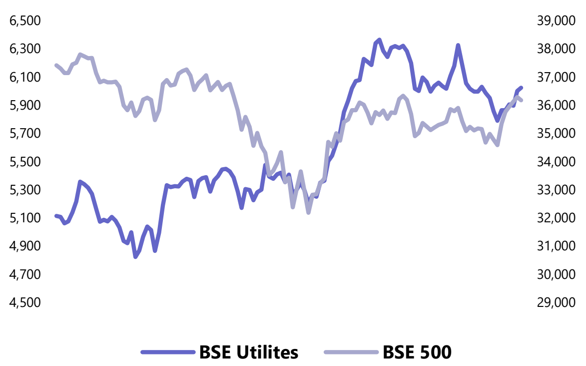
Sector Note

Utilities

23rd June 2026

Sector Note - Utilities

Company	Rating	Base Case Target	Bull case Target
CESC	BUY	210	221
JSW Energy	HOLD	-	639
NHPC	HOLD	-	85
NTPC	BUY	400	435
Power Grid	BUY	315	339
Tata Power	BUY	430	460



Fundamental Research Analyst

Dhruvin Shah, CFA

dhruvin.shah@hdfcsec.com

Power demand in May noticed a healthy growth of 11.2% YoY to 164.5 BUs, largely due to severe heat across the nation, leading to higher power consumption. The effect of El Nino, resulting in rising temperatures across the nation resulted into highest ever peak demand of 270.8 GW in May'26, jumping 17% YoY. Thermal PLF % in May'26 rose to 72.2% against 67.9% in May'25 and Conventional Generation (Thermal, Nuclear, Hydro and Bhutan imp.) moderately grew by 2.9% YoY to ~137 BUs, as renewables continued to increase their share in meeting India's Power demand

We remain constructive on the Utilities, supported by sustained electricity demand, a strong policy thrust, and an ongoing CapEx upcycle across generation and transmission. Despite the phased impact of El Niño, power demand has remained resilient, which should translate into higher generation, improved realisations, and better financial performance for power generation companies. Further, the rapid expansion of power infrastructure, ongoing commissioning of transmission assets, and capacity addition across renewables, thermal, nuclear, and transmission should continue to serve as key growth catalysts for sector participants. That said, while our stance remains bullish, we believe investors should remain selective, with execution, demand sustainability, and regulatory developments acting as key monitorables.

Our Take

Peak demand hits record; PLF improves

Power demand in May'26 remained robust, increasing 7.6%/11.2% MoM/YoY to 164.5 BUs, largely on the back of severe heat conditions across the country and the associated rise in cooling load. The El Nino-led increase in temperatures further lifted electricity consumption, resulting in a record peak demand of 270.8 GW in May'26, up 5.6%/17% MoM/YoY. Correspondingly, Thermal PLF improved to 72.2% in May'26 versus 67.9% in May'25, while conventional generation (Thermal, Nuclear, Hydro and Bhutan imp.) rose 1.7%/2.9% MoM/YoY to ~137 BUs. Renewable Generation grew significantly (+9.0%/23% MoM/YoY) to 29.4 BUs in April '26 as the nation added 52GW of renewables YoY, taking the total to ~231 GW (as of May '26).

Energy traded on power exchanges grew 4% YoY to 15.2 BUs, whereas DAM/RTM volumes 8%/31% YoY to 4.7/5.1 BUs, whereas TAM volumes fell by -33% YoY to 3,1 BUs in April '26. The total volume of electricity scheduled through ISTS during the month of April '26(April '25) was ~75 BUs(72 BUs), out which 29.1%(34.1%) was transacted in Short-Term Markets

CapEx-driven growth, considerable valuations

The Indian power sector is undergoing a structural transition as it pivots from a volume-led expansion phase to a reliability-driven operational model. With peak power demand crossing the 270 GW threshold in May 2026, the imperative has shifted toward ensuring "firm" power delivery. Renewables should remain the primary driver of incremental capacity, with annual additions expected to remain robust over the medium term, while thermal generation will continue to play a critical balancing role in managing intermittency and ensuring reliability during peak-demand periods.

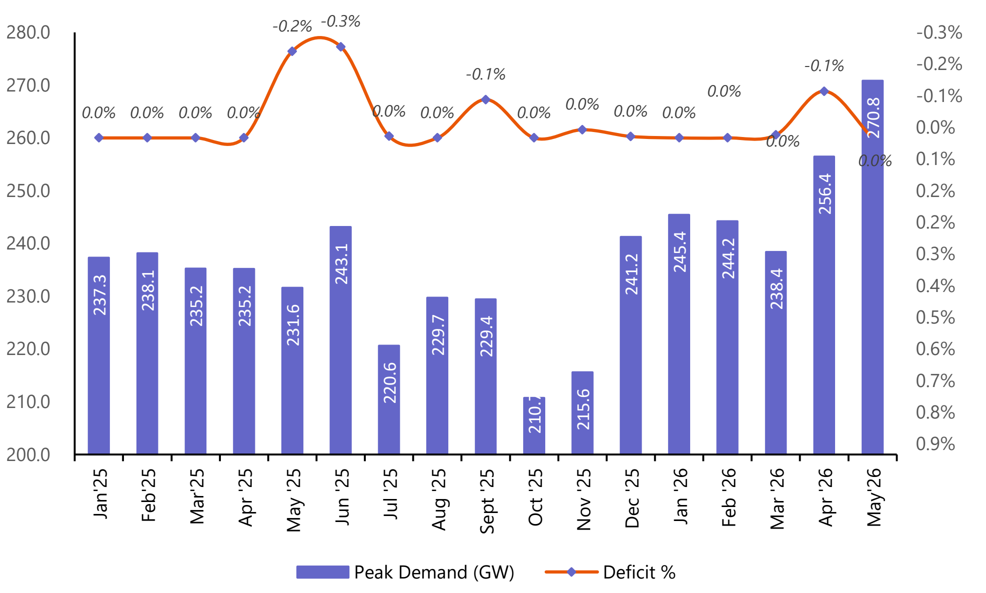
The sector is entering a more visible CapEx upcycle, with transmission commissioning improving and evacuation-related investments remaining elevated to support renewable integration. **We view NTPC and CESC as our top picks**, given their attractive valuations relative to their renewable expansion trajectory and financial visibility from the regulated return mechanism.

That said, sector performance will remain contingent on (i) timely commissioning of transmission assets, (ii) execution discipline in project delivery, and (iii) pick up renewable and transmission tendering momentum in FY27. In addition, grid bottlenecks, sustained DISCOM payment discipline, and the pace of BESS/FDRE projects deployment remain key monitorable points, as these will be critical in determining how effectively the current sectoral tailwinds translate into earnings growth and return accretion.

Company Name	Rating	CMP	Base Case Target	Bull Case Target	P/E (x)				EV/EBITDA (x)				ROE (%)			
					FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E
CESC	BUY	174	210	221	16.9	15.0	14.7	12.4	13.7	11.3	9.3	8.7	12.2	13.2	13.0	14.5
JSW Energy	HOLD	581	-	639	47.8	45.3	53.1	29.6	29.1	17.7	15.8	12.4	8.1	7.3	5.4	8.6
NHPC	HOLD	78	-	85	26.2	20.9	19.0	15.6	20.9	24.3	16.3	14.0	7.7	9.3	9.7	11.2
NTPC	BUY	366	400	435	15.2	13.1	13.7	12.3	7.0	6.9	5.9	5.3	13.1	13.4	11.5	11.9
Power Grid	BUY	290	305	325	17.0	16.5	15.5	13.4	9.8	10.6	9.4	9.1	17.3	16.5	15.6	15.5
Tata Power	BUY	406	430	460	32.6	34.2	29.0	24.3	12.9	15.3	12.6	11.4	11.9	10.0	10.7	11.7

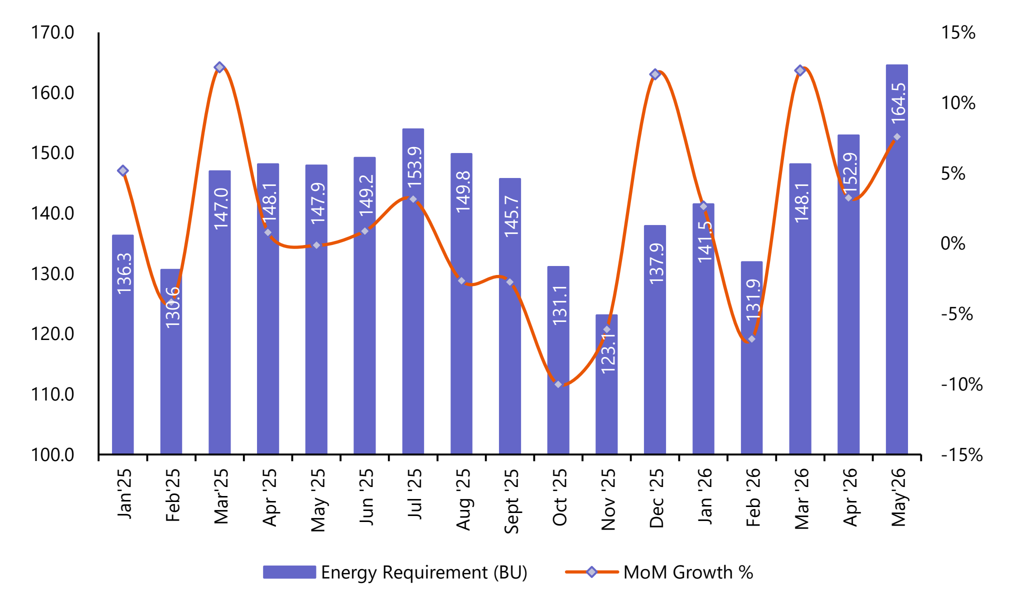
Story through Charts – Monthly Trends

Peak Demand hits record High of ~271 GW in May '26



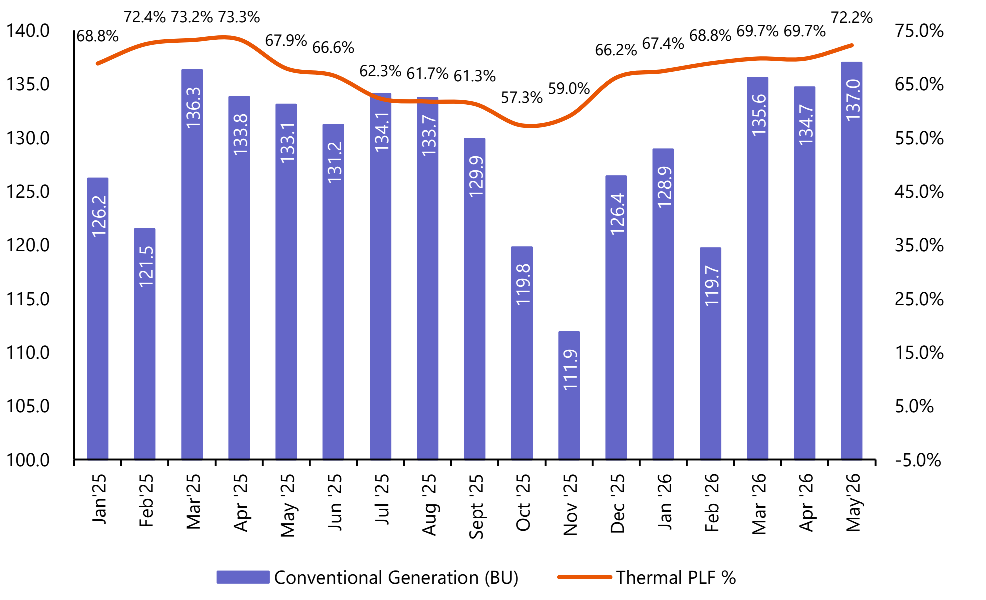
(Source: CEA, HDFC Sec.)

