

JSW Energy

Estimate change

TP change

Rating change



CMP: INR478

TP: INR590 (+24%)

Buy

Focus on core performance and organic capacity addition in 4Q

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(US	834.8 / 9.1
52-Week Range	579 / 419
1, 6, 12 Rel. Per	3/-10/-21
12M Avg Val (INR	1912

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	209.5	243.8	292.0
EBITDA	101.4	126.1	166.9
Adj. PAT	12.8	24.5	41.8
Adj. EPS (INR)	7.4	14.0	24.0
EPS Gr. (%)	-31.1	90.8	70.9
BV/Sh.(INR)	167.6	189.5	220.2

Ratios

Net D:E	2.2	2.3	2.2
RoE (%)	4.5	7.9	11.7
RoCE (%)	9.5	7.3	8.2
Payout (%)	40.8	25.0	18.8

Valuations

P/E (x)	65.6	34.4	20.1
P/BV (x)	2.9	2.5	2.2
EV/EBITDA (x)	14.6	12.6	10.0
Div. Yield (%)	0.6	0.7	0.9

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	69.3	69.3	69.3
DII	14.4	11.6	10.0
FII	9.6	12.2	14.7
Others	6.7	7.0	5.9

FII includes depository receipts

- JSW Energy (JSWE)'s 3QFY26 consolidated revenue at INR41b missed our est. by 13% primarily due to weaker than expected generation at Ratnagiri, Barmer and KSK Mahanadi plants. EBITDA stood at INR20b, 6% lower than our est. The company reported an adj. loss of INR2.6b (excluding deferred tax asset recognition and exceptional expenses pertaining to recent labor code changes) vs. our estimate of INR2.3b profit.
- Key things we liked about the result: 1) Power demand rebounded, with growth of ~6%YoY in Dec'25 and during the first 20 days of Jan'26; 2) JSWE signed a PPA for 400MW at Utkal thermal plant, which shall reduce the company's merchant exposure from ~8% (of total operational capacity of 13.3GW) currently to ~5% at start of FY27; 3) Kutehr hydro project has fully stabilized and is expected to contribute meaningfully in 1HFY27; 4) JSWE secured PPAs for both phases of the Salboni thermal project of 1,600MW each with the government of West Bengal.
- Key investor concerns: 1) RE bidding activity moderated, with only ~10.4GW bids in 9MFY26; 2) Standalone revenue declined ~30% YoY during the quarter; 3) JSWE commissioned only 125MW of RE capacity while maintaining 2HFY26 guidance of 1.5GW; 4) Earnings are expected to remain subdued in FY26-27 amid heavy capitalization of new assets.
- Key changes in earnings estimates: We cut our APAT est. for FY26 and FY27 to account for higher depreciation and interest run rates associated with ongoing asset capitalization. While our EBITDA est. remains broadly in line with consensus, we believe the Street's PATMi est. may see a ~20% downgrade in FY27.
- Valuation and view: Reiterate BUY with a TP of INR590, valuing the company's core renewable business at 12x FY28E EBITDA and its thermal business at 9x Dec'27E EBITDA.

Reports net loss amid weak operational performance

Financial performance

- Revenue of INR41b (+67% YoY) missed our estimate by 13%, mainly on account of weaker-than-expected generation at Ratnagiri, Barmer and KSK Mahanadi plants.
- EBITDA came in at INR20b (+122% YoY), missing our estimate of INR21.6b.
- JSWE has recognized a total deferred tax asset of INR7.5b during 3QFY26, with INR5.6b in Utkal and INR1.9b in KSK on account of estimation of recoverability of carry forward losses and unabsorbed depreciation.
- The company reported an adj. loss of INR2.6b (ex. deferred tax asset and exceptional expenses pertaining to recent changes in the labor codes) vs. our estimated profit of INR2.3b.

