

Utilities & Power Equipment

Thinking through plausible scenarios

Peak power demand is hovering within 240–244GW during daytime and 200–215GW during evening, and is estimated to bloat to 275–285GW (daytime) and 260–270GW (evening) during the summer. But gas-fired power generation in India during summer is at risk due to disruption in gas production in Qatar. Additionally, all energy (coal, oil, gas) prices are inextricably linked, indicating a possibility of traction in coal prices. On top of this, hydro generation, which can meet 25–28GW during evening, is at risk in CY26 due to more than a 50% deficit in winter rainfall. Hence, there is a high probability of spikes in coal generation to meet evening supplies. We have crafted four scenarios pertaining to extreme uncertainties of fuel supplies (coal, gas) & prices and power demand to get a handle on the fast-changing externalities.

- **Gas-fired power generation:** India has reduced natural gas allocations to industries by 10% to 30% (and up to 40% for some sectors) as of 4 Mar'26, following a major production halt in Qatar in the wake of escalating tensions involving Iran, Israel and the United States. India has 24,628MW (10,388 private + 7,002 state + 7,238 central) of gas-fired power generation capacity. Currently, it is generating 2.3GW during evening peak, which can go up to 12GW—as seen on 30 May'24 when India recorded highest-ever peak daytime/evening demand of 250GW/233GW (evening). In our view prolonged disruption in gas supplies can cause stress to gas power supply during the upcoming summer at a time when peak daytime/evening demand is estimated to touch 275–285GW/260–270GW. (Exhibit 10 & 11)
- **Inextricably linked energy prices:** The level of substitutability of crude oil and coal in production and consumption has always been a subject of discussion among industry players. Empirical results suggest that coal prices are affected by the supply and demand trend of the oil market even though their supply is affected by different dynamics and the two commodities scarcely compete with each other. If oil prices rise with supply constraints, we expect prices of coal in the international market to follow suit, mainly due to the role of substitution, albeit with a little lag, and the regional energy demand-supply matrix. This would be in addition to the recent run-up in Indonesian prices due to a possibility of the government's mandate for production cuts. (Exhibit 8&9)
- **When nothing goes right, go left:** In recent months, coal power generation (exhibit 2) has been under pressure due to increasing solar generation during daytime and hydro during evening. In 2025, large hydro generation (exhibit 4) grew 15% (157BU to 180BU) at the expense of thermal, which declined 4% (1,392BU to 1,340BU). Large hydro PLF increased from 34% in CY23 to 35% in CY24 and then to 40% in CY25, largely due to variations in seasonal water availability and reservoir levels. But hydro generation during CY26, which can meet 25–28GW during evening is at risk due to more than a 50% deficit in winter rainfall. Furthermore, any shortfall in the 12GW peak gas generation during evening must also be compensated for by increased generation from coal. Hence, there is a high probability of a sharp increase in coal generation to meet evening supplies. (Refer to our latest research [Tactical ideas for summer](#).)
- **Plausible scenarios:** It's a time of extreme uncertainty. The interplay of fuel (coal and gas) supplies & prices and power demand with an increasing probability (60% as of today) of *El Nino* can yield varying aggregates for different generation utilities, including Coal India. Enriched with channel checks, we have crafted four scenarios to make better sense of the fast-changing externalities. (Exhibit 1)



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Exhibit 1: Plausible scenarios on 2x2 metrics (duration of war and power demand)

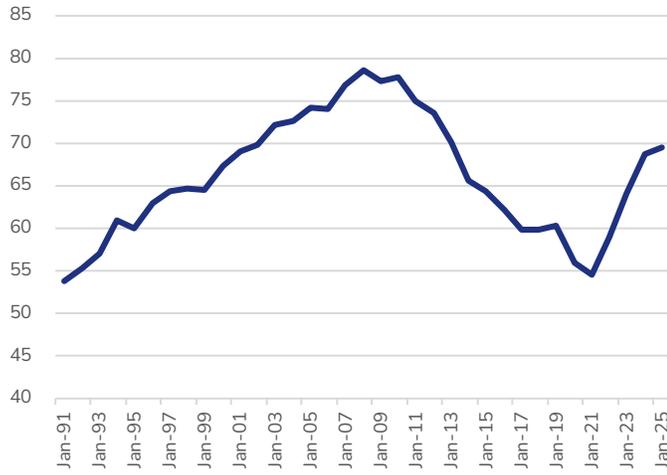
**War extends beyond 1 month
(Energy (coal, LNG) prices up for longer duration)**