Monthly Energy Requirement rises, led by heatwaves across the nation



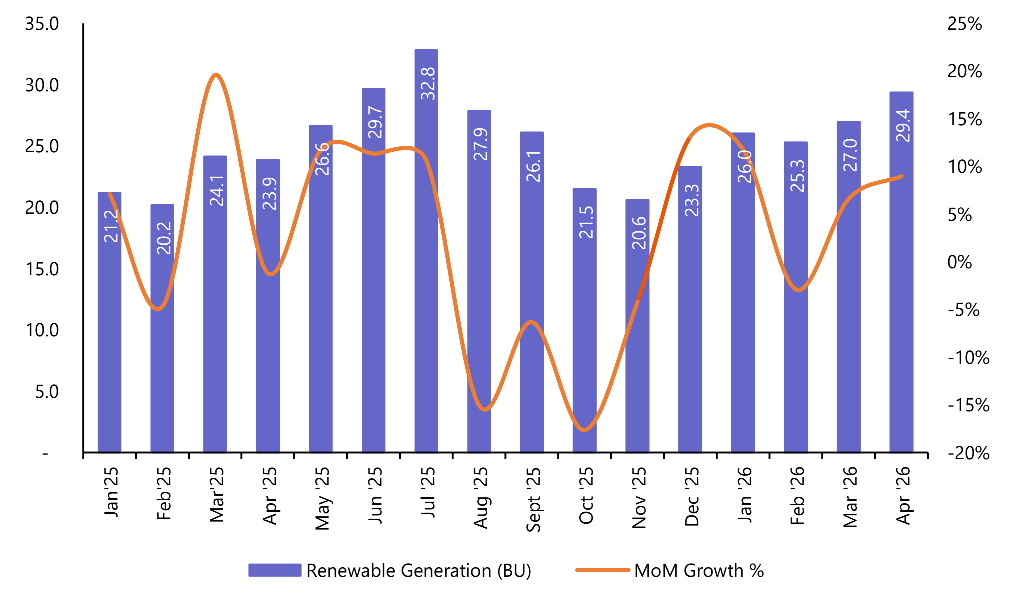
(Source: CEA, HDFC Sec.)

Conventional Generation (Thermal, Nuclear, Hydro & Bhutan imp.) and Thermal PLF % improve from rising power demand



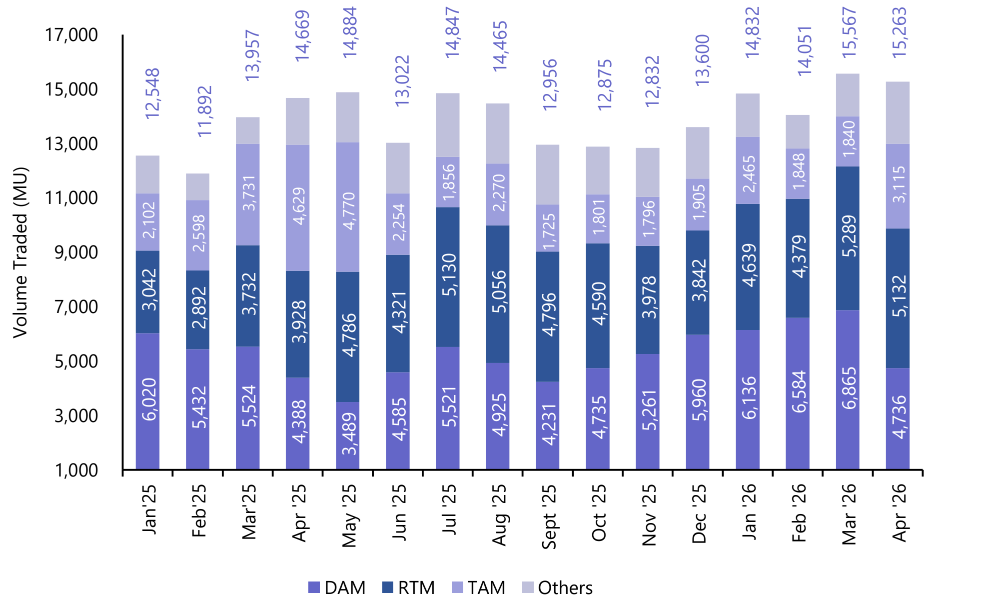
(Source: CEA, HDFC Sec.)

Renewables Generation (excl. Hydro) grew 23% YoY as the nation added ~50 GW capacity between Apr'26 and Apr'25



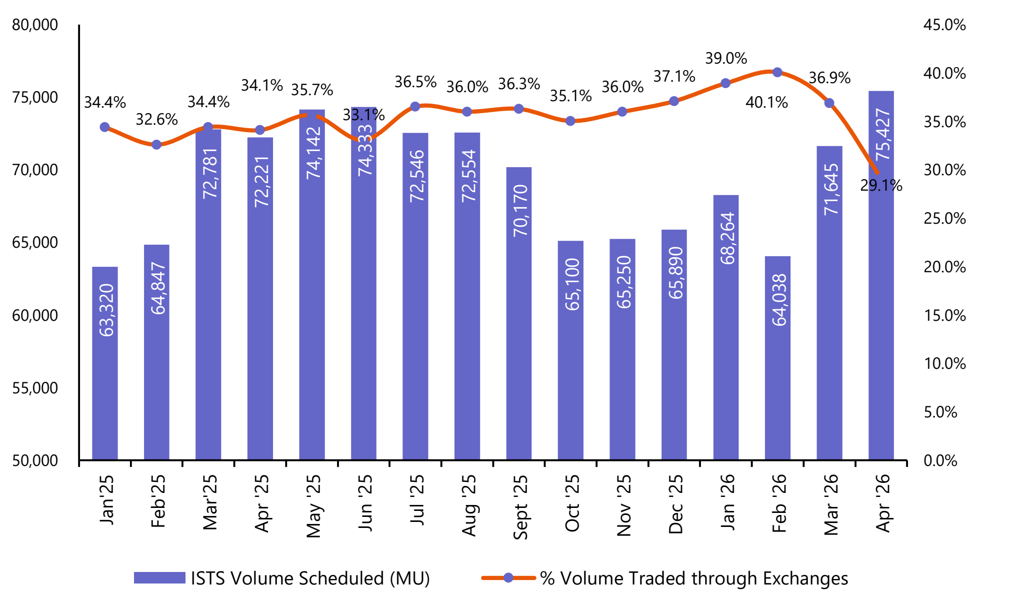
(Source: CEA, HDFC Sec.)

Volume Traded on Exchanges (IEX, PXIL, HPX) declined -2% MoM but grew 4% YoY in Apr'26 to 15.2 BUs



(Source: CEA, HDFC Sec.)

Electricity scheduled on ISTS lines grew 5.3%/4.4% MoM/YoY to 75.4 GW while ST volume share declined to 29.1%

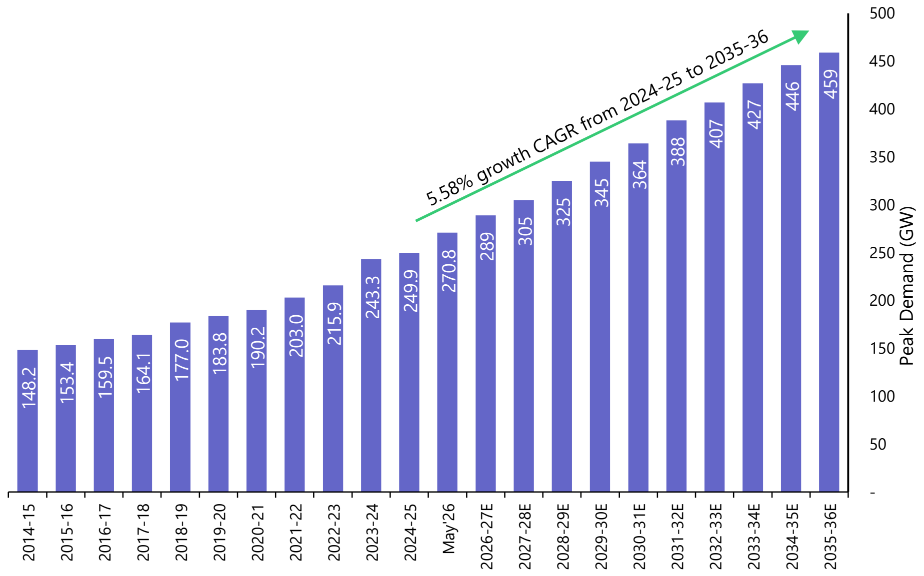


(Source: CEA, HDFC Sec.)

Sector Outlook

Peak Demand expected to grow at 5.58% CAGR over 2024-25 to 2035-36

As per CEA's Mid-term Review of the 20th Electric Power Survey (EPS), the electricity demand projections indicate that peak electricity demand is expected to increase at a CAGR of 5.58 % during 2024-25 to 2035-36 to 459 GW, driven by economic expansion, urbanization, electrification, industrial growth and new emerging loads such as electric vehicles, green hydrogen, rooftop solar, and data centers.