Operational performance

- Organic capacity addition in 3Q totaled 125MW vs. 2HFY26 guidance of 1.5GW.
- As Utkal, 400MW PPA is now signed. Merchant exposure after 1st Apr'26 will be 5% (vs. 8% at 2Q end) of total installed capacity of 13.3GW.
- Total generation rose 131% YoY to 12.1 BUs on account of new capacities added in preceding 12 months (KSK and Utkal). The generation fell 25% QoQ due to the high base effect in 2QFY26, which does well seasonally because of the effect of the Indian monsoon on JSWE's hydro and wind-heavy portfolio.
- In 3QFY26, JSWE commissioned its green hydrogen plant at Vijayanagar having a capacity of 3,800/30,000 TPA of Green Hydrogen/Oxygen.

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- The company has received shareholder approval for an INR30b equity issue to the promoter group.
- Net debt at 3Q end stood at INR637b (INR619b at 2QFY26 end).
- Receivables at 3Q end stood at ~INR30b, translating to debtor days of 73, a sharp reduction from 96 at 3QFY25 end.

Highlights of JSWE's 3QFY26 performance

■ Operational and generation performance

- Net generation increased 65% YoY to 11.1 BUs, led by strong growth in both renewables (+96% YoY to 3.2 BUs, driven by wind additions and the O2 Power acquisition) and thermal (+55% YoY to 7.9 BUs), supported by Mahanadi, Utkal Unit-II and LT tie-ups at Vijayanagar).
- The Kutehr hydro project has fully stabilized.
- 125MW RE capacity was commissioned during the quarter.

■ Financial performance and accounting

- Standalone revenue declined ~30% YoY due to plant shutdowns (notably in UP); however, cash flows remained protected through fixed charge recovery mechanisms.
- Higher depreciation and interest expenses reflect ongoing capitalization of new assets, with elevated levels expected over the next 2-3 years.
- A deferred tax asset of INR7.5b was recognized in 3QFY26 (INR5.6b at Utkal and INR1.9b at KSK), reflecting improved visibility on utilization of carry-forward losses and unabsorbed depreciation.

■ Capacity, contracts and balance sheet

- Operational plus under-construction capacity stands at 27.5GW.
- The 400MW Utkal PPA with Karnataka DISCOMs (25 years, tariff of INR5.78/unit) will commence from 1st Apr'26, reducing open merchant exposure from ~8% to ~5%.
- Net debt increased to INR637.7b, while cost of debt declined 11bp QoQ to 8.68%. Liquidity remains strong, with cash balances exceeding INR71b, and receivables improved to INR30b (73 debtor days).

■ Strategic and corporate updates

- The Tidong acquisition is expected to close by end-Jan'26.
- Post quarter-end, NCLT approval was received for the Raigarh Champa Rail Infrastructure resolution plan.
- The acquisition of the GE boiler manufacturing plant at Durgapur is targeted for closure by Jun-Jul'26. It will support JSWE's captive thermal equipment requirements.

Valuation and view

- Our valuation of JSWE is based on SoTP:
- Thermal is valued at 9x Dec'27E EBITDA, and renewable energy at 12x FY28E EBITDA.
- Hydro is at 2x Dec'27E book value, and green hydrogen equity is at 2x.
- Additionally, the company's stake in JSW Steel is valued at a 25% discount to the current market price, acknowledging the strategic significance of this holding while incorporating a conservative valuation approach.
- By aggregating the values from these different components, the total equity value of JSWE was determined, leading to a TP of INR590.

