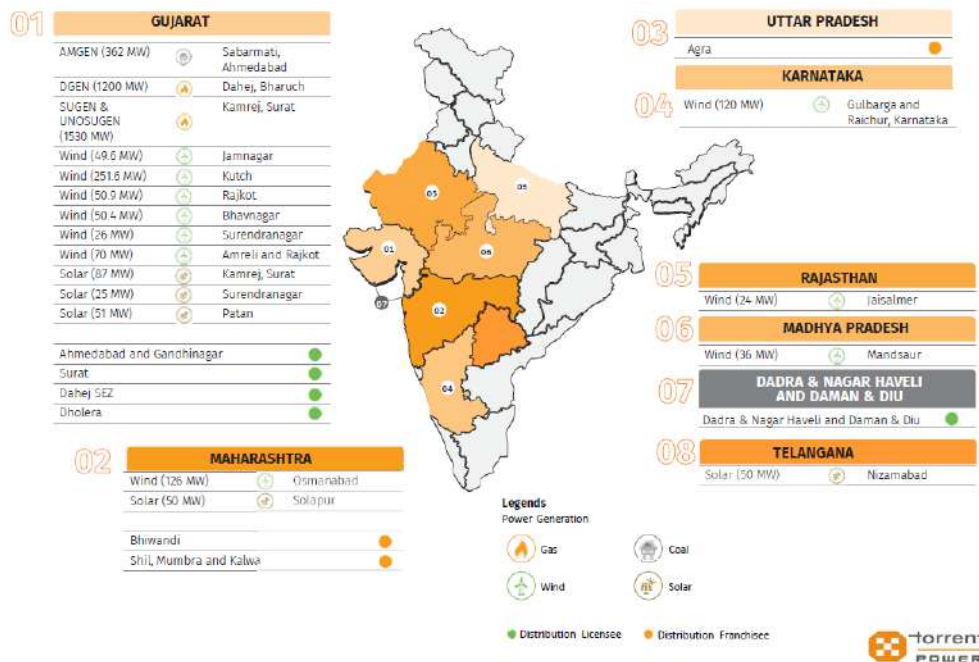
Exhibit 100. SOTP Table

Particulars	Value (INR mn)	Comments	Multiple (x)	Target Value (INR mn)	Value per share (INR/Sh)
Regulated Businesses					
a) Operational Plants (Sugen, Unosugen, Amgen)		NPV		37,896	79
b) Stranded gas plant (Dgen)		NPV of 3 year losses		(13,940)	(29)
Licensed distribution (Ahmedabad, Surat & Dahej)	38,132	FY25E Regulated Equity	2.0	76,014	158
Renewable generation	8,139	EV/EBITDA	8.0	65,113	135
Distribution franchise (Bhiwandi, Agra, SMK)		NPV		47,089	98
Cash & Cash Equivalent	7,275	P/B	1.00	7,275	15
Approved RA	10,000	NPV of assumed recovery schedule	1.0	10,000	21
DNH and Diu Distribution	3,760	FY25E Regulated Equity	3.3	6,254	13
Total				229,447	490

Source: Company, JM Financial

- Company Overview:** Torrent Power (TPW), part of the Torrent Group, is one of the industry leaders with integrated operations across power generation, transmission and distribution and presence in the states of Gujarat, Maharashtra, Uttar Pradesh, Karnataka, Madhya Pradesh, Rajasthan and the union territory of Dadra & Nagar Haveli and Daman & Diu. The company has an operational generation capacity of 4,160MW comprising thermal (362 coal and 2730 gas based) power plants & renewable power plants (263 Solar and 805 Wind). Upcoming renewable generation capabilities comprise 565MW (450MW solar and 115MW Wind). It also operates 249km and 105km of 400kV double circuit transmission lines and 128km of 220kV double circuit transmission lines for transmission of power generated at its gas-based power plants to various offtake centres. The company distributes power to about four million customers in Ahmedabad, Gandhinagar, Surat, Dahej SEZ and Dholera SIR in Gujarat; Bhiwandi, Shil, Mumbra and Kalwa in Maharashtra and at Agra in Uttar Pradesh. It also manufactures and supplies power cables.

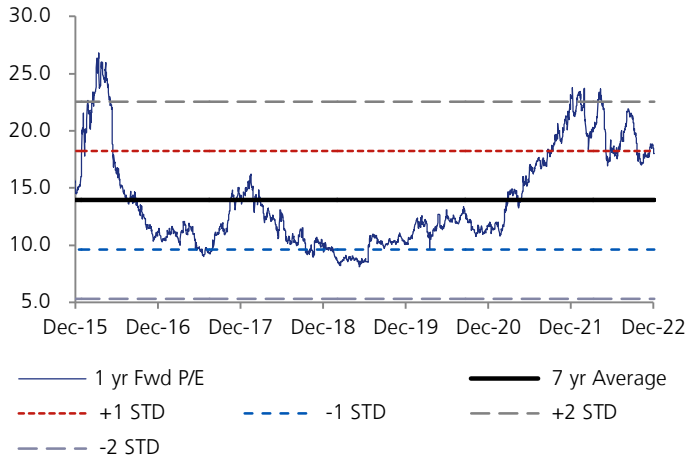
Exhibit 101. Geographical Footprint



Source: Company, JM Financial

Valuation Bands:

