

Steady uptick in demand

- **Steady uptick in power demand:** Average peak demand till date in Apr'21 is up ~4% (2-year CAGR) vs. 6% growth in Mar'21, largely due to fresh restrictions related to the second wave of Covid-19 infections.
- During Q4FY21, generation (ex-renewables) stood at ~5% (2-year CAGR, FY19-21). On a YoY basis, generation grew ~9% due to a lower base on account of Covid-19-induced lockdowns in Mar'20.
- Thermal PLFs have improved in last few quarters: Thermal generation was up 12% YoY (5% 2-year CAGR) during the quarter. Thermal PLF during H2FY21 stood at 59.5% vs. 54% in H2FY20. Mar'21 thermal PLF at 66.5% was the highest since Mar'14 for the month. H2FY21 PLF of NTPC units stood at 70% vs. 66.5% YoY.
- Capacity addition takes a hit: In FY21, net conventional power capacity addition stood at ~3GW vs. 4.5GW YoY. RE power addition in the first 11 months of FY21 stood at ~6GW vs. ~9.5GW YoY.

- **Steady uptick in demand:** Average peak demand in Mar'21 recorded a 2-year CAGR of 6%, with thermal generation growth at the same level. Further capacity addition took a hit (due to Covid-19) in both conventional and renewable spaces. Conventional power added during the year was down 33% to ~3GW, while RE addition (in 11 months till Feb'21) was also down to ~6GW from ~9.5GW.
- **Large pipeline of solar projects:** While RE addition has been weak in the current fiscal, the pipeline of projects has increased in the last one year. The solar pipeline (CY20 end) stood at ~47.5GW vs. ~24GW at the end of CY19. Further during FY21, ~20GW of Utility Solar projects have been auctioned.
- **Generation across various companies: NTPC (S)** - generation grew 12.6% YoY in the quarter with coal PLF increasing from ~70% to ~77%. During Jan-Feb'21, PLF stood at ~74% vs. 71.5%. **JSW Energy** – overall generation declined ~7% YoY. Barmer has seen 13% growth in generation for the quarter. **CESC** - Dhariwal (600MW) saw growth of ~9% YoY for the quarter. **Tata Power** - CGPL generation has seen a marginal uptick. **Jindal Power (3400MW)** – generation for the quarter increased by 64% YoY. While thermal generation during the quarter was up 12%, hydro generation declined by 8%.
- **Key renewable bids in Mar'21:** GUVNL's 500MW Tender Phase II (bid at ~Rs2.2/kwh) was won by players like NTPC, Coal India and SJVN. SECI's 1200MW Wind project Tranche X (bid at ~Rs2.78/kwh) was won by Adani Renewable, JSW Future Energy and others.
- Stable coal PLF, steady increase in power demand and strong capacity addition in the medium term bode well for NTPC. We like the company's competitive approach in the recent solar bids. NTPC has featured in majority of the winning bids for solar projects in the country in the last few months. The stock currently trades at ~0.8x FY22 P/B consensus estimates.
- While there is a clear decline in the capex plan of Power Grid in the near term, dividend is increasing. Added to this is the additional benefit from InvIT. In the medium term, we believe that whenever we will see the implementation of the next round of RE plan (2030 RE plan of ~450GW), Power Grid will be one of the key beneficiaries, given its project management skill, technical competence and cheap fund raising abilities.
- Higher generation from the Dhariwal (600MW) power plant bodes well for CESC. This along with the short-term PPA has helped the Dhariwal unit to post a profit in the current fiscal. CESC intends to grow its distribution business and has been participating in relevant bids. In FY21, the company increased dividend to Rs45/share from Rs20/share in FY20, which makes it a strong dividend yield play at the current price.

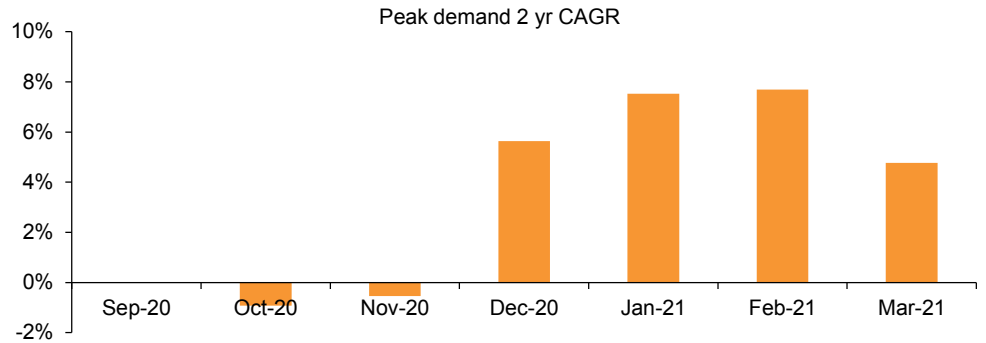
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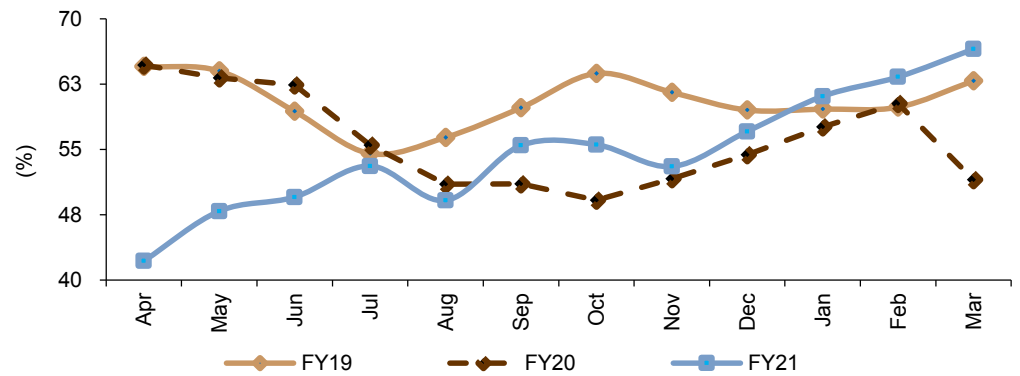
Story in Charts