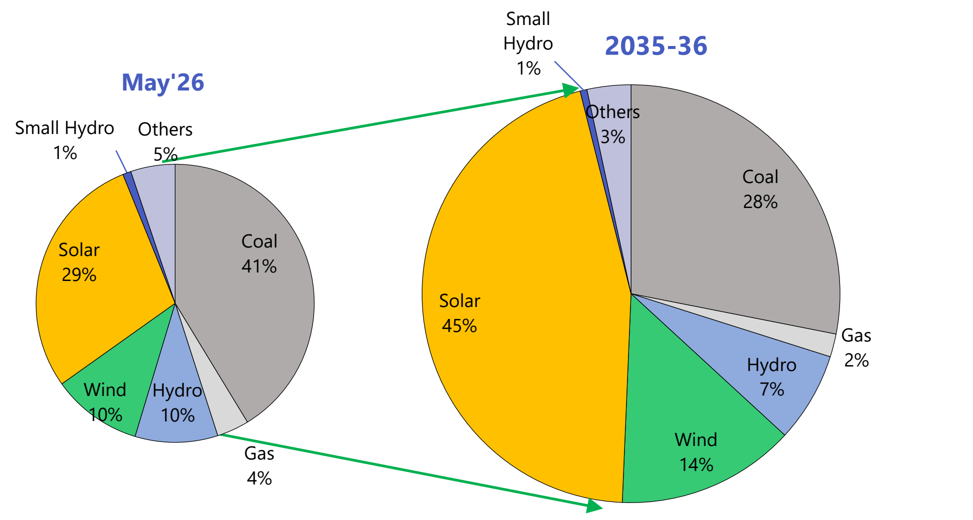
(Source: CEA, HDFC Sec.)

Renewables to comprise 70% of installed capacity by 2036

CEA projects installed capacity by the end of 2035-36 to be 1,121 GW, comprising 315 GW Coal, 20 GW Gas, 22 GW Nuclear, 78 GW large Hydro, 509 GW Solar, 155 GW Wind, 16 GW Biomass and 6 GW Small Hydro. Additionally, the Energy Storage installed capacity of 174 GW/888 GWh (BESS of 80 GW/321 GWh and PSP of 94 GW/ 567 GWh) is envisaged by 2035-36. The non-fossil fuel-based installed capacity would be about 786 GW i.e. 70% of the total installed capacity by 2035-36, as compared to 52% in May '26. Similarly, the fossil fuel-based installed capacity will fall to 30% by 2035-36 as compared to 48% in May'26, ensuring a clean and sustainable energy transition.

Source	Capacity (GW) as of			2025-2036 CAGR (%)
	2014-15	May'26	2036 Target	
Coal	165	222	315	4.0%
Gas	23	20	20	-0.1%
Hydro	41	52	78	4.7%
Wind	23	56	155	11.9%
Solar	4	154	509	14.2%
Small Hydro	4	5	6	1.7%
Others	15	28	38	3.6%
Total	**275**	**537.3**	**1,121**	**8.5%**

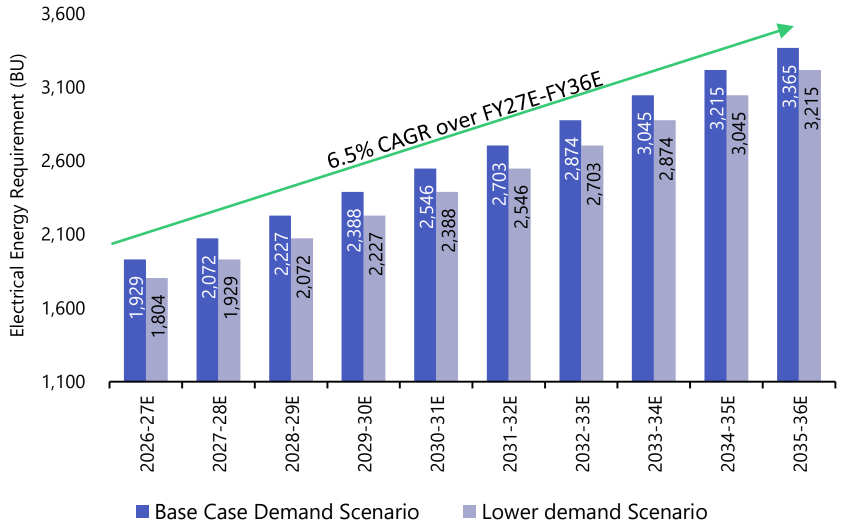
(Source: CEA, HDFC Sec.)



(Source: CEA, HDFC Sec.)

Energy requirement growth anticipated at 6.5% CAGR over the next decade

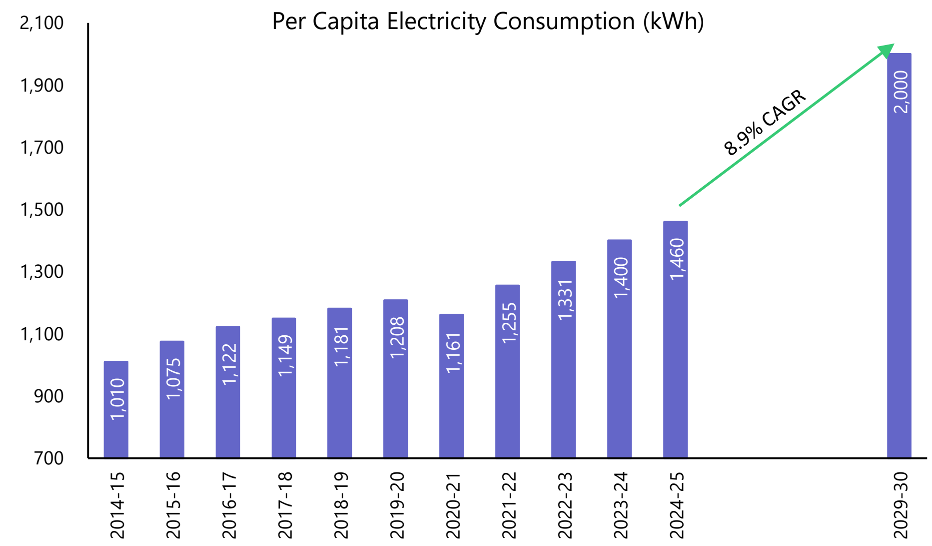
CEA expects India's electricity requirement to grow at a CAGR of around 6.5% over the next decade, driven by a sustained rise in economic activity, urbanisation, industrial output, and electrification across the economy. The 20th Electric Power Survey also presents a Base (Normal) Case Demand and a Lower Demand scenario, underscoring both the resilience of the demand outlook and the sensitivity of projections to efficiency gains and demand-side variability.



(Source: CEA, HDFC Sec.)

Per capita consumption set to grow multi-fold

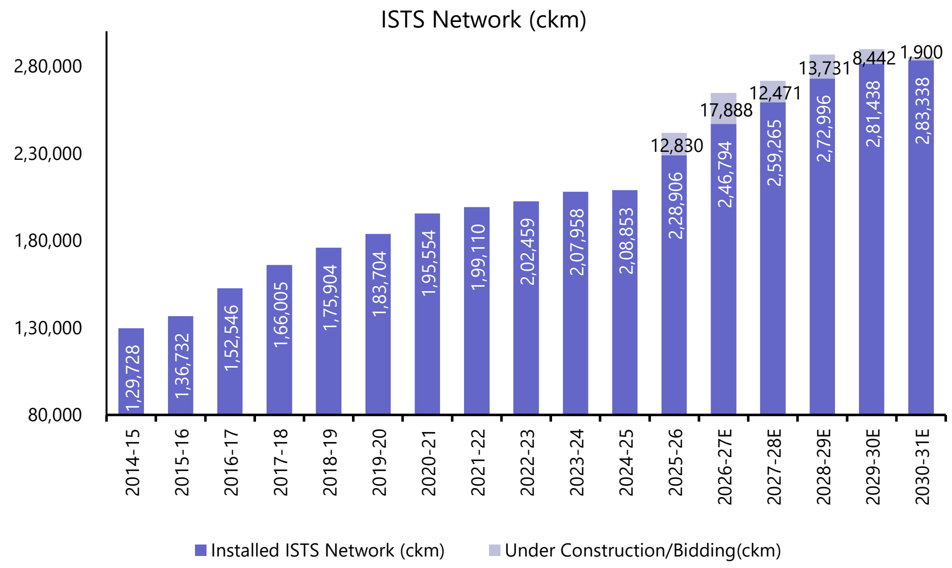
The Draft National Electricity Policy (NEP) 2026 sets ambitious consumption benchmarks, targeting per capita electricity usage of 2,000 kWh by 2030 and exceeding 4,000 kWh by 2047, up from approximately 1,460 kWh in 2024–25. This projected 2.7x growth in consumption reflects the significant energy requirements of a rapidly urbanising and industrialising economy. To facilitate this surge in demand, the policy framework prioritises a massive expansion in generation capacity, integrated with high-efficiency grid management and large-scale renewable adoption.

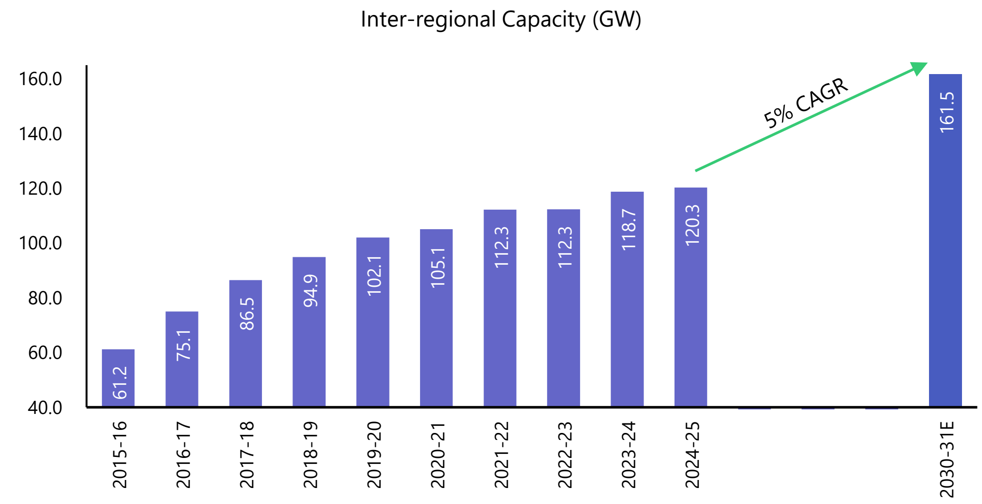


Transmission buildout to anchor power sector growth

As a significant step toward achieving the planned RE capacity, the transmission system has been envisaged to evacuate power from over 900 GW of non-fossil capacity by 2035-36, well above the required non-fossil capacity, given the execution challenges typically associated with transmission infrastructure.

India has added 2,022 ckm of transmission line capacity so far in FY27, taking the total network to 5,08,535 ckm as of May'26, while inter-regional capacity stands at 1,20,340 ckm. According to CEA's report (Mar'26), 3,090 ckm of transmission lines are under bidding, 19,190 ckm are under implementation, and 30,960 ckm are under planning. The CEA expects the ISTS network to expand to 2,83,338 ckm, enabling evacuation and transmission of large volumes of renewable power, while inter-regional capacity is projected to reach 161.5 GW by 2030-31.