<p>Normal summer (40% probability); evening peak touches 240GW</p>	<ul style="list-style-type: none"> ■ Power supply manageable. ■ Gas generation down. ■ Hydro down due to dry winter. ■ Almost nil energy storage capacity. ■ Supply managed with little higher volume in merchant. <p>(+) Coal India: Coal demand & e-auction prices up due to import substitution in both industry and power. Gains limited due to modest power demand. (+) NTPC: Utilization increases. All India thermal PLF of 70% in Jan'26 increases to around 72%. (+) Adani Power: Uses open capacity based on domestic coal for merchant. Limited gains. (+) JSW Energy: Uses open capacity based on domestic coal for merchant. Limited gains. (+) Tata Power: Mundra operates marginally with coal cost pass-through. Gains from incremental earnings from Indonesia coal exports. (-) Torrent Power: Loses leverage from open gas capacity.</p>	<ul style="list-style-type: none"> ■ Power supply under constraint, particularly during evening. ■ Gas generation down. ■ Hydro down due to dry winter. ■ Almost nil energy storage capacity. ■ Coal generation to ramp up. <p>(+) Coal India: Coal demand & e-auction prices up due to import substitution in both industry and power. All-round gains. (+) NTPC: Utilization increases. All India thermal PLF of 70% in Jan'26 increases to more than 75%. (+) Adani Power: Uses domestic coal-base open capacity for merchant. (+) JSW Energy: Uses domestic coal-base open capacity for merchant. (+) Tata Power: Mundra operates. Incremental earnings from Indonesia coal exports. (-) Torrent Power: Loses leverage from open gas capacity.</p>	<p>Intense summer (60% probability); evening peak touches 250GW</p>
	<ul style="list-style-type: none"> ■ Power supply manageable. ■ Gas remains critical for evening peak supply. ■ Hydro down due to dry winter. ■ Almost nil energy storage capacity. ■ Coal generation remains low. <p>(+) Adani Power: Leverages open capacity based on domestic coal for merchant (better placed than JSW Energy). (+) JSW Energy: Leverages open capacity for merchant. (0) Tata Power: Mundra operates with coal cost pass-through. Immaterial gains. (0) Torrent Power: Partial gains from open gas capacity. (0) Coal India: Coal demand remains subdued. Gains limited due to modest power demand.</p>	<ul style="list-style-type: none"> ■ Gas remains critical for evening peak supply. ■ Hydro down due to dry winter. ■ Almost nil energy storage capacity. ■ Coal generation partially ramps up. <p>(+) Torrent Power: Fully leverages its open gas capacity. (+) Adani Power: Uses domestic coal-base open capacity for merchant. (+) JSW Energy: Uses domestic coal-base open capacity for merchant. (+) Tata Power: Incremental earnings as Mundra operates. (+) Coal India: Coal demand up marginally.</p>	

**War ends within 1 month
(Energy (coal, LNG) prices up for short duration)**

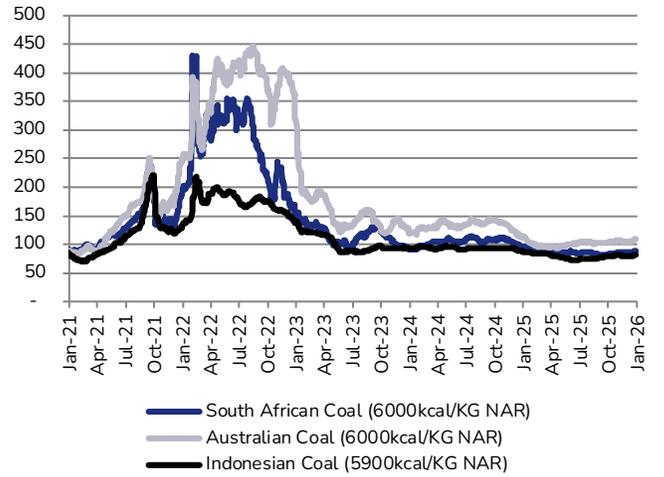
Source: JM Financial; (+): favourable, (-): Unfavourable, (0): neutral

