SECTOR UPDATE

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POWER | Monthly Tracker | 04 March 2024

Capacity addition quickens but lags annual targets

- **Power plant PLFs higher at 72.3% in Jan'24 and 68.5% YTD; government raises peak demand estimate 5% to 384GW by 2032**
- **10GW renewable capacity added in 10MFY24 and transmission line addition picked up in Jan'24, but both still lag full-year targets**
- **NTPC and PWGR remain our top picks; we maintain HOLD on TPW due to full valuations**

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Peak demand returning; plants gear up for summer: Peak power demand during Jan'24 grew ~4% MoM and YoY to 223GW, with a marginal shortfall in supply. Total generation for the month increased 8.6% MoM and 5.7% YoY to 144BU. Thermal plants contributed ~80% of the electricity generated in January and ~75% in FY24 YTD, with their average PLF rising to 72.3% for the month (vs. 65.2% in Dec'23 and 66.9% in Jan'23) and 68.5% YTD. India Ratings expects ~68% PLF for FY24 and FY25. The government has recently raised its peak power demand estimate to 384GW by 2032, a 5% increase compared to earlier estimate published in May'23.

Renewables catching up with annual target: Wind and solar capacities of 300MW and 1GW respectively were added during January, taking FY24 YTD renewable capacity additions to 10GW. This is still short of the 20GW of additions expected by ICRA in FY24 and 18-20GW expected by India Ratings.

Transmission infrastructure rises MoM, continues to lag YTD: A total of 938ckm of transmission line capacity was added in January and 9,985ckm in FY24 YTD. Central Electricity Authority's (CEA) monthly capacity addition target was exceeded by 14%, but YTD addition is still 33% below target (vs. 36% earlier). Under tariff-based competitive bidding (TBCB), no new projects began construction, but ReNew Transmission has completed its 2,500MW Koppal Wind Energy evacuation project.

Three new transmission works approved: The National Committee on Transmission (NCT) has approved three projects worth Rs 7.4bn. Of these, projects worth Rs 1.2bn and Rs 2.5bn have been awarded to PWGR and Adani Energy respectively, and a third worth Rs 3.7bn is approved for RECPDCL and to be awarded via TBCB.

Outstanding dues continue to fall: Outstanding dues payable to public sector units stood at Rs 181.4bn as of Jan'24, falling 2% MoM and 16.5% YoY. The fall indicates successful implementation of the late payment surcharge (LPS) scheme.

Top picks: We continue to prefer NTPC (BUY, TP Rs 370) and PWGR (BUY, TP Rs 320) as plays on thermal capex and India's green energy corridor respectively.

Recommendation snapshot

Ticker	Price	Target	Rating
NTPC IN	342	370	BUY
PWGR IN	287	320	BUY
TPW IN	1,149	1,140	HOLD

Price & Target in Rupees | Price as of 2 Mar 2024

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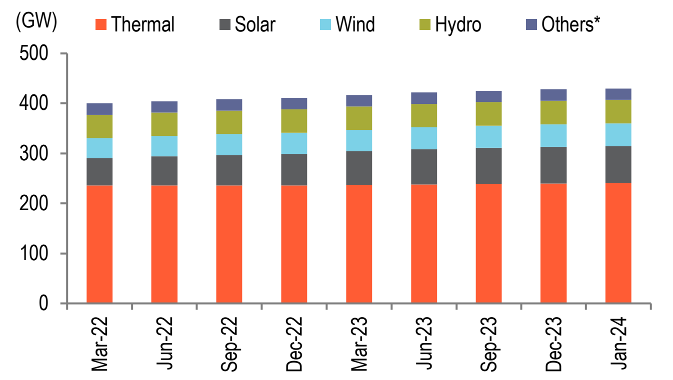
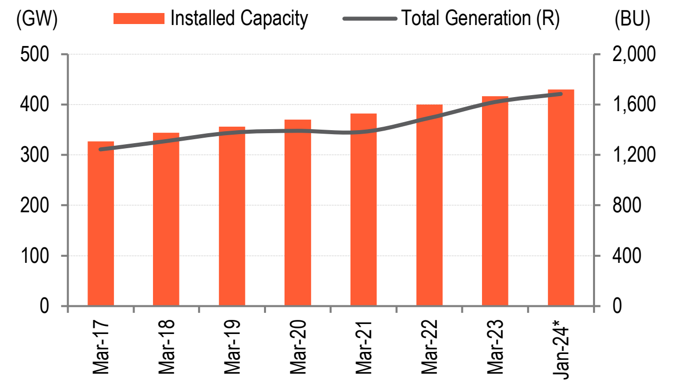
Fig 1 – Installed capacity – Monthly progress



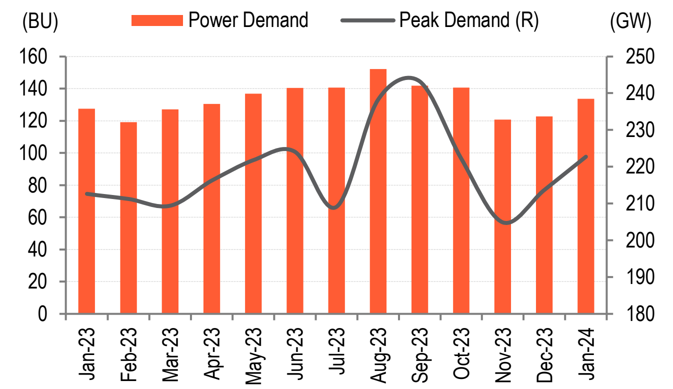
Source: CEA, BOBCAPS Research | *Biopower, small hydro, nuclear