(Source: CEA, HDFC Sec.)

Strong policy roadmap will solidify India's power infrastructure as a core growth play

India's power sector is undergoing a structural reset, supported by a series of policy and regulatory measures aimed at strengthening infrastructure, improving financial discipline, and enabling large-scale integration of renewables. The government has taken multiple steps across the value chain to address long-standing bottlenecks in transmission, distribution, and market design, thereby creating a more supportive operating environment for utilities and power infrastructure companies.

Revamped Distribution Sector Scheme (RDSS), launched in 2021 with an outlay of about Rs 3.03 lakh Cr, remains a key reform anchor. With projects worth Rs 2.8 lakh Cr already approved, the scheme focuses on improving operational efficiency, reducing losses, and strengthening the financial sustainability of DISCOMs to ensure a reliable, high-quality power supply.

Late Payment Surcharge (LPS) Rules have materially improved payment discipline across the sector, reducing outstanding dues from Rs 1.4 lakh Cr in June 2022 to Rs 4,109 Cr by February 2026, thereby easing liquidity stress for generators and improving confidence across the value chain.

Draft National Electricity Plan (NEP) (2023–2032) provides a strong CapEx roadmap, with an estimated investment of Rs 9.15 lakh Cr. The plan envisages expansion of the transmission network from 5 lakh ckm in January 2026 to 6.48 lakh ckm by 2032, while transformation capacity is expected to rise from 1,407 GVA to 2,345 GVA and inter-regional transfer capacity from 120 GW to 168 GW. This buildout is critical to supporting a projected peak demand of 458 GW by 2032, facilitating renewable evacuation, and integrating emerging load centres such as green hydrogen. The bill further seeks to deepen sector reform by rationalising cross-subsidies, promoting cost-reflective tariffs, and enabling industrial consumers to procure power directly. This is expected to improve tariff competitiveness, enhance efficiency, and support manufacturing growth, while retaining subsidised tariffs for agriculture and other eligible consumers.

Importantly, these measures are already translating into measurable sector improvement. AT&C losses have declined from 22.62% in FY14 to 15.04% in FY25, while the ACS-ARR gap has narrowed sharply from Rs 0.78/unit to Rs 0.06/unit in FY25. Taken together, these developments indicate a clear policy commitment to strengthening the power ecosystem, improving DISCOM viability, and supporting the next leg of growth in India's power infrastructure.

Reco BUY

Industry	Utilities
LTP	173.9
Buying Range	173-188
Add on Dips	145-155
Base Case Target	210
Bull Case Target	221
Time Horizon	4 Quarters

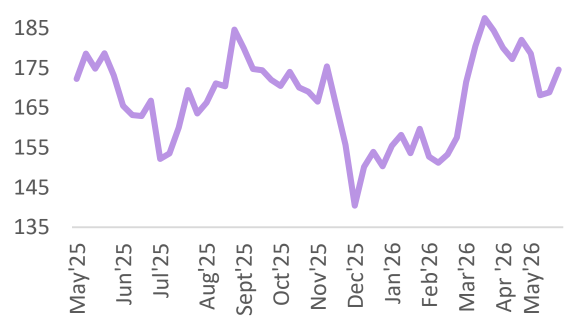
Stock Info

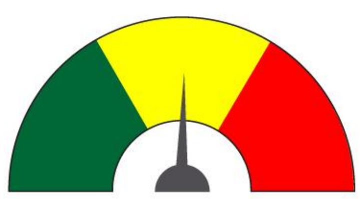
BSE Code	500084
NSE Code	CESC
Bloomberg	CESC IN
Equity Capital (Rs Cr)	132.6
Face Value (Rs)	1
Equity Share O/S (Cr)	132.6
Market Cap (Rs Cr)	23,105
Book Value (Rs)	94.6
Avg. 52 Wk Volumes	28,68,811
52 Week High	204
52 Week Low	138

Share Holding Pattern (%) (Mar'26)

Promoters	52.1
Institutions	37.9
Non-Institutions	10.0
Total	100.0

One Year Price Chart





* Refer at the end for explanation on Risk Ratings

Renewables-Led Expansion, Distribution-Led Stability

CESC reported revenue growth at 5.6%/2.3% YoY/QoQ at Rs. 4096 Cr from higher distribution sales (4,758 Mn units against 4,232 Mn Units in Q4FY25), supported by a significant lowering in T&D Losses of the distribution franchisee. EBITDA for Q4 came in at Rs. 743 Cr (-8.5%/-4.6% YoY/QoQ) led by higher cost of energy and fuel as well as rise in other expenses. EBITDA margin declined to 18.1% in Q4FY26 against 20.9% in Q4FY25. PAT came in at Rs 459 Cr, posting 19.2%/49.5% YoY/QoQ growth with margins at 11.2% (vs 9.9% in Q4FY25) led by higher regulatory deferral income of Rs 435 Cr.

Net generation was 3,591 MU v/s 3,513 MU (+2% YoY). The Southern generation station reported improved generation, while Haldia TPP achieved a PLF of 94.9% in FY26, up from 91% in FY25. In FY26, CESC Kolkata distribution business T&D loss reduced to all time low of 6.11%. T&D losses for all franchises and licenses have noticed improvement. Consolidated T&D loss for Rajasthan DF reduced to 11.4 % in FY26 from 12.9% in FY25. Malegaon DF T&D Losses reduced to 36.3% in FY26 from 39.7% in FY25. Nonetheless, per unit realisation for CESC Kolkata distribution and Noida Power came in relatively lower.

CESC is entering a growth phase, primarily driven by the planned expansion of renewable capacity to 2.9 GW by FY29 and 10 GW by FY32, which will cater to captive requirements as well as third-party markets. The adoption of captive renewable capacity is expected to substantially lower power procurement costs and enhance operating margins. This strategic expansion, alongside the company's existing regulatory ROE businesses, will result in a healthy mix of financial growth, operating margin improvement, and comfortable leverage.

In relation to our Pick of the week report (Link), we maintain BUY rating on the stock with an unchanged Base Case/Bull Case Target of Rs 210/221, as we expect CESC to deliver a Revenue/EBITDA/PAT CAGR of 10.7%/26.6%/11.4% over FY26-FY28E, backed by rapid renewable adoption and improving efficiency in distribution businesses.

Key Takeaways

- The management has guided for a CapEx of over Rs 6,000 Cr for the distribution business, Rs 22,000 Cr for renewable expansion and Rs 3,000 Cr for the establishment of a module manufacturing unit.
- The yearly CapEx spend on the distribution vertical will be close to Rs 1,200 Cr, where Kolkata Distribution (~Rs 600 Cr), Noida Power (~Rs 400 Cr) and Chandigarh Power (~Rs 200 Cr) will be the primary beneficiaries.
- The company has envisaged a 3.2GW/10GW renewable capacity by FY29/FY32, where ~2.2GW will be utilised for captive consumption and remaining capacity will be consumed for third-party sales.
- Renewable CapEx of Rs 6,000-7,000 Cr is expected in FY27, which would further increase to Rs 8,000-10,000 Cr in FY28.
- Rajasthan DF T&D Losses % are expected to come down to sub-10% in the couple of years
- Malegaon DF is expected to notice a gradual decrease in T&D losses, from 36.3% in FY26 to 30-25% over the next 2-3 years. The management is keen on achieving breakeven on this franchisee in the next few years.
- The privatization of the UP DISCOM remains on hold in light of the upcoming state elections; however, the government continues to demonstrate a strong commitment to pursuing the privatization of these distribution lines.

Valuation & Recommendation

The regulated nature of a majority of CESC's thermal generation and power distribution assets provides long-term earnings visibility, with regulated returns in the range of 15.5% to 16.5% on equity. While these asset bases are in their mature stages, the company's rapid addition of renewable capacity over the next few years is expected to support decent growth and improve operating margins through lower power costs. This is further supported by operational efficiency gains and a steady reduction in T&D losses across its distribution franchisees. Moreover, CESC's diversified operating footprint across generation, distribution, and renewables should help cushion earnings volatility and support a more stable long-term growth profile. Lastly, a potential amendment to the UP DISCOM privatisation framework and the Supreme Court's order on amortisation of regulatory assets could serve as additional growth catalysts for the business. In addition, CESC's steady focus on expanding renewable capacity and improving distribution efficiency should provide incremental support to earnings visibility. The combination of regulated cash flows and selective growth initiatives continues to make the business model relatively resilient over the medium- to long-term.

In relation to our Pick of the week report (Link), **we maintain BUY rating on the stock with an unchanged Base Case/Bull Case Target of Rs 210/221,** as we expect CESC to deliver a Revenue/EBITDA/PAT CAGR of 10.7%/26.6%/11.4% over FY26-FY28E, backed by rapid renewable adoption and improving efficiency in distribution businesses.

We value the regulatory businesses, Kolkata operations/Haldia/Chandigarh/Noida Power at 2x/2.5x/1.5x/2x FY28E Regulated equity, Renewables at 13x EV/EBITDA and Distribution Franchisees on a DCF Basis.

Risks & Concerns

- The Rajasthan and Malegaon franchisees have shown meaningful improvement in operating efficiency over the past few years, and some have even turned profitable. However, this improvement needs to continue consistently for these businesses to remain profitable and viable for the company. Pertaining to T&D losses could hinder the expected financial growth of the business.
- The company has guided for CapEx of over Rs 30,000 Cr over the next five years, including around Rs 6,000 Cr for distribution, about Rs 22,000 Cr for renewable energy projects, and roughly Rs 3,000 Cr for solar manufacturing, with funding expected largely through debt. While these plans are ambitious and supportive of long-term growth, they also increase consolidated leverage and financial risk. However, the company's strong cash balance and the steady cash generation from its mature businesses are expected to keep debt levels within a comfortable range.
- CESC's regulated businesses are constrained by delayed tariff revisions and the accumulation of regulatory assets, which defer cash recovery and reduce near-term cash flow efficiency. As a result, while the business remains regulated, the timing mismatch between cost recognition and tariff pass-through makes it less compelling from a cash-generation perspective. The Supreme Court's recent ruling on regulatory assets is positive for CESC, as it requires delayed tariff recoveries to be amortised over a fixed period, improving cash realisation and reducing balance-sheet strain in its regulated distribution business.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	4,096	3,877	5.6%	4,005	2.3%	15,293	17,001	18,570	20,882	22,771
EBITDA	743	812	-8.5%	779	-4.6%	2,125	2,689	3,447	4,629	5,527
APAT	440	361	21.9%	304	44.7%	1,375	1,369	1,542	1,578	1,867
Diluted EPS (Rs)	3.3	2.8	17.8%	2.2	54.0%	10.3	10.3	11.6	11.8	14.0
RoE %						13.1	12.9	12.2	13.2	13.0
P/E (x)						17.2	16.8	16.9	15.0	14.7
EV/EBITDA (x)						16.1	16.3	13.7	11.3	9.3

(Source: Company, HDFC sec.)