Consolidated performance

(INRb)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%	(%)	(%)
Net Sales	28.8	32.4	24.4	31.9	51.4	51.8	40.8	65.4	117.5	209.5	46.9	-13%	67%	-21%
YoY Change (%)	-1.7	4.8	-4.1	15.7	78.6	59.9	67.4	105.1	3.8	78.3	92.3			
Total Expenditure	14.6	15.5	15.3	19.8	23.5	21.8	20.5	42.1	65.2	108.0	25.3			
EBITDA	14.2	16.8	9.1	12.0	27.9	30.0	20.3	23.3	52.2	101.4	21.6	-6%	122%	-32%
Margin (%)	49.2	52.0	37.5	37.8	54.2	57.9	49.7	35.6	44.4	48.4	46.1			
Depreciation	3.8	3.9	4.1	4.8	7.4	8.1	8.3	8.0	16.5	31.7	8.1	2%	104%	2%
Interest	5.1	5.2	5.6	6.8	13.1	14.2	14.8	14.9	22.7	57.0	13.3	12%	163%	5%
Other Income	1.6	2.2	2.0	2.1	2.7	1.8	1.7	2.0	7.9	8.2	2.8	-38%	-14%	-6%
PBT before EO expense	6.9	10.0	1.4	2.6	10.1	9.5	-1.1	2.4	20.9	20.9	3.0	-136%	-177%	-112%
Extra-Ord income/(exp.)	0.0	0.0	0.0	1.0	0.0	0.0	-0.7	0.0	1.0	-0.7	0.0			
PBT	6.9	10.0	1.4	3.6	10.1	9.5	-1.8	2.4	21.9	20.3	3.0	-158%	-222%	-119%
Tax	1.6	1.3	-0.1	-0.5	1.8	1.3	-7.0	0.5	2.3	-3.4	0.5			
Rate (%)	23.6	12.9	-5.1	-15.1	17.7	13.8	397.7	19.3	10.5	-17.0	18.0			
Minority Interest	0.1	0.2	-0.1	0.1	0.9	1.2	1.1	1.0	0.3	4.2	0.2			
Share of JV & associates	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.2	0.1	0.1			
Reported PAT	5.2	8.5	1.7	4.1	7.4	7.0	4.2	0.9	19.5	19.6	2.3	82%	150%	-40%
Adj PAT	5.2	8.5	1.7	2.9	7.4	7.0	-2.6	0.9	18.4	12.8	2.3	-212%	-255%	-137%
YoY Change (%)	80.0	19.0	-27.4	-16.6	42.4	-17.4	-254.6	-67.7	15.6	-30.1	37.8			
Margin (%)	18.1	26.4	6.9	9.2	14.4	13.6	-6.4	1.4	15.6	6.1	4.9			

JSWE's SoTP valuation

Particulars	Units	Metric	Metric type	Valuation multiple	Amount
Thermal	INR m	46,335	EBITDA – Dec'27	9	4,07,746
Hydro	INR m	63,231	BV - Dec'27	2	1,26,462
Renewables	INR m	1,06,393	EBITDA - FY28	12	12,66,077
Green Hydrogen	INR m	1,438	Equity	2	2,875
EV	INR m				18,03,160
Less: Net Debt	INR m		FY28		8,35,264
Market cap	INR m				9,67,896
JSW Steel stake*	INR m				61,249
Total Equity value	INR m				10,29,144
Target price	INR/Share				590
CMP	INR/share				482
Upside/(Downside)					22%

*at a 25% discount



Highlights from the management commentary

■ Industry and demand outlook

- India's power demand increased by ~6% YoY in Dec'25 and during the first 20 days of Jan'26; however, 9MFY26 demand growth remained muted at ~0.5% YoY.
- Thermal bidding momentum strengthened, with 12.8 GW of bids awarded in 9MFY26, underscoring rising demand for baseload capacity.
- Renewable energy (RE) bidding moderated, with ~10.4 GW bids in 9MFY26.
- Management estimates ~10-12 GW of RE PPAs were signed in 9MFY26.
- The government has announced 97GW of fresh thermal capacity additions by 2034; management expects new bid activity over the next 1.5-2 years.

■ Operational performance

- Net generation in 9MFY26 increased 62% YoY to 39.6 BUs (vs. 24.4 BUs).
- Net generation rose 65% YoY to 11.1 BUs:
 - RE generation grew 96% YoY to 3.2 BUs, driven by organic wind additions and the O2 Power acquisition.
 - Thermal generation increased 55% YoY to 7.9 BUs, led by Mahanadi, Utkal Unit-II, and LT tie-ups at Vijayanagar.
- Long-term PPAs accounted for 82% of total power sales, with volumes up 63% YoY.
- Standalone revenue declined ~30% YoY due to shutdowns (notably in UP); however, revenue remained protected via fixed charge recovery.
- Kutehr Hydro project is now fully stabilized.
- Seasonal impact: ~5.2 GW of total operational capacity is wind and hydro capacity, making 3Q structurally weaker due to lower PLFs.