Exhibit 102. 1 Year Forward P/E



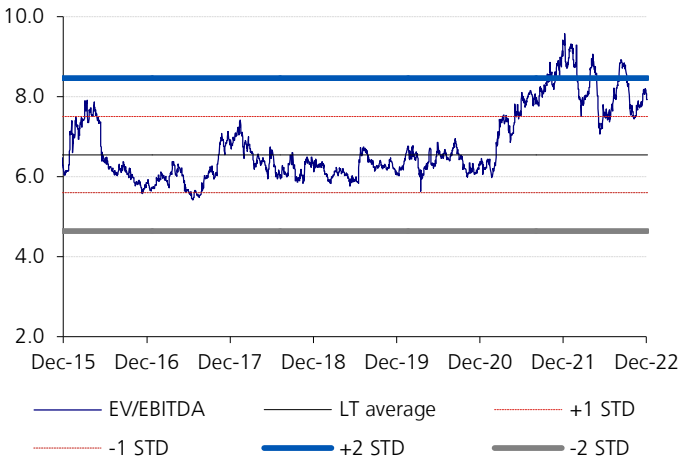
Source: Company, JM Financial

Exhibit 103. P/B



Source: Company, JM Financial

Exhibit 104. EV/EBITDA

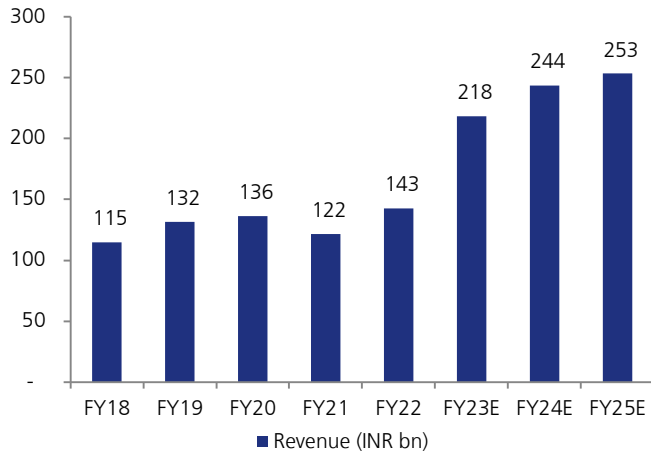


Source: Company, JM Financial

Key Charts

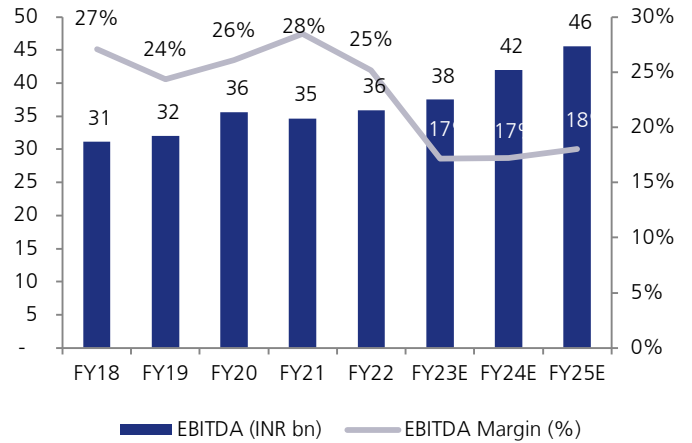
Financials

Exhibit 105. Revenue



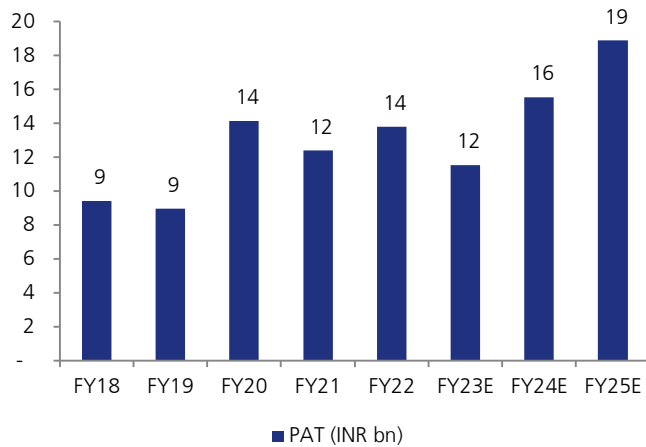
Source: Company, JM Financial

Exhibit 106. EBITDA & EBITDA Margin



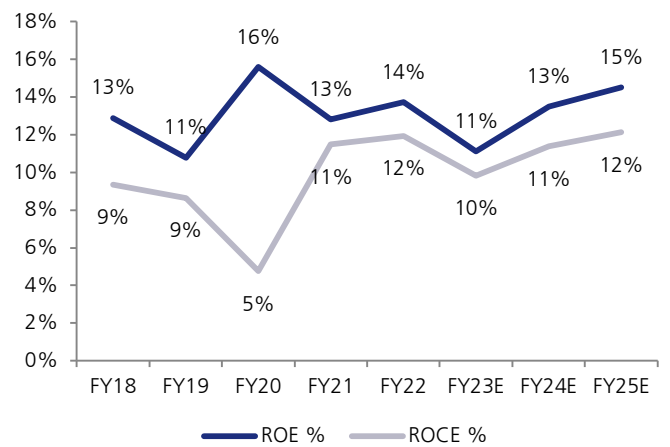
Source: Company, JM Financial

Exhibit 107. PAT



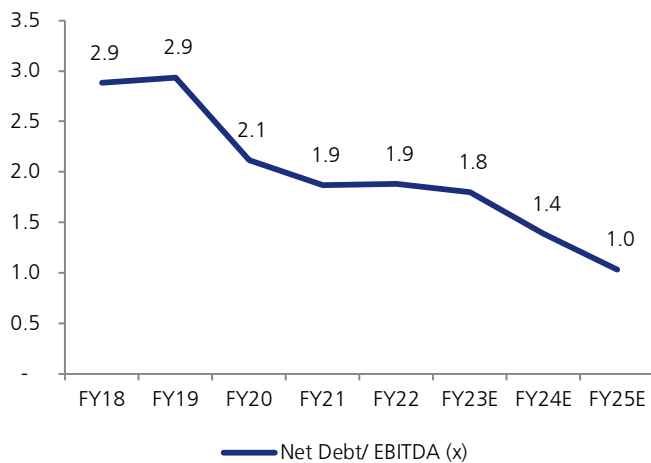
Source: Company, JM Financial

Exhibit 108. Return Ratios



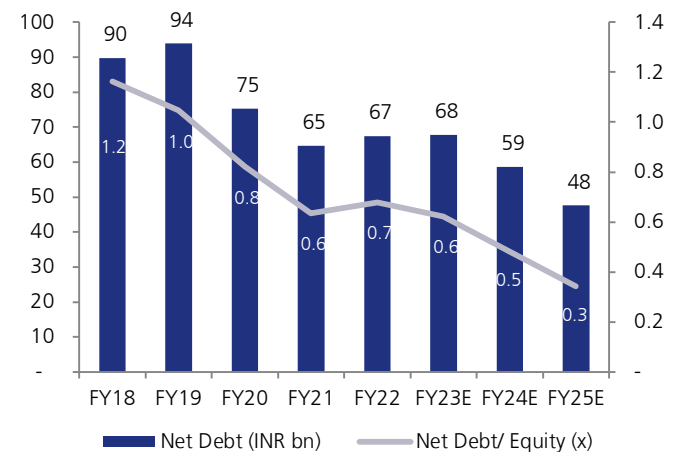
Source: Company, JM Financial

Exhibit 109. Net Debt to EBITDA



Source: Company, JM Financial

Exhibit 110. Net Debt to Equity



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	120,167	140,553	216,258	241,247	250,901	
Sales Growth	-10.8%	17.0%	53.9%	11.6%	4.0%	
Other Operating Income	1,559	2,024	2,031	2,266	2,356	
Total Revenue	121,727	142,576	218,289	243,513	253,258	
Cost of Goods Sold/Op. Exp	71,302	90,773	163,910	183,678	188,755	
Personnel Cost	5,389	5,335	5,602	5,882	6,176	
Other Expenses	10,383	10,558	11,085	11,640	12,222	
EBITDA	34,652	35,910	37,691	42,313	46,104	
EBITDA Margin	28.5%	25.2%	17.3%	17.4%	18.2%	
EBITDA Growth	-2.6%	3.6%	5.0%	12.3%	9.0%	
Depn. & Amort.	12,796	13,339	15,390	15,859	16,342	
EBIT	21,857	22,571	22,301	26,454	29,762	
Other Income	1,418	2,350	2,468	2,591	2,721	
Finance Cost	7,757	6,282	7,316	7,025	6,667	
PBT before Excep. & Forex	15,518	18,640	17,453	22,020	25,816	
Excep. & Forex Inc./Loss(-)	0	-13,000	0	0	0	
PBT	15,518	5,640	17,453	22,020	25,816	
Taxes	2,559	1,053	5,305	5,864	6,325	
Extraordinary Inc./Loss(-)	510	-9,280	600	600	600	
Assoc. Profit/Min. Int.(-)	49	47	0	0	0	
Reported Net Profit	12,909	4,540	12,148	16,156	19,490	
Adjusted Net Profit	12,399	13,820	11,548	15,556	18,890	
Net Margin	10.2%	9.7%	5.3%	6.4%	7.5%	
Diluted Share Cap. (mn)	480.6	480.6	480.6	480.6	480.6	
Diluted EPS (INR)	25.8	28.8	24.0	32.4	39.3	
Diluted EPS Growth	-12.2%	11.5%	-16.4%	34.7%	21.4%	
Total Dividend + Tax	2,897	2,897	2,897	2,897	2,897	
Dividend Per Share (INR)	5.0	5.0	5.0	5.0	5.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	101,869	99,432	108,683	121,942	138,535	
Share Capital	4,806	4,806	4,806	4,806	4,806	
Reserves & Surplus	97,063	94,626	103,876	117,136	133,729	
Preference Share Capital	0	0	0	0	0	
Minority Interest	364	359	359	359	359	
Total Loans	66,722	70,992	71,561	71,561	71,561	
Def. Tax Liab. / Assets (-)	5,721	4,678	4,678	4,678	4,678	