JSW Energy Ltd

Reco HOLD

Industry	Utilities
LTP	580.7
Buying Range	538-555
Add on Dips	480-487
Target	639
Time Horizon	4 Quarters

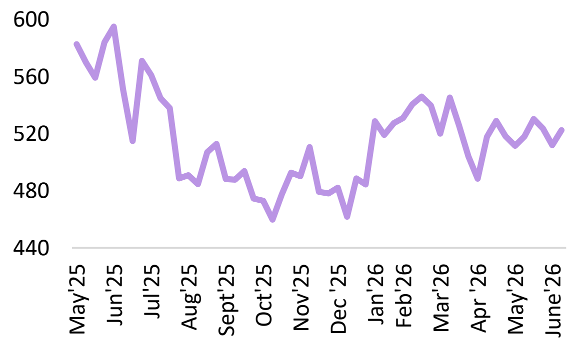
Stock Info

BSE Code	533148
NSE Code	JSWENERGY
Bloomberg	JSW IN
Equity Capital (Rs Cr)	1833
Face Value (Rs)	10
Equity Share O/S (Cr)	183.4
Market Cap (Rs Cr)	1,06,672
Book Value (Rs)	175
Avg. 52 Wk Volumes	34,38,458
52 Week High	617
52 Week Low	428

Share Holding Pattern (%) (May'26)

Promoters	66.5
Institutions	27.5
Government	0.1
Non-Institutions	5.9
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Rapid renewable addition to fuel growth

JSW Energy reported an in-line quarter, with revenue of Rs 4,498.5 Cr (+41.0%/10.21% YoY/QoQ). EBITDA for the quarter grew 86.8%/10.8% YoY/QoQ led by commissioning of renewable assets and acquisition of O2 power assets to Rs 2,249.62. EBITDA margins improved from 37.8% in Q4FY25 to 50% in the current quarter. APAT came in at Rs 372 Cr (-11.5%/-8.9% YoY/QoQ) due to higher deferred tax credit, whereas on EBT basis, company observed a -48% YoY de-growth; as higher finance costs and depreciation suppressed margins.

Thermal: *Total Net Generation up 43% YoY to 8.8 BUs, primarily driven by KSK Mahanadi, Utkal Unit-II and LT PPA tie-up of the Vijayanagar plant. Short-term generation increased 206% YoY to 3.1 BUs, driven by incremental volumes from the Mahanadi plant, where regional demand softness led back down under LT PPAs, which were monetised through ST markets. Long Term generation was up 10% YoY in the quarter; LT deemed PLF stood healthy at 94%. Total operating thermal revenue at Rs 3,346 Cr up 48% YoY primarily due to contribution from Mahanadi plant. EBITDA excluding other income increased 117% to Rs 1,471 Cr in Q4FY26.*

Renewables: *Net RE generation during Q4 FY26 increased by 68% YoY driven capacity additions. Total operating RE revenue increased 35% YoY to Rs 1,142 Cr, driven by contributions from both organic capacity additions and O2 Power RE portfolio in Q4FY26. Operating EBITDA was up 58% YoY to Rs 788 Cr, while for the full year it was up 60% to Rs 4,492 Cr.*

Following up on our Diwali Pick report, we recommend investors to HOLD the stock with an unchanged target price of Rs 639, as we expect JSW Energy to report a Revenue/EBITDA/PAT CAGR % of 17.5%/23.2%/24%, valuing Thermal/Hydro/Renewables businesses at 11x/11x/12.5x FY28E EV/EBITDA.

Key Earnings Concall Takeaways

- Operational capacity as of Mar'26 was around 13.5 GW across thermal, hydro and renewables (5.6 GW/1.6 GW/6.2 GW), with under-construction capacity at roughly 14 GW (3.2 GW/0.1 GW/10.7 GW) and a further 4.5 GW in the pipeline.
- In the energy storage segment, the company aims to bring in 40 GWh of assets by FY30, including 26.4 GWh of pumped storage and 3.2 GW of BESS that are already locked in.
- JSW Energy is targeting Rs 20,000 Cr in CapEx to add close to 3 GW of renewable capacity in FY27, with wind contributing roughly 35%–40% and solar being the remainder.
- Out of Rs 15,000 Cr in CapEx, approximately Rs 4,000 Cr–Rs 5,000 Cr will be earmarked for supporting projects like thermal (Salboni) and pumped storage, while the balance will be invested in wind, solar and battery energy storage solutions (BESS).
- Curtailment due to evacuation bottlenecks caused revenue losses of around Rs 16 Cr in Q4 FY '26 and Rs 50 Cr annually, though most of this is under permanent recovery and is expected to be resolved by July '26 once new evacuation lines are operational.
- The management believes hydro operations will not be materially affected by El Nino or heat waves, as snow melt and rainfall are expected to ensure adequate water flow to sustain full capacity and design energy.
- JSW Energy has secured a 25-year PPA for 400 MW from the Utkal plant at Rs 5.78 per unit, along with a two-year PPA for remaining 115 MW with Assam DISCOM.
- The company is aiming for a net debt-to-EBITDA ratio of roughly 5x–5.5x by 2030, backed by stronger free cash generation.
- Investments continue to be guided by a mid-teen return threshold, while cash returns on net worth, after adjusting for JSW Steel shares, remain robust at approximately 18%.
- The revised DSM regulations could impact revenues by up to 1.5%–2% in the worst case, though this may be partially offset by grouping arrangements at substations.
- Cost pressures on solar and wind projects are largely mitigated due to pre-existing contracts and procurement timing, ensuring that mid-teen IRRs remain protected.
- The wind blade manufacturing Unit in Halol, Gujarat, is expected to lower capital costs for wind projects by reducing logistics expenses and foreign exchange outflows.
- The 5 GWh battery assembly plant recently commissioned in Pune will help the company comply with the Government of India's domestic content norms for battery energy storage systems (BESS).

Valuation & Recommendation

JSW Energy's 3.0 strategy pivots to 20 GW renewable capacity by FY30, de-risking earnings from coal volatility and enabling valuation re-rating toward premium renewable peers via predictable PPA-backed cash flows and higher-margin PSP/BESS revenues. However, elevated leverage, commissioning delays, and steep interest costs—likely to rise with ongoing CapEx—pose risks to margin expansion and return ratios (ROCE/ROE) that already trail peers. While the growth story remains compelling, we remain marginally conservative on the stock given concerns about debt accumulation and suppressed returns over the next few fiscals unless execution improves.

Following up on our Diwali Pick report, **we recommend investors to HOLD the stock with an unchanged target price of Rs 639**, as we expect JSW Energy to report a Revenue/EBITDA/PAT CAGR % of 17.5%/23.2%/24%, valuing Thermal/Hydro/Renewables businesses at 11x/11x/12.5x FY28E EV/EBITDA.

Risks & Concerns

- Backed by a heavily leveraged capital structure (75–80% debt), JSW Energy's ambitious build-out program (14 GW under construction; 4.6 GW pipeline) faces substantial execution headwinds. Delays in acquiring land, navigating complex regulatory shifts, and obtaining environmental clearances remain key operational risks. Most critically, any friction in achieving timely grid integration will defer revenue visibility, inflate financing costs, and compress expected asset returns.
- The company carries substantial debt on its books, with management targeting a net debt-to-EBITDA ratio of 5x–5.5x by 2030, reflecting elevated leverage levels. Rising debt, coupled with steep interest costs that are likely to increase further with ongoing CapEx, could compress margins and suppress ROCE/ROE over the next few fiscals. Free cash flow generation may remain under pressure as JSW Energy continues to invest heavily in renewable, pumped storage, and BESS projects, limiting its ability to deleverage quickly. Compared to pure-play renewable peers with stronger return ratios, JSW Energy's higher leverage and interest burden pose a risk to margin expansion and valuation re-rating unless execution improves and cash flows strengthen.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	4,498	3,189	41.0%	4,082	10.2%	11,486	11,745	18,901	21,096	26,091
EBITDA	2,250	1,204	86.8%	2,030	10.8%	5,382	5,221	10,064	11,196	15,285
APAT	372	408	-8.9%	420	-11.5%	1,723	1,951	2,239	1,922	3,445
Diluted EPS (Rs)	2.1	2.3	-8.9%	2.4	-11.5%	10.5	11.2	12.8	10.9	19.6
RoE %						8.7	8.1	7.3	5.4	8.6
P/E (x)						55.3	47.8	45.3	53.1	29.6
EV/EBITDA (x)						24.9	29.1	17.7	15.8	12.4

(Source: Company, HDFC sec)

NHPC Ltd

Reco HOLD

Industry	Utilities
LTP	78.3
Buying Range	74-76
Add on Dips	68-70
Target Price	85
Time Horizon	4 Quarters

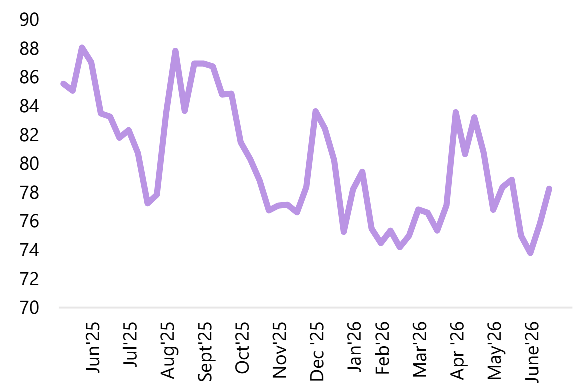
Stock Info

BSE Code	533098
NSE Code	NHPC
Bloomberg	NHPC IN
Equity Capital (Rs Cr)	10,045
Face Value (Rs)	10
Equity Share O/S (Cr)	1004.5
Market Cap (Rs Cr)	78,584
Book Value (Rs)	41.3
Avg. 52 Wk Volumes	1,71,18,982
52 Week High	89.8
52 Week Low	68.7

Share Holding Pattern (%) (Mar'26)

Promoters	67.4
Institutions	22.1
Government	1.1
Non-Institutions	10.4
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Executional headwinds remain key monitorable

NHPC numbers were in line as revenue grew 20%/26.8% YoY/QoQ to Rs 2,815.3 Cr and EBITDA grew by 9.7%/+465.1% YoY/QoQ to Rs 1,195.7 Cr while EBITDA margins were 42.5% (V/s 46.5% in Q4FY25). Deferred tax credit (~Rs 900 Cr) led to a substantial jump in shareholders' PAT by 71.1%/+566.4% YoY/QoQ to Rs 1,549 Cr with margins coming in at 52% (v/s 36.4% in Q4FY25).

