POWER | Q2FY24 Review | 15 November 2023

Uneventful quarter

- **Q2 an uneventful quarter for the power sector with flat revenue growth YoY for our coverage universe**
- **Capex plans intact with a continued spotlight on renewable capacity additions**
- **NTPC and PWGR remain our preferred picks; TPW still rated HOLD**

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No surprises: Our power coverage reported aggregate flat revenue growth YoY, while aggregate PAT grew 11% due to prior-period items in the case of NTPC and PWGR and lower tax in the case of TPW.

NTPC reiterates thrust on renewables: Renewable and hydropower currently account for 3.4GW and 3.7GW respectively of NTPC's total 73.8GW capacity. The company plans to add 20GW of renewable capacity by FY27 and a further 40GW by FY32. For FY24, capex is budgeted at Rs 284bn on a consolidated basis and Rs 225bn standalone. Thus far, ~47% of the capex has been incurred in H1. Further, management has identified 14GW of pumped hydro capacity to be executed over 6-9 years.

PWGR's capex to move up from FY25 onwards: PWGR has planned capex of Rs 125bn and capitalisation of Rs 170bn for FY25. Beyond this, it has a Rs 1.9tn capex plan for the next decade that includes Rs 1.7tn for transmission infrastructure, Rs 10bn for solar generation, Rs 150bn for smart metering infrastructure, and Rs 10bn for the data centre business. The government recently approved the Rs 207bn Ladakh green energy corridor project with a 40% grant, which should begin around Q1FY26.

TPW adding large renewable capacities: TPW has 920MW of wind and 263MW of solar energy capacity as of H1FY24. The company plans to commission 300MW each of solar and wind power by FY24 and FY25 respectively, with no plans for thermal additions going forward. TPW is also exploring opportunities in new areas such as green hydrogen and electric vehicle charging. On the pumped hydro side, regulatory approvals are pending, and management expects to commission any approved projects in a 5-6-year timeframe.

Prefer NTPC, PWGR: We maintain our preference for NTPC (BUY, TP Rs 290) and PWGR (BUY, TP Rs 250) as they continue to ramp up capex plans. Although TPW (HOLD, TP Rs 800) is a well-run utility, we would await a better entry point.

Recommendation snapshot

Ticker	Price	Target	Rating
NTPC IN	246	290	BUY
PWGR IN	212	250	BUY
TPW IN	820	800	HOLD

Price & Target in Rupees | Price as of 13 Nov 2023

Power: Q2 result reviews

Company	Result review link
NTPC IN	No surprises; maintain BUY
PWGR IN	In-line quarter; FY24 capex ramped up
TPW IN	Gas trading tapers

Source: BOBCAPS Research

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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