Total - Equity & Liab.	174,675	175,460	185,281	198,540	215,133	
Net Fixed Assets	179,854	183,946	186,243	186,309	185,891	
Gross Fixed Assets	239,880	273,184	289,599	305,523	321,447	
Intangible Assets	0	1,233	1,233	1,233	1,233	
Less: Depn. & Amort.	68,403	103,444	118,834	134,693	151,035	
Capital WIP	8,377	12,973	14,246	14,246	14,246	
Investments	4,658	4,065	4,065	4,065	4,065	
Current Assets	50,876	49,600	85,893	104,923	121,643	
Inventories	4,504	5,376	9,569	10,675	11,796	
Sundry Debtors	14,203	16,027	25,716	29,355	31,917	
Cash & Bank Balances	2,024	3,523	3,839	12,941	23,975	
Loans & Advances	306	199	1,916	1,916	1,916	
Other Current Assets	29,839	24,475	44,854	50,037	52,039	
Current Liab. & Prov.	60,712	62,150	90,921	96,757	96,466	
Current Liabilities	9,748	12,616	17,343	18,680	18,734	
Provisions & Others	50,964	49,534	73,577	78,077	77,732	
Net Current Assets	-9,836	-12,551	-5,028	8,166	25,177	
Total - Assets	174,676	175,460	185,281	198,540	215,133	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	15,518	5,640	17,453	22,020	25,816	
Depn. & Amort.	11,799	13,339	15,390	15,859	16,342	
Net Interest Exp. / Inc. (-)	5,647	6,948	4,848	4,433	3,946	
Inc (-) / Dec in WCcap.	-3,434	-1,632	-7,208	-4,091	-5,977	
Others	-290	9,687	0	0	0	
Taxes Paid	-2,535	-2,311	-5,305	-5,864	-6,325	
Operating Cash Flow	26,704	31,672	25,178	32,357	33,802	
Capex	-10,165	-17,597	-17,688	-15,924	-15,924	
Free Cash Flow	16,539	14,075	7,490	16,433	17,878	
Inc (-) / Dec in Investments	3,906	-8,948	0	0	0	
Others	308	1,713	2,468	2,591	2,721	
Investing Cash Flow	-5,951	-24,831	-15,220	-13,333	-13,203	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-2,643	-7,020	-2,897	-2,897	-2,897	
Inc / Dec (-) in Loans	-10,207	8,940	570	0	0	
Others	-8,680	-7,261	-7,316	-7,025	-6,667	
Financing Cash Flow	-21,530	-5,342	-9,643	-9,922	-9,564	
Inc / Dec (-) in Cash	-778	1,499	315	9,102	11,034	
Opening Cash Balance	2,803	2,025	3,523	3,839	12,941	
Closing Cash Balance	2,025	3,523	3,839	12,941	23,975	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	10.2%	9.7%	5.3%	6.4%	7.5%	
Asset Turnover (x)	0.7	0.8	1.2	1.3	1.2	
Leverage Factor (x)	1.8	1.7	1.7	1.7	1.6	
RoE	12.8%	13.7%	11.1%	13.5%	14.5%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	212.0	206.9	226.1	253.7	288.2	
ROIC	11.3%	11.3%	9.2%	11.1%	12.5%	
ROE	12.8%	13.7%	11.1%	13.5%	14.5%	
Net Debt/Equity (x)	0.6	0.7	0.6	0.5	0.3	
P/E (x)	20.4	18.3	21.9	16.3	13.4	
P/B (x)	2.5	2.5	2.3	2.1	1.8	
EV/EBITDA (x)	9.2	8.9	8.5	7.4	6.5	
EV/Sales (x)	2.6	2.3	1.5	1.3	1.2	
Debtor days	43	41	43	44	46	
Inventory days	14	14	16	16	17	
Creditor days	41	43	35	34	33	