The company generated a total of 29.6 BUs in FY26, against 25.5 BUs in FY25 (+16.1% YoY), supported by the commissioning of generation assets. NHPC's share in Hydro power generation in the country grew to 9% against 8% in FY25 as Operational capacity of the group was 9.3 GW (8.7 GW Hydro and 560 MW Wind & Solar in FY26. Projects under Construction as of FY26 are 9.2 GW, consisting of 8 GW of hydro projects and 1.2 GW of renewables. Projects under clearance/ survey & investigation stood at 10.3 GW/19.8 GW (as of Mar'26). NHPC's extensive development pipeline across pumped storage, solar hybrids, and BESS integrations provides strong visibility on long-term capacity growth. The company has guided for 16,700 MW of renewable capacity by 2030, 23 GW of total installed capacity by 2032, and over 50 GW by 2047, underscoring its participation in India's broader non-fossil capacity expansion.

The company successfully commissioned Subansiri Lower (3x250MW in FY26 and 1x250MW in May'26), the largest hydro power station in the country, marking a significant achievement in country's hydro power sector. The company has filed a petition for fixation of tariff with the CERC and has recorded Rs 562.3 Cr/Rs 613 Cr provisionally as sales as of Q4FY26/FY26.

The company's decade-long expansion roadmap into Renewables and Energy Storage (primarily PSP) should strengthen its scale and long-term earnings visibility, but execution risks inherent to large hydro projects — including delays, cost overruns and regulatory uncertainties — remain key monitoring points. Close tracking of project timelines, tariff/regulatory developments and capital allocation will determine whether NHPC can convert scale into sustained value delivery.

We recommend investors to HOLD NHPC with a Bull Case Target of Rs 85, valuing the stock on a DCF basis as we expect a Revenue/EBITDA/PAT CAGR of 23.6%/38.5/15.6% over FY26-FY28E, with execution efficiency and timely regulatory approvals—particularly interim tariff orders—being critical catalysts for stock re-rating.

Key Earnings Concall Takeaways

- PAF % for FY26 was 74.75% against 78.87% in FY25, due to downtime in Dulhasti, Chamera-III, TLDP-IV Power Station on account of MIV repair works, restoration of sill beam and repair of radial gates, etc.
- CapEx during FY'26 is Rs 13,689 Cr as against Rs 11,596 Cr in the corresponding period. The company has guided for a Rs 15,000 Cr in FY27.
- 4x250MW Subansiri Lower has been commissioned (as of May '26) and remaining four units will be commissioned in a phased manner by Mar '27, with an anticipated cost of Rs ~30,000 Cr.
- For the Subansiri Lower Project, NHPC has filed a tariff petition and is awaiting an interim tariff order from CERC to begin billing, with a final order expected within approximately six months after the interim order. The company is currently booking revenue at 80% of the average AFC (Annual Fixed Charges), which will be billed post interim tariff approvals by CERC.
- For Parbati-II, billing has commenced at 75% based on CERC's interim tariff notification, with the final tariff petition hearing scheduled for May 25th and a final order anticipated by the end of the current quarter
- The company expects to commission ~1,190 MW worth of solar projects current fiscal year: 100 MW in Andhra Pradesh by June '26, 600 MW in Gujarat by December '26, 40 MW in Odisha by October '26, and 50 MW floating solar in Kerala by March '27. Additionally, two 200 MW grid-connected solar projects in Gujarat are expected by June '26 and December '26.
- Investment approval for the implementation of Uri-I Stage-II HE Project of 240 MW and Dulhasti Stage-II HE project of 260 MW in UT of J&K at an estimated cost of Rs 2,709 Cr and Rs 2,994 Cr, respectively at the completion level has been accorded by the NHPC Board
- Cabinet Committee on Economic Affairs (CCEA) approved investment of Rs 26,070 Cr for the construction of Kamala HE Project (1,720 MW) in Arunachal Pradesh, which will be a Joint Venture (JV) between NHCP and the Government of Arunachal Pradesh.
- NHPC is exploring to develop Pumped Storage Projects in the State of Maharashtra, Odisha, Madhya Pradesh, Gujarat, Chhattisgarh, Rajasthan and Andhra Pradesh and currently has 18GW PSP projects under pre-construction feasibility and planning stages.

Valuation & Recommendation

NHPC brings deep domain expertise and a skilled workforce in hydropower, with end-to-end capabilities across conceptualisation, construction, commissioning, and operation of hydroelectric projects. India's growing peaking shortages, renewable intermittency, and grid frequency volatility have increased the policy focus on hydropower and pumped storage projects (PSPs), where NHPC has a distinct edge given its core hydro competency. As renewable penetration rises, the need for PSPs should also increase, further strengthening NHPC's long-term growth opportunity. However, El Niño-driven weak monsoon conditions can weigh on hydro generation by reducing reservoir inflows and water availability, which may temporarily limit output. At the same time, if NHPC faces executional delays in project construction or commissioning, the benefits of its pipeline could be pushed out, while debt and leverage may rise in the interim. In such a scenario, project timing and cost control will remain important monitorable for the investment case.

We recommend investors to **HOLD NHPC with a Bull Case Target of Rs 85, valuing the stock on a DCF basis** as we expect a Revenue/EBITDA/PAT CAGR of 23.6%/38.5/15.6% over FY26-FY28E, with execution efficiency and timely regulatory approvals—particularly interim tariff orders—being critical catalysts for stock re-rating.

Risks & Concerns

- NHPC's core business relies on large hydropower projects that are inherently prone to prolonged execution delays due to complex civil works, geological uncertainties, land acquisition challenges, and slow environmental/regulatory clearances. These delays directly impact commissioning timelines, deferred revenue realisation, and can lead to cost overruns that strain project economics.
- NHPC's power generation and revenue are highly sensitive to monsoon variability and river water availability. Droughts, below-average rainfall, or erratic precipitation patterns can significantly reduce plant availability and output, leading to earnings volatility that is partially outside management's control, unlike thermal or solar assets with more predictable generation profiles.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	2,815	2,347	20.0%	2,221	26.8%	9,631	10,380	11,615	14,821	17,754
EBITDA	1,196	1,090	9.7%	212	465.1%	5,181	5,520	5,236	8,239	10,044
APAT	1,460	854	71.1%	219	566.4%	3,596	3,007	3,766	4,134	5,037
Diluted EPS (Rs)	1.5	0.9	70.6%	0.2	559.1%	3.6	3.0	3.7	4.1	5.0
RoE %						9.5	7.7	9.3	9.7	11.2
P/E (x)						21.9	26.2	20.9	19.0	15.6
EV/EBITDA (x)						20.8	20.9	24.3	16.3	14.0

(Source: Company, HDFC sec)

NTPC Ltd

Reco BUY

Industry	Utilities
LTP	366.3
Buying Range	363-368
Add on Dips	345-335
Base Case Target	400
Bull Case Target	435
Time Horizon	4 Quarters

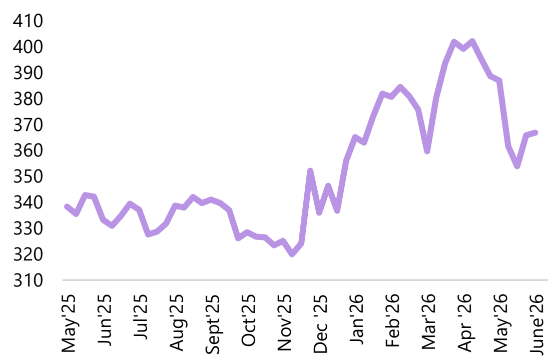
Stock Info

BSE Code	532555
NSE Code	NTPC
Bloomberg	NTPC IN
Equity Capital (Rs Cr)	9697
Face Value (Rs)	10
Equity Share O/S (Cr)	969.7
Market Cap (Rs Cr)	3,54,413
Book Value (Rs)	209.5
Avg. 52 Wk Volumes	1,19,20,597
52 Week High	414
52 Week Low	316

Share Holding Pattern (%) (Mar'26)

Promoters	51.10
Institutions	45.67
Government	0.12
Non-Institutions	3.11
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Rapid renewable addition to fuel growth

NTPC reported revenue for the quarter at Rs 49,688 Cr (-0.3%/+8.4% YoY/QoQ) whereas EBITDA grew +3.8%/+5.2% YoY/QoQ at Rs 15,320 Cr with EBITDA Margins improving to 30.8% v/s 29.6% in Q4FY25. Profit before Tax was Rs 8,366.3 Cr (+0.5%/13.3% YoY/QoQ) and PBT margins were 16.8% v/s 16.7% in Q4FY25. Shareholders' PAT grew significantly by 37.7/91.1% YoY/QoQ, driven by deferred tax adjustments, which also led to margins of 21.4% versus 15.8% in Q4FY25.

Average tariff realisation (Rs/kWh) was 4.82 against 4.70 in Q4FY25. Commercial generation/ Energy sent out fell by -4.4% YoY to 91.05/84.77 BUs respectively. PLF – Coal % for the quarter was 76.16% against 81.24% in Q4FY25 and for FY26, was 72.04% against 77.4% in FY25. Standalone Installed Capacity grew from 59.4GW to 60.8GW, while on a consolidated level it grew from 79.9GW to 89.1 GW, registering the highest ever capacity addition of 9.62 GW in FY26. Consolidated Capacity Under Construction (as of March 31, 2026) stood at 31.2 GW (i.e. 16.5 GW Coal, 2.6GW Hydro and 15GW Renewables). In FY26, the company incurred a total CapEx of Rs 49,068 Cr against Rs 44,636 Cr in FY25.

NTPC is entering a strong growth phase, led by aggressive capacity additions across renewables, thermal, hydro, and storage, with planned additions of 9.56 GW in FY27, 10.04 GW in FY28, and 11.48 GW in FY29. The company's long-term renewable ambition of 60 GW by FY32, backed by roughly Rs 3 Lakh Cr in renewable CapEx and an average annual addition target of 8 GW give it a clear multi-year growth runway. Even with curtailment and grid-related challenges, the company's return profile is protected by fixed-charge structures, thermal compensation mechanisms, and the mainstreaming of co-located battery storage under cost-plus tariffs.

We recommend investors BUY NTPC with a Base Case/Bull Case Target of Rs 400/435, as we expect NTPC to deliver a Revenue/EBITDA/PAT CAGR of 12.3%/9.6%/2.4% over FY26-FY28E (2x FY28E regulated equity), fueled by rapid renewable additions and cost-plus-tariff-led fixed returns.