Exhibit 2: Thermal PLF (%), monthly



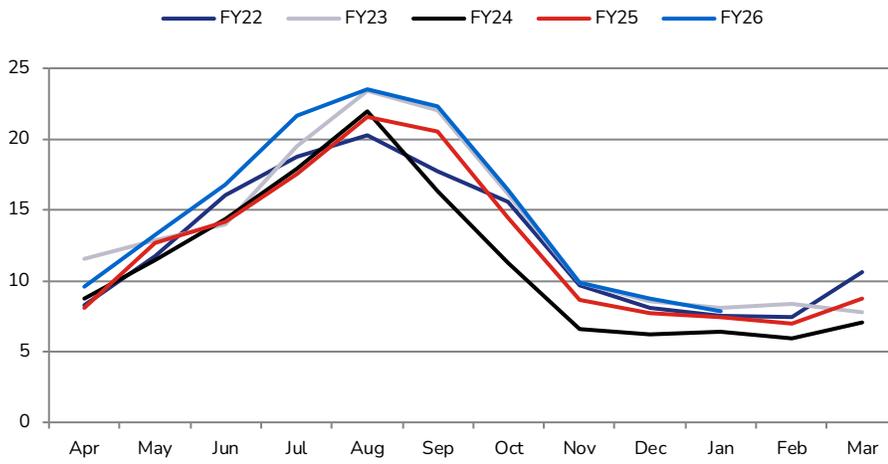
Source: CME, JM Financial

Exhibit 3: Internation coal prices (USD/ton)



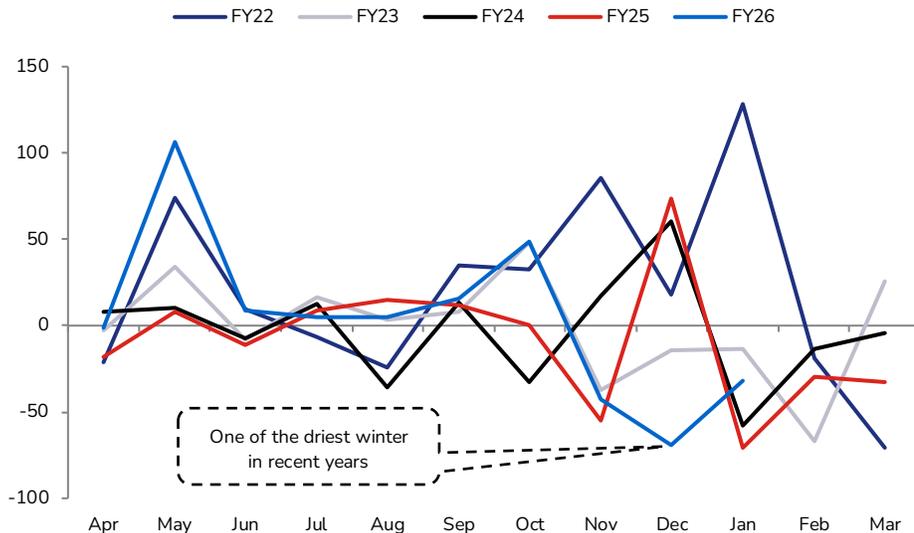
Source: Elekore, JM Financial

Exhibit 4: Hydrogeneration (BU)