Source: Company, JM Financial

JSW Energy | SELL

On the right track, but Valuations expensive

JSW Energy Limited (JSWEL) has a diversified business profile with a presence across power generation (thermal, hydro and renewable), transmission and trading. Currently, total installed generation capacity stands at 4,784MW out of which renewable is 1,400MW (Hydro: 1,391MW, Solar: 10MW) while the under-construction portfolio stands at 2,200MW. The availability of long-term PPAs based on cost-plus tariff structure for 85% of the company's existing generation portfolio and under-construction renewable projects provide long-term revenue and cash visibility, thus lowering the offtake risk. The company has set a vision of becoming a green energy company with an installed base of 10GW by FY25, and 20GW by FY30 with majority of the incremental capacity coming from renewables. We believe the company is on the right growth track for energy transition but the same is already factored in the current valuations. We assume coverage with a SELL rating on the stock with our FY25 SOTP-based target price of INR 245 (implying 18% downside).

- Ambitious vision of transitioning towards a green portfolio:** JSWEL is transitioning towards becoming a renewable power company with a net-zero target by 2050. This includes increasing its capacity by 4x to 20GW by FY30E from the existing 4.8GW. As a result, the share of renewables in the company's portfolio, which is currently at 30%, is expected to reach 70% by 2025, and further to 85% by 2030. Currently, the entire capacity of 2.2GW under construction is renewables and hydropower. Sufficient balance sheet headroom and strong cash flow generation would help achieve the targeted growth plans.
- Re-organising from Grey to Green:** JSWEL is in the process of strategically re-organising its business from Grey (Thermal) to Green (Renewables) to facilitate growth and potentially unlock value for its shareholders. Post re-organisation, the renewable businesses currently distributed among several entities will be housed under 'JSW Neo Energy Limited' (wholly owned subsidiary of JSW Energy).
- Exploring new opportunities in emerging energy platforms:** The company is venturing into the emerging areas of green hydrogen and its derivatives, offshore wind, battery and large scale hydro pumped storage projects (PSP) and energy services. It also plans to explore opportunities to utilise green hydrogen for steel making, hydrogen mobility, ammonia, carbon capture and other industrial applications in India. Plan to venture into polysilicon manufacturing is also being discussed, which will be facilitated via the recent acquisition of 700MW Ind-Barath Energy (Utkal) Ltd. The company is also targeting 10GW Hydro Pumped Storage solutions over the next 5 years, out of which it has already secured resources of around 6GW with various states.
- Ongoing projects progressing well:** The company's renewable power projects totaling 2.2GW that are currently under construction are expected to be gradually commissioned over FY23-FY24 (total capex is INR 167bn; INR 47bn already spent and INR 107bn committed). The company has already tied up these capacities with SECI and for captive