Key Earnings Concall Takeaways

- El Niño is projected to cause elevated heatwave conditions through summer and post-monsoon 2026, potentially extending into early 2027, leading to higher electricity demand, especially for cooling.
- Curtailment of 314 MUs for NGEL during FY '26 resulted in an approximate INR90 crore impact on EBITDA.
- NGEL's CapEx guidance is Rs 35,800 Cr for the current year, Rs 46,000 Cr for the next year, and Rs 48,000 Cr for FY28, with a debt-equity ratio of 80:20.
- The group projects a total CapEx of Rs 6.2 Lakh Cr until FY32, with approximately Rs 3 Lakh Cr allocated to renewable energy, primarily through NGEL.
- NTPC Group currently has over 34 GW of capacity under construction, comprising 16.5 GW of coal-based capacity, about 2.6 GW of hydro capacity and 15 GW of renewable energy capacity.
- FY27 is expected to see a capacity addition of 9.56 GW, comprising of (~1 GW Thermal, 250MW Hydro and 8.23 GW Renewables).
- For FY28, Capacity additions will be close to 10GW (1.46GW Thermal, 444MW Hydro and 8.13 GW Renewables).
- The company is anticipated to add ~8GW of renewable capacity per annum till FY32 to reach 60GW cumulated capacity target. Management will also explore inorganic capacity additions to boost capacity.
- Management has planned to install 1,320 MWh BESS, where 1,000 MWh will be co-located with existing solar projects. Another 4 GWh of BESS is under planning.
- 5 GWh BESS has been allocated to existing thermal plants of the group under a cost-plus mode.
- The company has PPA tied up for ~72-75% of upcoming capacities (i.e. 79%/71%/66% of FY27/FY28/FY29 CODs), which will provide earnings and return visibility.
- NTPC completed the acquisition of the 1.3GW Sinnar Thermal Power Station in partnership with MAHAGENCO.
- Management expects no material operational impact from current global developments, with comfortable coal positions for 18 days and limited dependence on gas-based generation.

Valuation & Recommendation

NTPC is set to benefit from a large and diversified capacity pipeline, with renewable additions forming the core of the expansion story over the next few years. The company has already shown execution momentum, adding 9.62 GW at the group level in FY26, its highest-ever annual capacity addition. The renewable business should remain the biggest earnings driver, supported by firm PPA tie-ups for the planned pipeline and a disciplined approach to bidding. NTPC is also expanding into battery storage (BESS), pumped storage (PSP), green hydrogen, and nuclear, thereby broadening its growth engine beyond pure generation. Overall, NTPC combines scale, policy support, strong execution visibility, and a regulated/contracted return framework, which should support steady earnings growth and margin resilience over the medium term.

We recommend investors BUY NTPC with a Base Case/Bull Case Target of Rs 400/435, as we expect NTPC to deliver a Revenue/EBITDA/PAT CAGR of 12.3%/9.6%/2.4% over FY26-FY28E (2x FY28E regulated equity), fueled by rapid renewable additions and cost-plus-tariff-led fixed returns.

Risks & Concerns

- The power sector continues to face a variety of execution challenges, including delays in the delivery of critical equipment, grid congestion, and limited transmission infrastructure capacity. These issues have exceptionally constrained the higher adoption of renewable energy, as the current transmission infrastructure is inadequate to evacuate the increasing renewable capacity. While NTPC aims for an ambitious renewable capacity addition of ~8 GW per annum, the transmission and grid infrastructure required to deliver this power over long distances remains a concern.
- While NTPC operates on a long-term PPA model, majority of its off-32takers are State DISCOMs that have weak financial credibility. If sectoral reforms fail to significantly improve the economic health of state power utilities, NTPC's collection performance could be adversely affected, prolonging receivables, which are deterring cash flow efficiency required to fund ambitious capacity expansion over the next decade.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	49,688	49,834	-0.3%	45,846	8.4%	1,78,525	1,88,138	1,87,385	2,10,521	2,36,177
EBITDA	15,320	14,754	3.8%	14,570	5.2%	51,117	54,128	55,286	65,059	72,737
APAT	10,486	7,611	37.8%	5,489	91.1%	20,812	23,422	27,053	25,453	28,382
Diluted EPS (Rs)	10.8	7.9	37.7%	5.7	91.0%	21.5	24.2	27.9	26.8	29.9
RoE %						13.2	13.1	13.4	11.5	11.9
P/E (x)						17.1	15.2	13.1	13.7	12.3
EV/EBITDA (x)						7.4	7.0	6.9	5.9	5.3

(Source: Company, HDFC sec)

Power Grid Corporation of India Ltd

Reco BUY

Industry	Utilities
LTP	290.1
Buying Range	287-292
Add on Dips	270-275
Base Case Target	305
Bull Case Target	325
Time Horizon	4 Quarters

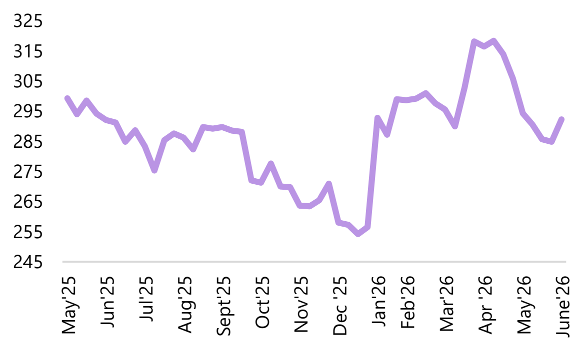
Stock Info

BSE Code	532898
NSE Code	POWERGRID
Bloomberg	PWGR IN
Equity Capital (Rs Cr)	9300.6
Face Value (Rs)	10
Equity Share O/S (Cr)	930.06
Market Cap (Rs Cr)	2,69,758
Book Value (Rs)	108
Avg. 52 Wk Volumes	1,32,74,394
52 Week High	325
52 Week Low	250

Share Holding Pattern (%) (Mar'26)

Promoters	51.3
Institutions	45.1
Government	0.1
Non-Institutions	3.5
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Strong Transmission Pipeline, Visible Returns

Power grid revenues noticed a de-growth of -5.0%/-5.9% YoY/QoQ to Rs 11,665.6 Cr due to lower tariff income from a changing asset mix and timing of capitalisation. EBITDA declined by -11.3%/-14.9 YoY/QoQ to Rs 9,066 Cr and EBITDA margins compressed to 77.7% (83.3% in Q4FY25) due to a substantial rise in other expenses. PAT grew +9.7%/8.6% YoY/QoQ to Rs 4,546 Cr while PAT margins came in at 39% (against 32.4% in Q4FY26) mainly due to deferred tax credits.

***Transmission** Revenues de-grew -7.1% YoY to Rs 10,865 with EBIT Margins compressing to 58.1% (against 60% in Q4FY25).*

***Consultancy services** revenue rose 60% YoY to Rs 830.5 Cr with EBIT margins improving to Rs 240.5 Cr with 29% EBIT margins.*

***Telecom** revenues noticed a decline of -31% YoY to Rs 140.3 Cr and EBIT margins for the business came in at 44.4% against 47% in Q4FY25*

Power Grid navigated a challenging H1FY26, with execution headwinds and persistent Right-of-Way (RoW) issues—compounded by revised land acquisition pricing—delaying critical transmission commissioning. However, the company demonstrated strong operational resilience in H2, with FY26 CapEx of Rs 39,967 Cr and robust Capitalisation figures of Rs 28,206 Cr, ultimately exceeding the management's upgraded fiscal guidance of Rs 35,000 Cr CapEx and Rs 25,000 Cr Capitalisation.

Looking ahead, this momentum is supported by a substantial order book exceeding Rs 1.7 lakh Cr and an aggressive pipeline of transmission projects ~Rs 1.1 Lakh Cr. With enhanced executional efficiency and a consistent federal push for grid integration, PGCIL is well-positioned to accelerate asset commissioning and maximise stable cash flows via its regulated fixed-return mechanism. This trajectory reinforces the company's role as a primary utility compounder, despite the ongoing need to monitor cost inflation and the impact of tariff-based competitive bidding on long-term margins.

We recommend investors to BUY the stock with a Base Case/Bull Case Target of Rs 305/325, as we expect PGCIL to deliver a Revenue/EBITDA/PAT CAGR of 11.15/13.3/11.2% over FY26-FY28E. Our 2.1x FY28E BV valuation for PGCIL is underpinned by its strong asset creation pipeline, regulated cash flows, and favourable policy support for grid expansion.

Key Earnings Concall Takeaways

- Total Works in Hand (as of March '26) were ~Rs 1.7 Lakh Cr, comprising of Rs 1,37,370/28,931/4,217 Cr TBCB/RTM/Other businesses projects.
- ~Rs 1.1 Lakh Cr worth of projects are currently under bidding processes, with ISTS accounting for Rs 87,760 Cr and Intra-State projects for Rs 17,574 Cr.
- CEA's 900+GW HVDC Schemes, Brahmaputra Basin Hydro-linked HVDC corridors and OSOWOG (One Sun, One World, One Grid) are expected to make room for a long-term structural opportunity of ~Rs 15 Lakh Cr. 22 HVDCs are in various stages of bidding and planning. Total HVDC schemes envisaged are 22, and combined with a total HVDC capacity of 127 GW.
- The company exceeded their guided CapEx/Capitalisation target of Rs 35,000/25,000 Cr as it reported FY26 CapEx/Capitalisation figure of Rs 39,967/28,206 Cr.
- For FY27, the Company has guided a CapEx of Rs 35,000 Cr and Capitalisation of up to Rs 30,000 Cr. For FY28, CapEx will be Rs 40,000-45,000 Cr with capitalisation close to Rs 35,000 Cr.
- The Company added 4,765 ckm lines, 72,055 MVA transformation capacity and 9 new substations (taking the total to 291 Substations).
- On equity IRRs amid cost inflation: Management said cost surprises are addressed through TSA protections and even suggested upside potential from efficiency.
- Multiple SPVs (accumulated from TBCB project awarding) will be merged and simplified, as 17 SPVs will be merged into 2 SPVs and 28 SPVs will be 2 SPVs to bring in a leaner structure and a stronger governance.
- Company commissioned the World's First 765Kv Digital Substation and deployed India's first insulated cross arm of 400 kV to reduce right-of-way (ROW) and footprint. PGCIL also won its first BESS project through bidding (Andhra Pradesh, Kalikiri), positioning it as a learning vehicle.
- The Company has undertaken its First International Transmission Project under PPP Model, named Mwanga Transmission Company in Kenya in partnership with Africa50, wherein about $300 million of investment in terms of the project cost. Active discussions are being held with Uganda, Zimbabwe, Mozambique and other countries, depending upon the DPRs, which are evolving and the kind of structure available on the regulatory front.