■ Capacity additions and pipeline

- 5.2 GW capacity added in 9MFY26, comprising:
 - 3.2 GW RE (including 1.5 GW inorganic)
 - 2.1 GW thermal (including 1.8 GW inorganic)
- 125 MW commissioned in 3QFY26. Management reiterated 1.5GW organic RE addition guidance for 2HFY26.
- Operational + under-construction capacity stands at 27.5 GW, with PPAs secured for the entire under-construction portfolio.
- 30 GW capacity target by 2030 remains on track.
- Connectivity visibility remains intact till FY28 for JSWE.

■ Financial performance

- EBITDA rose 98% YoY to INR22b, driven by acquired assets (Mahanadi Thermal and O2 portfolio).
- 9MFY26 EBITDA increased 83% YoY to INR84.4b.
- Cash profit increased 12% YoY to ~INR5.7b.
- Higher depreciation and interest expenses reflect ongoing capitalization of new assets; elevated levels are expected over the next 2-3 years.

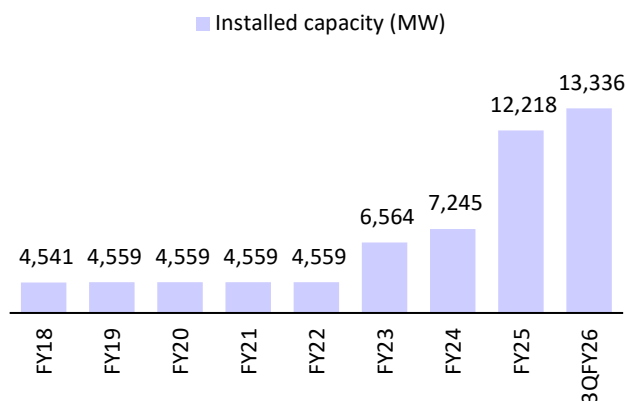
■ Contracted capacity and tariffs

- ~3.3 GW (~25% of installed capacity) is secured under high-quality group captive and C&I contracts; expected to rise to ~5.7 GW as capacity scales beyond 30 GW. Blended RE tariff for these contracts exceeds INR3.65/unit.
- Utkal 400 MW PPA (Karnataka DISCOMs) signed for 25 years, commencing 1st Apr'26:
 - Total tariff: INR5.78/unit (Fixed: INR4.04; Variable: INR1.74)

- Fixed charges are fully protected, subject to plant availability.
- Open merchant capacity to decline from ~8% to ~5% after Utkal PPA commencement.
- KSK tariff to reduce by ~INR1.25/unit for 1,000 MW (out of 1,800 MW) from one DISCOM (UP) in FY27. Fourth unit under construction (commissioning in ~3 years) and the remaining units to be commissioned at 3-6-month intervals.
- **Salboni Thermal Project (West Bengal)**
- Secured steam turbine generators (2 × 800 MW) from Toshiba JSW post quarter-end.
- Signed second 1,600 MW PPA with the West Bengal Government.
- Tariffs (fixed charge):
 - Phase 1 (1,600 MW): INR3.65/unit
 - Phase 2 (1,600 MW): INR4.06/unit
- Fuel costs are passed through; project benefits from strategic proximity to captive coal blocks.
- **Balance sheet and liquidity**
- Net debt stood at INR637.7b at 3Q end (vs. INR619.6b in 2Q).
- Cost of debt declined by ~11bp QoQ to 8.68%.
- Cash & cash equivalents exceeded INR71b.
- Receivables reduced to INR30b, with debtor days improving to 73 (vs. 96 in 3Q).
- Net leverage expected to reduce upon the full receipt of INR30b preferential allotment proceeds.
- **Equity and fundraising**
- Preferential allotment of INR30b to promoter group:
 - INR5b via equity
 - INR25b via warrants (to be converted within 18 months or earlier)
- Promoter participation at higher valuations is viewed positively and management remains open to fundraising as and when required.
- **Strategic initiatives**
- Commissioned India's largest green hydrogen plant at Vijayanagar:
 - 3,800 TPA Green Hydrogen
 - 30,000 TPA Green Hydrogen + Oxygen
- Tidong acquisition expected to be completed by end-Jan'26.
- Received NCLT approval post quarter-end for Raigarh Champa Rail Infrastructure resolution plan.
- GE boiler manufacturing plant acquisition at Durgapur expected to close by Jun-Jul'26; plant to cater to JSWE's captive thermal requirements.
- **Key risks and challenges**
- RE bidding activity slowed during 9MFY26; ~40 GW of awarded bids pending PPA signing, impacting new bid momentum.
- From FY27 onward, availability of fresh connectivity may pose challenges, potentially leading to continued moderation in RE bidding.
- RE curtailment: Arises from evacuation constraints and is done for grid stability and occurs either under GNA (where JSWE remains financially protected as it receives full payment as per tariff) or TGNA during grid stress, which has a financial impact (JSW Energy's exposure to TGNA is insignificant).
- Wind assets acquired from Mytrah continue to operate at lower PLFs as assumed at acquisition; other wind assets perform above industry averages.