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Recommendation and Price Target

Current Reco.	SELL
Current Price Target (12M)	245
Upside/(Downside)	-17.8%

Key Data – JSW IN

Current Market Price	INR298
Market cap (bn)	INR489.9/US\$5.9
Free Float	33%
Shares in issue (mn)	1,642.4
Diluted share (mn)	
3-mon avg daily val (mn)	INR481.9/US\$5.8
52-week range	369/182
Sensex/Nifty	62,533/18,608
INR/US\$	82.8

Price Performance

%	1M	6M	12M
Absolute	-7.3	29.1	-0.8
Relative*	-8.4	9.1	-7.5

* To the BSE Sensex

Financial Summary

Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	69,222	81,671	80,632	86,806	99,318
Sales Growth (%)	-16.3	18.0	-1.3	7.7	14.4
EBITDA	29,066	35,690	34,051	39,071	49,016
EBITDA Margin (%)	42.0	43.7	42.2	45.0	49.4
Adjusted Net Profit	7,955	17,286	15,607	13,610	15,140
Diluted EPS (INR)	4.8	10.5	9.5	8.3	9.2
Diluted EPS Growth (%)	-24.3	117.1	-9.7	-12.8	11.2
ROIC (%)	7.5	11.3	9.8	8.3	8.2
ROE (%)	6.1	10.8	8.6	7.1	7.4
P/E (x)	61.5	28.3	31.4	36.0	32.4
P/B (x)	3.4	2.8	2.6	2.5	2.3
EV/EBITDA (x)	19.2	15.4	16.1	14.8	12.0
Dividend Yield (%)	0.3	0.7	0.6	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 13/Dec/2022

JM Financial Research is also available on:
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Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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use at JSW Steel [733MW] at a blended tariff of INR3.08 /kWh. The Kutehr hydropower project has made good progress with completion of 84% of tunneling work, which is well ahead of the timelines. The company has received LOI for allotment of 126 MW of Chhatru HEP and won 300MW in the SECI XII Wind auctions. It has received NCLT approval for the resolution plan submitted by it in Sep'19 for the 700 MW Ind-Barath Energy (Utkal) Ltd which will be used to facilitate polysilicon manufacturing, going forward. The company has acquired 18 SPVs of Mytrah Energy comprising 1,753MW of solar and wind assets at an EV of INR c.105.3bn. The acquisition has been done at 6.4x normalised EBITDA of INR 16.5bn at P90 levels (FY22 EBITDA was INR 12.4bn).

- **Capex target:** The company's green projects totaling 2.2GW are currently under construction and are expected to be commissioned phase-wise over FY23-FY24. The total capex guidance for the same stands at INR 167bn out of which INR 47bn has been incurred and balance INR 107bn is committed. The same is expected to be funded through debt and equity of 75:25. It has guided that post acquisition of Mytrah and the under-construction portfolio of RE, the debt to EBITDA level will not exceed 4.5-4.6x and will remain under comfortable levels.
- **Key monitorables:** i) Progress on green ventures; ii) Commissioning of under construction portfolio; iii) Debt levels on account of increasing capex; iv) Steps for inorganic growth of renewables; v) Venture into polysilicon manufacturing

- **Key risks:**

Downside: i) Delay in execution of projects; ii) Aggressive bidding for projects under TBCB.

Upside: i) Faster-than-expected commissioning of under-construction capacities; ii) higher merchant power rates; iii) acquisition of stressed assets.

- **We assume coverage with a SELL rating and SOTP based FY25E TP of INR 245:** We believe the company is on the right growth track for energy transition but the same is already factored in the current valuations. The prevailing valuations are rich (12x FY25 EV/EBITDA; 32.3x FY25P/E). We assume coverage with a SELL rating on the stock with our FY25 SOTP-based target price of INR 245 (implying 18% downside).

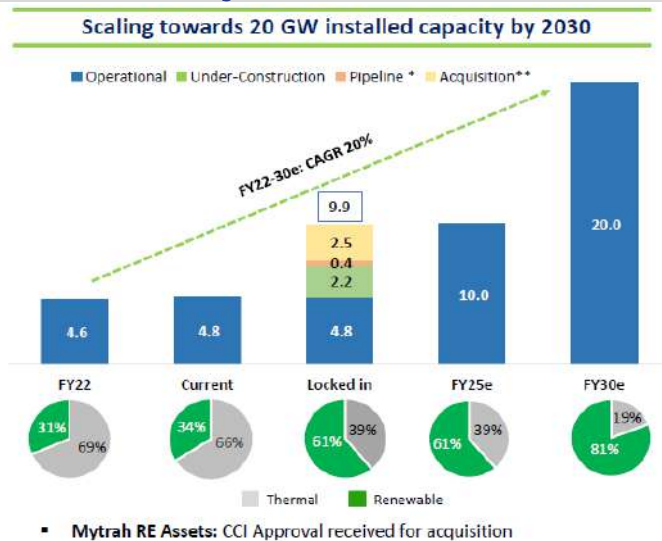
Exhibit 111. SOTP Table

Particulars	Base Value (INR mn)	Comments	Multiple (x)	Target Value (INR mn)	Value per share (INR/Sh)
Thermal Portfolio (Standalone + Barmer)		DCF		108,131	66
Hydro (Baspa, Karcham Wangtoo & Kutehr)		DCF		54,645	33
Wind + Captive Solar Portfolio	12,772	FY25 EV/EBITDA	10.0	127,717	78
Mytrah Portfolio	5,542	FY25 EV/EBITDA	10.0	55,419	34
Value of JSW Steel Shares		20% Discount		41,743	25
Cash & Cash Equivalent		FY23 BV		13,402	8
Total				361,558	245