Fig 2 – Installed capacity over the years



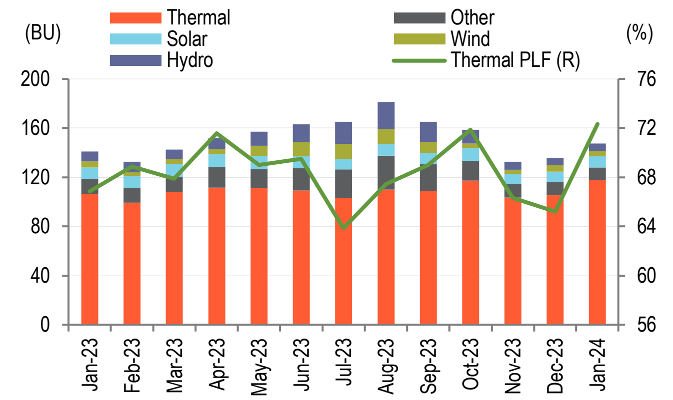
Source: CEA, BOBCAPS Research | *Represents estimated generation for FY24

Fig 3 – Monthly peak power demand



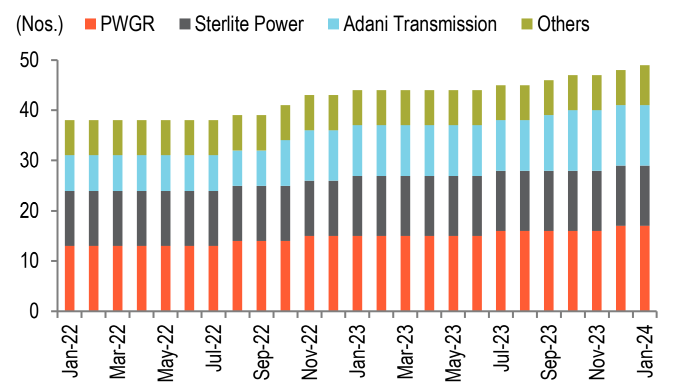
Source: CEA, BOBCAPS Research

Fig 4 – Monthly power generation and thermal PLF



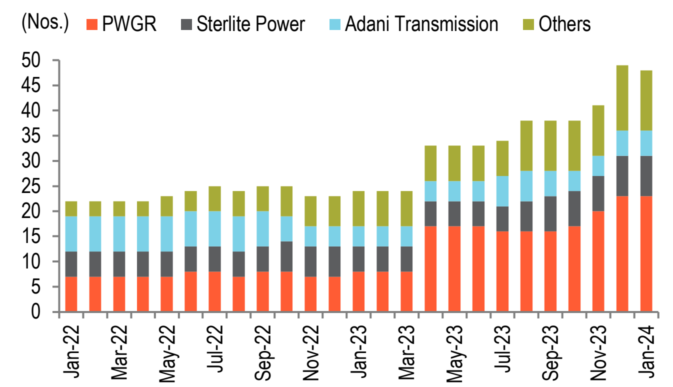
Source: NPP, BOBCAPS Research

Fig 5 – TBCB projects commissioned



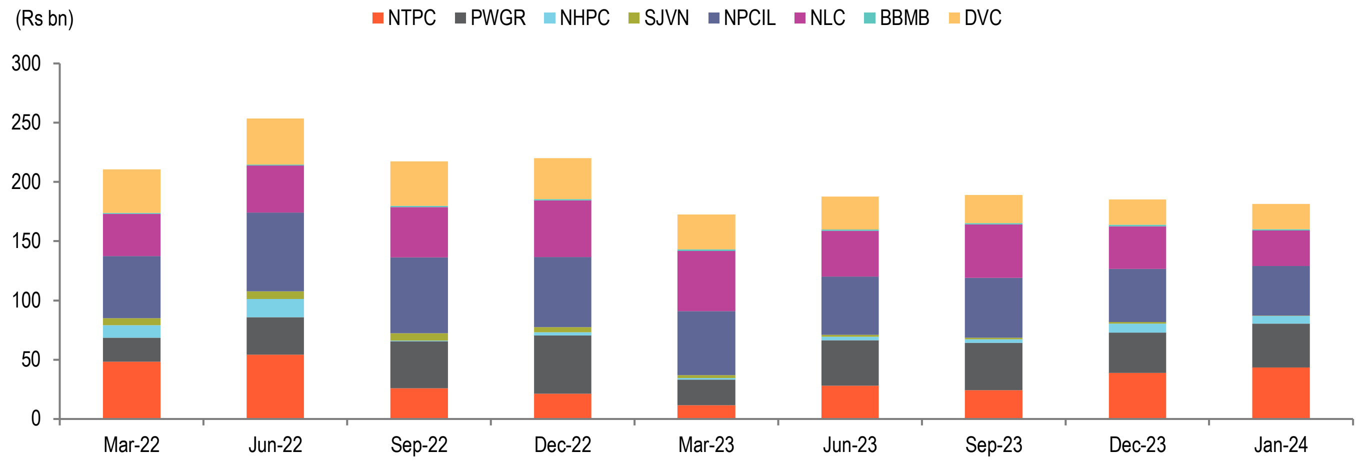
Source: CEA, BOBCAPS Research

Fig 6 – TBCB projects under construction



Source: CEA, BOBCAPS Research

Fig 7 – Outstanding dues (>45 days) payable to public sector units



Source: CEA, BOBCAPS Research

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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