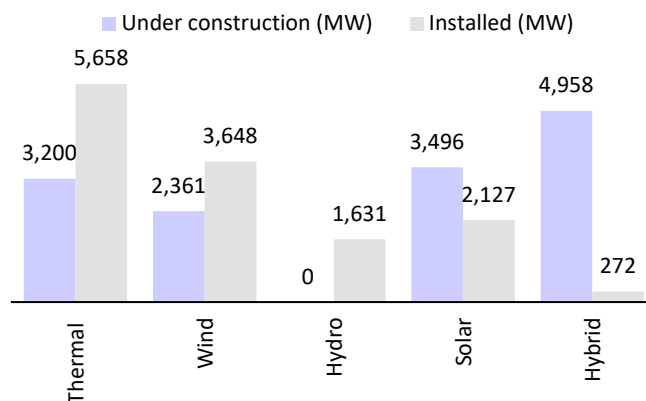
Story in charts – 3QFY26

Exhibit 1: Installed capacity (MW)



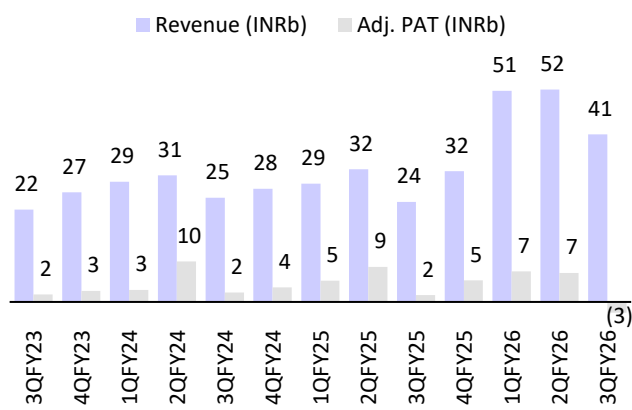
Source: Company, MOFSL

Exhibit 2: Capacity breakdown at 3QFY26-end



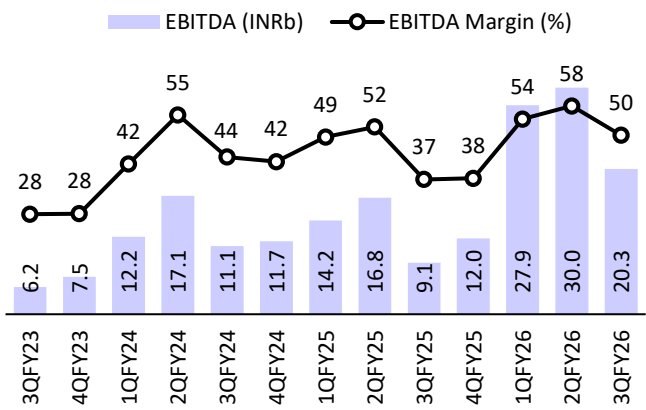
Source: Company, MOFSL

Exhibit 3: Consolidated revenue and Adj. PAT



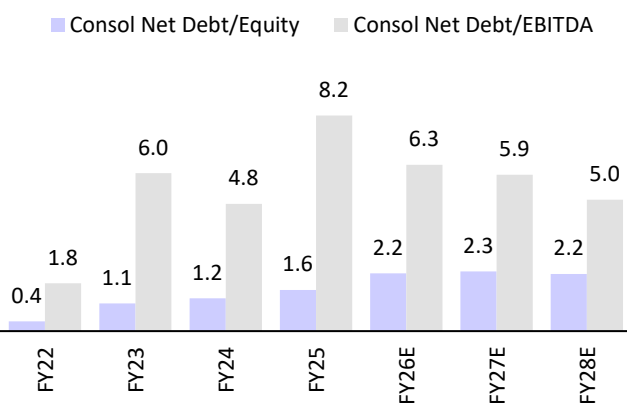
Source: Company, MOFSL

Exhibit 4: Consolidated EBITDA and EBITDA margin



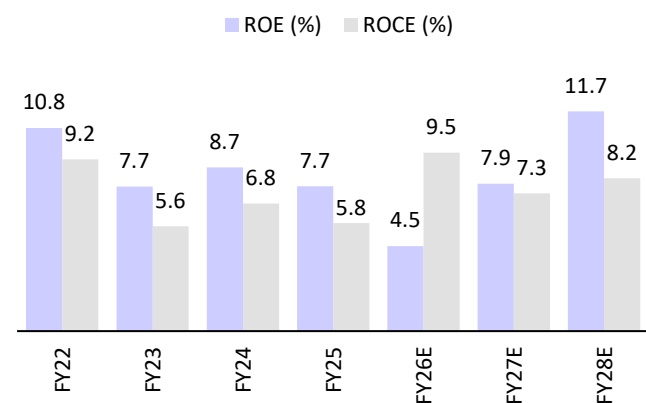
Source: Company, MOFSL

Exhibit 5: Consol. net debt/equity and net debt/EBITDA



Source: Company, MOFSL

Exhibit 6: Consol. ROE and ROCE



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	103,318	114,859	117,454	209,453	243,777	291,954
Change (%)	26.5	11.2	2.3	78.3	16.4	19.8
Total Expenses	70,500	61,041	65,247	108,019	117,719	125,035
EBITDA	32,818	53,818	52,206	101,434	126,058	166,918
% of Net Sales	31.8	46.9	44.4	48.4	51.7	57.2
Depreciation	11,692	16,334	16,546	31,738	36,694	43,841
EBIT	21,126	37,484	35,660	69,696	89,364	123,078
Net Interest	8,443	20,534	22,691	56,962	67,957	76,955
Other income	5,352	4,554	7,941	8,197	13,174	13,450
PBT before EO	18,036	21,504	20,910	20,931	34,581	59,572
EO expense	-1,200	0	-1,000	652	0	0
PBT after EO	19,236	21,504	21,910	20,279	34,581	59,572
Tax	4,627	4,423	2,310	-3,448	5,879	13,702
Rate (%)	24.1	20.6	10.5	-17.0	17.0	23.0
JV	193	165	228	137	137	137
Minority	-24	-19	-320	-4,241	-4,363	-4,178
Reported PAT	14,778	17,227	19,507	19,623	24,476	41,829