Exhibit 1: Peak demand 2-year CAGR has been in 5-7% range for last few months



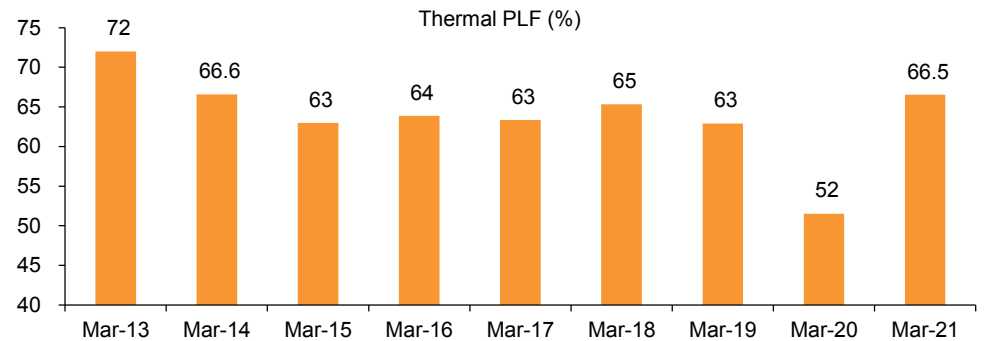
Source: Company, Emkay Research

Exhibit 2: Thermal PLF on rise



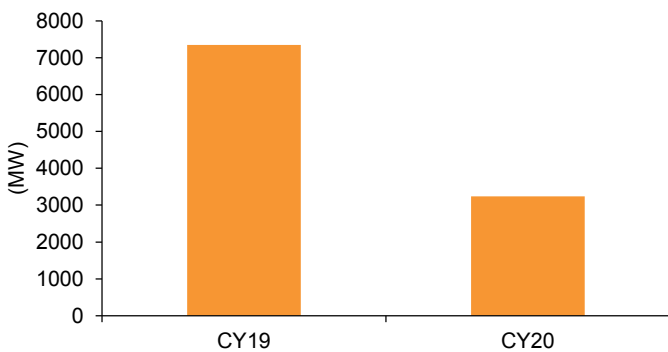
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Exhibit 3: Trend in Thermal PLF for the month of March



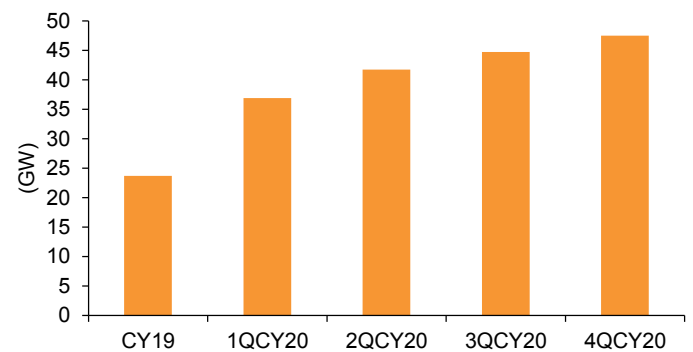
Source: Company, Emkay Research

Exhibit 4: RE addition in last 2 years



Source: Company, Emkay Research

Exhibit 5: Solar pipeline remains very strong



Source: Company, Emkay Research

Exhibit 6: GUVNL 500 MW Tender Phase XII

GUVNL 500 MW Tender Phase XII	MW	Rs/kwh
Sprng Ujjvala Energy Private	120	2.2
NTPC Renewable Energy Limited	150	2.2
Coal India Limited	100	2.2
TP Saurya Limited	60	2.2
SJVN Limited	70	2.21
Total	500	

Source: Industry, Emkay Research

Exhibit 7: 1200 MW ISTS-Connected Wind Power projects in India (Tranche-X)

1200 MW ISTS-Connected Wind Power projects in India (Tranche-X)	MW	Rs/kwh
Adani Renewable Energy Holding Fifteen Limited	300	2.77
Ayana Renewable Power Six Private Limited	300	2.78
Evergreen Power Mauritius Private Limited	150	2.78
JSW Future Energy Limited	450	2.78
Total	1200	

Source: Industry, Emkay Research

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