Source: Company, JM Financial

■ **Business overview:** JSW Energy Ltd (JSWEL), part of JSW group, is one of India’s leading power companies with an operational capacity of 4.8GW. JSWEL’s business is a mix of regulated and merchant power projects. JSWEL has an operating generation capacity of 4,784MW – thermal power of 3,158MW at Ratnagiri, Maharashtra (1,200MW), Vijayanagar, Karnataka (860MW), Nandyal, Andhra Pradesh (18MW) and a lignite-based power plant at Barmer, Rajasthan (1,080MW); hydropower of 1,391MW, including Karcham Wangtoo, Himachal Pradesh (1,091MW) and Baspa, Himachal Pradesh (300MW); and solar power of 235MW across three states. JSWEL also has a transmission line through a 74:26 JV with Maharashtra State Electricity Transmission Company Limited. Around 85% of the company’s operational portfolio is under long-term PPA, which provides steady earnings and insulates business from uncertainty in fuel prices. Currently, the average remaining life of PPA stands at around 20 years providing fair visibility on long-term revenue. Apart from long-term PPAs, the company also generates revenue through merchant sales to distribution companies. JSWEL’s current coal capacity is primarily based on imported coal. However, there is a cost plus arrangement for the coal capacity and balance is sold on a merchant power or medium-term PPA basis.

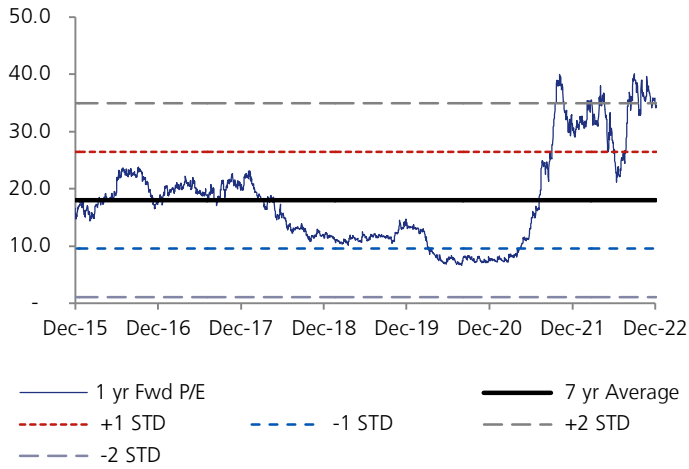
Exhibit 112. Renewable Growth Targets



Source: Company, JM Financial

Valuation Bands:

Exhibit 113. 1 Year Forward P/E



Source: Company, JM Financial

Exhibit 114. P/B



Source: Company, JM Financial

Exhibit 115. EV/EBITDA

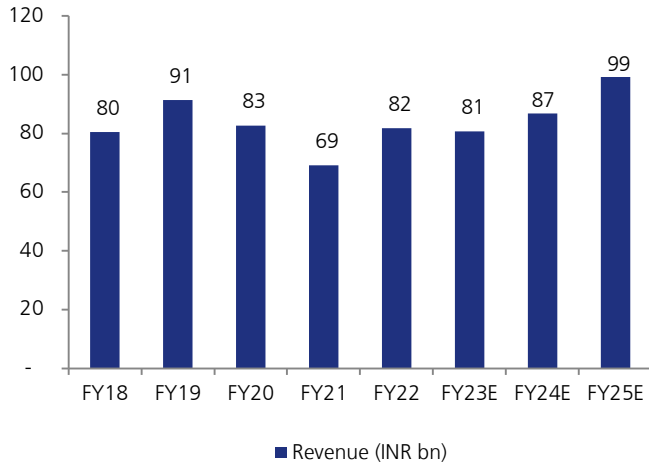


Source: Company, JM Financial

Key Charts

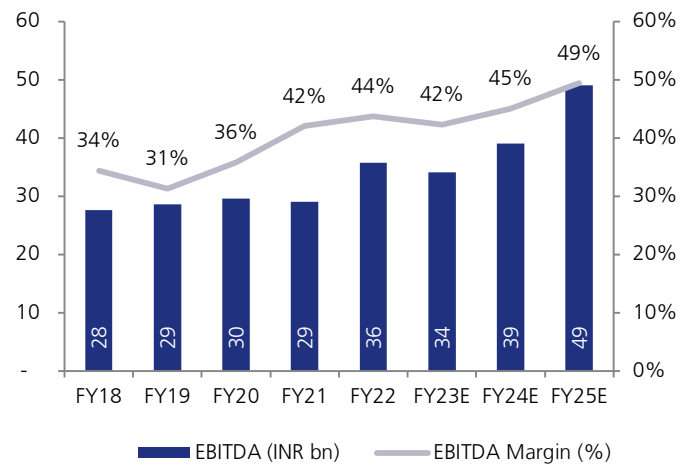
Financials

Exhibit 116. Revenue



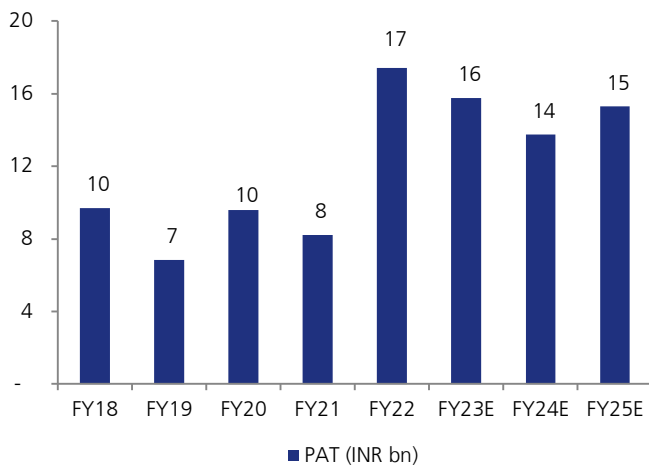
Source: Company, JM Financial

Exhibit 117. EBITDA & EBITDA Margin



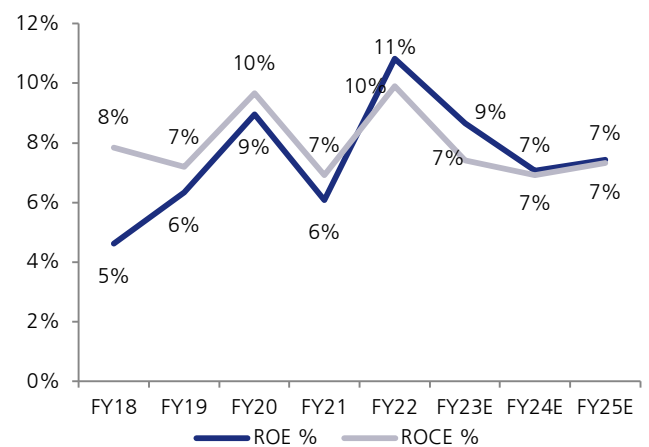
Source: Company, JM Financial

Exhibit 118. PAT



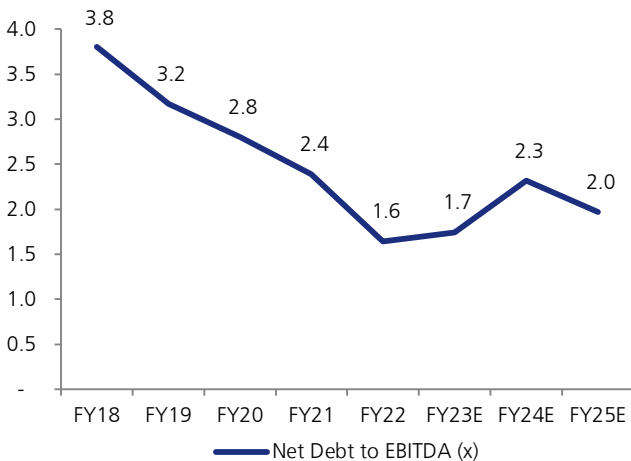
Source: Company, JM Financial

Exhibit 119. Return Ratios



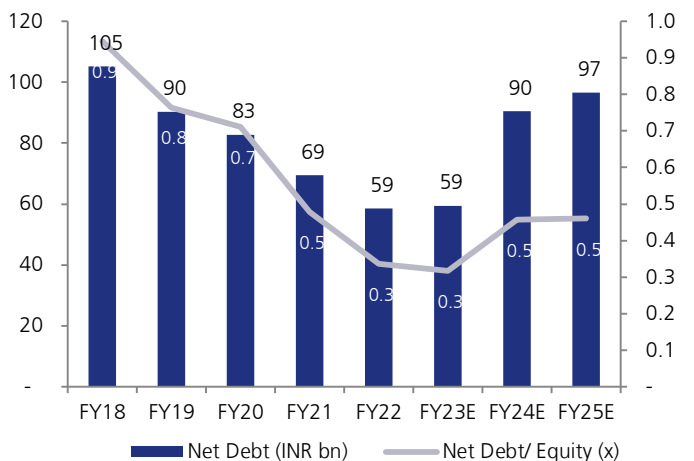
Source: Company, JM Financial

Exhibit 120. Net Debt to EBITDA



Source: Company, JM Financial

Exhibit 121. Net Debt to Equity



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	69,222	81,671	80,632	86,806	99,318	
Sales Growth	-16.3%	18.0%	-1.3%	7.7%	14.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	69,222	81,671	80,632	86,806	99,318	
Cost of Goods Sold/Op. Exp	32,830	35,742	38,102	38,102	38,292	
Personnel Cost	2,366	2,642	2,425	3,471	5,737	
Other Expenses	4,960	7,598	6,054	6,162	6,272	
EBITDA	29,066	35,690	34,051	39,071	49,016	
EBITDA Margin	42.0%	43.7%	42.2%	45.0%	49.4%	
EBITDA Growth	-1.7%	22.8%	-4.6%	14.7%	25.5%	
Depn. & Amort.	11,669	11,311	11,638	15,530	22,085	
EBIT	17,396	24,379	22,413	23,541	26,931	
Other Income	2,375	5,687	2,200	2,200	2,200	
Finance Cost	8,957	7,769	4,377	7,533	9,401	
PBT before Excep. & Forex	10,814	22,297	20,236	18,208	19,729	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	10,814	22,297	20,236	18,208	19,729	
Taxes	2,759	4,948	4,566	4,535	4,526	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	444	234	234	234	234	
Reported Net Profit	8,227	17,434	15,756	13,759	15,288	
Adjusted Net Profit	7,955	17,286	15,607	13,610	15,140	
Net Margin	11.5%	21.2%	19.4%	15.7%	15.2%	
Diluted Share Cap. (mn)	1,642.8	1,644.0	1,644.0	1,644.0	1,644.0	
Diluted EPS (INR)	4.8	10.5	9.5	8.3	9.2	
Diluted EPS Growth	-24.3%	117.1%	-9.7%	-12.8%	11.2%	
Total Dividend + Tax	1,643	3,287	3,000	2,620	2,911	
Dividend Per Share (INR)	1.0	2.0	1.8	1.6	1.8	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	10,986	22,383	20,236	18,208	19,729	
Depn. & Amort.	11,669	11,311	11,638	15,530	22,085	
Net Interest Exp. / Inc. (-)	7,901	4,257	2,177	5,333	7,201	
Inc (-) / Dec in WCcap.	8,663	-4,375	3,170	10,321	8,651	
Others	-390	333	-63	-63	-63	
Taxes Paid	-1,831	-4,388	-4,566	-4,535	-4,526	
Operating Cash Flow	36,999	29,520	32,592	44,795	53,078	
Capex	-4,354	-22,941	-43,277	-82,958	-49,137	
Free Cash Flow	32,644	6,580	-10,685	-38,163	3,941	
Inc (-) / Dec in Investments	-7,818	5,397	15,037	15,000	0	
Others	1,847	3,621	2,200	2,200	2,200	
Investing Cash Flow	-10,326	-13,922	-26,040	-65,758	-46,937	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-1,643	-3,287	-3,000	-2,620	-2,911	