Adjusted PAT	13,866	17,227	18,613	12,830	24,476	41,829
Change (%)	-19.8	24.2	8.0	-31.1	85.7	70.9

Consolidated Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	16,405	16,412	17,453	17,453	17,739	18,025
Reserves	169,883	191,905	256,162	275,105	312,918	366,260
Net Worth	186,288	208,317	273,614	292,558	330,657	384,284
Minority Interest	1,054	1,825	17,236	21,477	25,841	30,019
Total Loans	248,172	313,266	496,213	759,489	839,489	919,489
Deferred Tax Liability	10,784	13,390	30,834	23,736	23,390	26,369
Capital Employed	446,298	536,798	817,898	1,097,260	1,219,377	1,360,161
Gross Block	329,615	384,671	653,428	833,108	1,001,598	1,246,650
Less: Accum. Deprn.	85,809	101,607	118,274	150,011	186,705	230,546
Net Fixed Assets	243,807	283,064	535,154	683,097	814,893	1,016,104
Capital WIP	47,795	102,851	102,809	152,809	164,319	99,267
Goodwill	6,485	6,398	6,398	6,398	6,398	6,398
Investments	49,616	59,458	76,537	76,537	76,537	76,537
Curr. Assets	139,714	130,920	178,491	269,699	252,741	263,306
Inventories	9,871	8,307	9,053	50,417	59,351	71,890
Account Receivables	16,314	10,205	13,198	13,268	15,619	18,918
Cash and Bank Balance	50,850	52,957	67,968	117,741	89,499	84,225
Others	62,679	59,452	88,272	88,272	88,272	88,272
Curr. Liability & Prov.	41,119	45,893	81,492	91,280	95,511	101,451
Account Payables	12,741	13,437	14,095	23,882	28,114	34,053
Provisions & Others	28,378	32,456	67,398	67,398	67,398	67,398
Net Curr. Assets	98,595	85,028	96,999	178,419	157,230	161,855
Appl. of Funds	446,298	536,798	817,898	1,097,260	1,219,377	1,360,161