Valuation & Recommendation

While older RTM assets (aged 12+ years) have started to deter revenue growth due to regulatory depreciation cycles under the RTM framework, the timely commissioning of newer assets remains crucial for PGCIL to sustain its growth trajectory and instil long-term investor confidence. While multiple near-term headwinds persist, the government remains committed to keeping transmission grid commissioning on track, actively addressing execution bottlenecks through policy interventions and dedicated monitoring mechanisms. This national priority underscores PGCIL's pivotal role in India's energy transition, with the commissioning of newer TBCB/ISTS assets remaining crucial to sustaining the company's long-term growth trajectory and value-creation potential.

We recommend investors to **BUY the stock with a Base Case/Bull Case Target of Rs 305/325**, as we expect PGCIL to deliver a Revenue/EBITDA/PAT CAGR of 11.15/13.3/11.2% over FY26-FY28E. Our 2.1x FY28E BV valuation for PGCIL is underpinned by its strong asset creation pipeline, regulated cash flows, and favorable policy support for grid expansion

Risks & Concerns

- Government-mandated increases in land compensation have triggered severe Right-of-Way (RoW) delays for Power Grid Corporation, slowing project timelines across key ISTS corridors—especially in densely populated and agricultural zones. Although Power Grid is entering a robust CapEx upcycle, managing its leverage and debt levels will be crucial to maintaining financial health during this expansion.
- PGCIL's revenue stream derives entirely from State Power Utilities (SPUs), which generally exhibit weaker balance sheets characterized by high AT&C losses, regulatory assets, and subsidy dependencies. This counterparty concentration represents a structural credit risk within the transmission value chain.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	11,666	12,275	-5.0%	12,395	-5.9%	45,843	45,792	46,733	52,479	57,734
EBITDA	9,066	10,224	-11.3%	10,653	-14.9%	39,903	39,065	37,979	44,287	48,641
APAT	4,546	4,143	9.7%	4,185	8.6%	15,573	15,521	15,928	16,949	19,679
Diluted EPS (Rs)	4.9	4.5	9.6%	4.5	8.7%	16.7	16.7	17.1	18.2	21.2
RoE %						18.3	17.3	16.5	15.6	15.5
P/E (x)						16.9	17.0	16.5	15.5	13.4
EV/EBITDA (x)						9.5	9.8	10.6	9.4	9.1

(Source: Company, HDFC sec)

Tata Power Company Ltd

Reco	BUY

Industry	Utilities
LTP	405.9
Buying Range	404-410
Add on Dips	375-385
Base Case Target	430
Bull Case Target	460
Time Horizon	4 Quarters

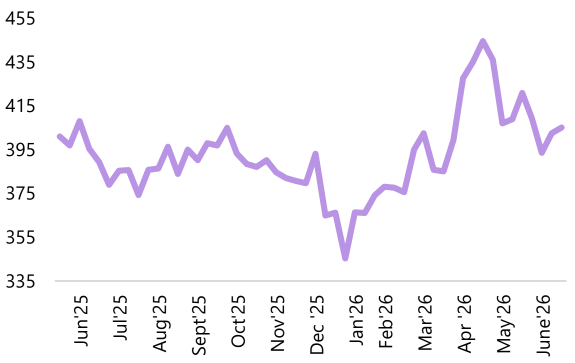
Stock Info

BSE Code	500400
NSE Code	TATAPOWER
Bloomberg	TPWR IN
Equity Capital (Rs Cr)	320
Face Value (Rs)	1.0
Equity Share O/S (Cr)	319.6
Market Cap (Rs Cr)	1,29,683
Book Value (Rs)	124
Avg. 52 Wk Volumes	59,52,451
52 Week High	465
52 Week Low	342

Share Holding Pattern (%) (Mar'26)

Promoters	46.9
Institutions	28.0
Government	0.3
Non-Institutions	24.8
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Mundra Resumes, Renewables Keep Growth Visible

TPCL reported muted revenue numbers of Rs 14,900 Cr (-12.8%/6.8% YoY/QoQ) as Mundra shutdown continued to deter financials in the quarter. Operating EBITDA declined 19.9%/-14.9% YoY/QoQ to Rs 2,599 Cr, while EBITDA margins compressed to 17.4% from 19% in Q4FY25. Shareholders' PAT came in at Rs 1,139.7 Cr (+29.5%/-4.3% QoQ/YoY) mainly supported by regulatory deferred balance credits and lower tax payable in the quarter.

Thermal & Hydro: *Revenues saw YoY de-growth of 54% (but grew 20% QoQ) to Rs 2433.8 Cr due to continued operational halt at the Mundra thermal plant and softened power demand across the nation. EBIT for the quarter fell by -39.1% YoY to Rs 474.8 Cr in Q4FY26 whereas EBIT margins improved to 19.5% against 14.7% in Q4FY25. Thermal PLFs were reported at 75% (excluding Mundra), against 73% in Q4FY25.*

Renewables: *Revenue grew by 16%/6% YoY/QoQ to 4,003 Cr as the solar rooftop business and solar manufacturing business remain robust, while slower capacity commissioning from connectivity issues slowed growth. EBIT was reported at Rs 915.1 Cr (-2%/-21% YoY/QoQ) while EBIT margins declined to 22.9% against 27% in Q4FY25*

Transmission & Distribution: *T&D reported a healthy growth of 11.6%/11% YoY/QoQ to 10,699 Cr as Odisha DISCOMs' numbers improved substantially, while T&D losses for TPADL and Odisha businesses lowered. EBIT for the quarter grew substantially by 79.8% YoY to Rs 1,358.8 Cr. EBIT margins improved from 8.1% in Q4FY25 to 12.7% in Q4FY26*

Tata Power delivered a solid performance in renewables and the Odisha distribution business, which partly offset the impact of the Mundra shutdown through FY26. With the Mundra issue now resolved, revenue visibility should improve, while faster renewable capacity addition and better operating performance in Odisha should support earnings growth over the medium term. Moreover, the commissioning of the 10 GW solar cell and module manufacturing facility is another important positive, as it should deepen Tata Power's renewable value chain and improve integration benefits over time.

We recommend investors to BUY with a Base Case/Bull Case Target of Rs 430/460, as we expect TPCL to deliver a Revenue/EBITDA/PAT CAGR of 14.0/17.1/18.7% over FY26-FY28E, primarily led by Renewables growth, supported by improving Distribution operations and healthy power demand, pushing GENCO revenues. We value the Regulated Businesses at 2.5x FY28 Regulated Equity, Renewables business at FY28E 12x EV/EBITDA, Mundra UMPP at 6x FY28E EV/EBITDA and PSP projects on a DCF Basis.

Key Earnings Concall Takeaways

- The SPPA for Mundra UMPP has been concluded with the Gujarat Govt., and the remaining states are expected to finalise their agreements over the next few weeks.
- Tata Power's CapEx for FY26 stood at Rs 13,000 Cr, below the initial guidance of Rs 20,000-22,000 Cr, mainly due to delays in large utility-scale solar and wind projects as well as transmission line projects, caused by right-of-way issues and delayed transmission system readiness.
- For FY27, the company expects to incur CapEx of around Rs 25,000 Cr, including deferred projects from FY26, and plans to add about 2 GW of IPP-RE capacity, with solar contributing around 1.5 GW to 1.8 GW.
- The company's manufacturing unit will supply cells and modules for its internal pipeline, including rooftop solar, which is expected to grow by at least 50-60% in FY27
- Odisha DISCOMs are expected to have their best year in FY27, while AT&C losses in other circles are likely to decline by about 2% annually, with a target of 12-13% over the next four to five years.
- Tata Projects' new projects are carrying healthy margins, and the company expects the business to turn profitable from FY27 onward, as legacy projects are now largely completed.
- Tata Power has a strong pipeline of nearly 5 GW of in-house utility-scale renewable projects under implementation, with 50% expected to be completed in FY27 and the remaining balance in FY28.
- On the Hydro Side, the current project pipeline includes a 2800 MW pumped hydro project at Shirota, 600 MW Bhutan Hydro, and a 1125 MW Bhutan project, with some projects extending completion to FY 2030-32.
- The company is developing nuclear plants, specifically small modular 2x220 MW units, in collaboration with NPCIL, with detailed project reports (DPRs) for some states expected within the next six months

Valuation & Recommendation

Tata Power presents a compelling opportunity as it transitions into an integrated green energy powerhouse. Mundra SPPA signing should improve near-term earnings visibility and reduce the drag that weighed on FY26 performance. TPREL remains the key growth engine, with a strong pipeline of utility-scale solar and wind projects, as well as rooftop projects, supporting steady capacity additions over the next few years. The company's manufacturing foray will help with backward integration and strengthen profitability as domestic content requirements (DCR) needs rise. Additionally, Odisha distribution business further bolsters the thesis, delivering consistent cash flows and margin improvement through operational efficiencies. Despite near-term concerns regarding renewable CapEx intensity, the company's diversified portfolio across the entire energy value chain provides structural stability.

We recommend investors to **BUY TPCL with a Base Case/Bull Case Target of Rs 430/460**, as we expect Revenue/EBITDA/PAT CAGR of 14.0/17.1/18.7% over FY26-FY28E, primarily led by Renewables growth, supported by improving Distribution operations and healthy power demand, pushing GENCO revenues.

We value the Regulated Businesses at 2.5x FY28 Regulated Equity, Renewables business at FY28E 12x EV/EBITDA, Mundra UMPP at 6x FY28E EV/EBITDA and PSP projects on a DCF Basis.

Risks & Concerns

- While the resolution of the supplementary PPA with GUVNL provides much-needed regulatory clarity, the Mundra coal-based plant remains a historically volatile component of the balance sheet. Reliance on coal for peak-demand "Section 11" directives creates earnings dependence on volatile international coal prices and government-mandated dispatch requirements, keeping the asset's long-term profitability under scrutiny.
- The strategic move into a 10 GW integrated ingot and wafer facility shifts Tata Power's risk profile from a pure-play utility to a hybrid model with manufacturing exposure. This exposes the company to global commodity cycles, inventory valuation risks, and technological obsolescence—factors historically outside the core competency of a distribution and generation utility. Successfully scaling this manufacturing ecosystem is critical to achieving the projected "defensive" stability.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	14,900	17,096	-12.8%	13,948	6.8%	61,449	65,478	62,429	72,640	81,170
Adj. EBITDA	2,599	3,246	-19.9%	3,055	-14.9%	10,784	13,930	13,095	16,014	17,955
APAT	1,140	1,416	-19.5%	1,416	-19.5%	3,696	4,052	3,747	4,425	5,281
Diluted EPS (Rs)	3.1	3.3	-4.3%	2.4	29.5%	11.0	12.3	11.7	13.8	16.5
RoE %						12.1	11.9	10.0	10.7	11.7
P/E (x)						36.5	32.6	34.2	29.0	24.3
EV/EBITDA (x)						16.0	12.9	15.3	12.6	11.4

(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400
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