Inc / Dec (-) in Loans	-15,051	3,924	2,817	18,560	11,621	
Others	-7,194	-9,686	-4,309	-7,533	-9,401	
Financing Cash Flow	-23,889	-9,049	-4,491	8,407	-691	
Inc / Dec (-) in Cash	2,785	6,549	2,061	-12,556	5,450	
Opening Cash Balance	2,007	4,792	11,341	13,402	846	
Closing Cash Balance	4,792	11,341	13,402	846	6,296	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	145,070	174,149	186,756	197,747	209,976	
Share Capital	16,423	16,397	16,397	16,397	16,397	
Reserves & Surplus	128,647	157,752	170,360	181,350	193,579	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-87	21	21	21	21	
Total Loans	74,258	69,951	72,768	91,328	102,950	
Def. Tax Liab. / Assets (-)	6,081	8,923	8,923	8,923	8,923	
Total - Equity & Liab.	225,323	253,043	268,468	298,018	321,869	
Net Fixed Assets	161,095	169,212	200,852	268,280	295,332	
Gross Fixed Assets	203,094	205,443	215,736	281,217	390,815	
Intangible Assets	14,705	14,078	14,078	14,078	14,078	
Less: Depn. & Amort.	61,431	71,215	82,853	98,382	120,468	
Capital WIP	4,728	20,906	53,890	71,367	10,906	
Investments	46,308	65,438	60,438	45,438	45,438	
Current Assets	56,960	74,674	62,252	50,558	57,756	
Inventories	3,951	9,010	5,081	5,470	6,258	
Sundry Debtors	9,645	6,702	6,185	6,659	7,619	
Cash & Bank Balances	4,792	11,341	13,402	846	6,296	
Loans & Advances	0	0	0	0	0	
Other Current Assets	38,573	47,621	37,584	37,584	37,584	
Current Liab. & Prov.	39,041	56,281	55,074	66,258	76,657	
Current Liabilities	12,848	16,113	20,817	22,001	24,401	
Provisions & Others	26,193	40,168	34,256	44,256	52,256	
Net Current Assets	17,920	18,393	7,178	-15,699	-18,901	
Total - Assets	225,323	253,043	268,468	298,018	321,869	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	11.5%	21.2%	19.4%	15.7%	15.2%	
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.3	
Leverage Factor (x)	2.0	1.8	1.8	1.8	1.9	
RoE	6.1%	10.8%	8.6%	7.1%	7.4%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	88.3	105.9	113.6	120.3	127.7	
ROIC	7.5%	11.3%	9.8%	8.3%	8.2%	
ROE	6.1%	10.8%	8.6%	7.1%	7.4%	
Net Debt/Equity (x)	0.5	0.3	0.3	0.5	0.5	
P/E (x)	61.5	28.3	31.4	36.0	32.4	
P/B (x)	3.4	2.8	2.6	2.5	2.3	
EV/EBITDA (x)	19.2	15.4	16.1	14.8	12.0	
EV/Sales (x)	8.1	6.7	6.8	6.7	5.9	
Debtor days	51	30	28	28	28	
Inventory days	21	40	23	23	23	
Creditor days	86	85	121	127	138	

Source: Company, JM Financial

APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081
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Rating	Meaning
Buy	Total expected returns of more than 10% for large-cap stocks* and REITs and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for large-cap* stocks and REITs and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* Large-cap stocks refer to securities with market capitalisation in excess of INR200bn. REIT refers to Real Estate Investment Trusts.

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