Financials and valuations

Ratios

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	8.5	10.5	10.7	7.4	14.0	24.0
Cash EPS	15.6	20.4	20.1	25.5	35.0	49.1
BV/Share	113.6	126.9	156.8	167.6	189.5	220.2
DPS	2.0	2.0	2.0	3.0	3.5	4.5
Payout (%)	23.7	19.1	18.8	40.8	25.0	18.8
Dividend yield (%)	0.4	0.4	0.4	0.6	0.7	0.9
Valuation (x)						
P/E	57.0	45.9	45.2	65.6	34.4	20.1
Cash P/E	31.0	23.6	23.9	18.9	13.8	9.8
P/BV	4.2	3.8	3.1	2.9	2.5	2.2
EV/EBITDA	30.1	19.5	24.3	14.6	12.6	10.0
Dividend Yield (%)	0.4	0.4	0.4	0.6	0.7	0.9
Return Ratios (%)						
RoE	7.7	8.7	7.7	4.5	7.9	11.7
RoCE (post-tax)	5.6	6.8	5.8	9.5	7.3	8.2
RoIC (post-tax)	7.0	9.8	7.3	12.5	9.1	9.6
Working Capital Ratios						
Fixed Asset Turnover (x)	0.4	0.4	0.2	0.3	0.3	0.3
Asset Turnover (x)	0.2	0.2	0.1	0.2	0.2	0.2
Debtor (Days)	58	32	41	23	23	24
Inventory (Days)	35	26	28	88	89	90
Leverage Ratio (x)						
Net Debt/EBITDA	6.0	4.8	8.2	6.3	5.9	5.0
Debt/Equity	1.1	1.2	1.6	2.2	2.3	2.2

Consolidated Cash Flow Statement

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	32,818	53,818	52,206	101,434	126,058	166,918
FX gain/loss	0	0	0	0	0	0
WC	-11,336	10,085	-15,879	-31,646	-7,053	-9,899
Others	2,833	2,290	5,347	4,377	4,500	4,315
Direct taxes (net)	-3,473	-3,857	-3,291	-3,650	-6,225	-10,723
CF from Op. Activity	20,843	62,336	38,385	70,515	117,280	150,611
Capex	-42,363	-80,328	-67,086	-229,680	-180,000	-180,000
FCFF	-21,520	-17,991	-28,701	-159,165	-62,720	-29,389
Interest income	2,342	1,894	3,195	8,197	13,174	13,450
Others	-30,074	1,456	-161,717	-652	0	0
CF from Inv. Activity	-70,095	-76,978	-225,608	-222,135	-166,826	-166,550
Share capital	24	0	49,445	0	15,000	15,000
Borrowings	87,278	-177,098	184,252	263,276	80,000	80,000
Finance cost	-10,758	-23,082	-27,207	-56,962	-67,957	-76,955
Dividend	-3,288	-3,468	-3,639	-4,920	-5,740	-7,380
Others	18	220,397	-618	0	0	0
CF from Fin. Activity	73,275	16,748	202,234	201,394	21,303	10,665
(Inc)/Dec in Cash	24,023	2,106	15,011	49,774	-28,242	-5,275
Opening balance	26,828	50,850	52,957	67,968	117,741	89,499
Closing balance (as per B/S)	50,850	52,957	67,968	117,741	89,499	84,225

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