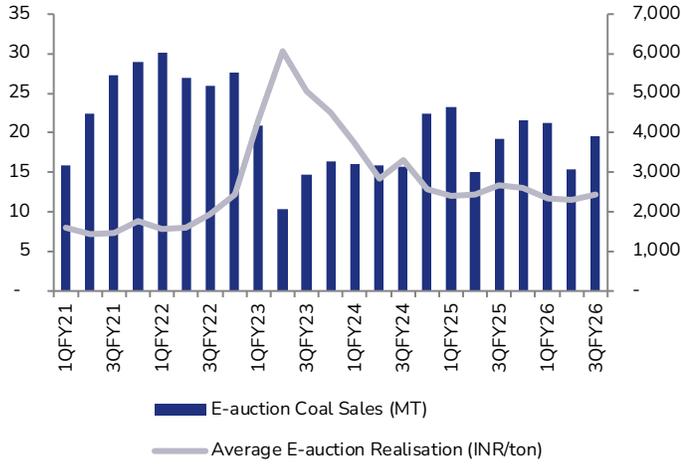
Source: CEA, JM Financial

Exhibit 5: All-India rainfall deviation from normal (%)



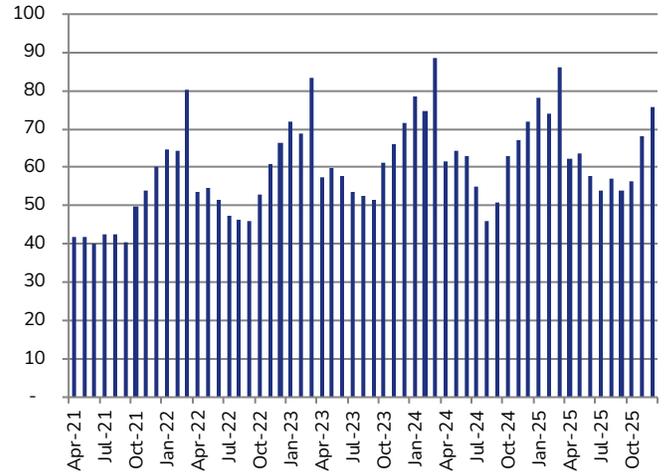
Source: IMD, JM Financial

Exhibit 6: E-auction, volume and prices



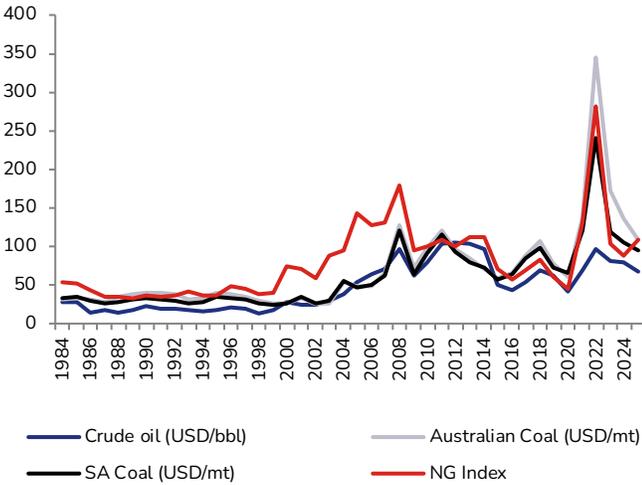
Source: Company, JM Financial

Exhibit 7: Coal India volume (MT)



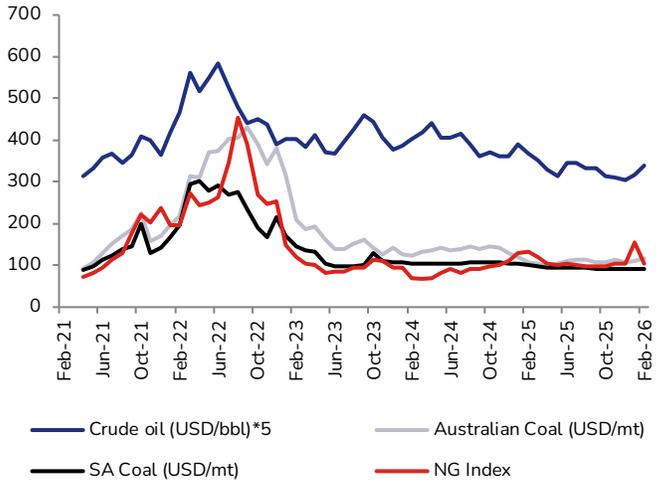
Source: Company, JM Financial

Exhibit 8: Energy commodities, price trend annual



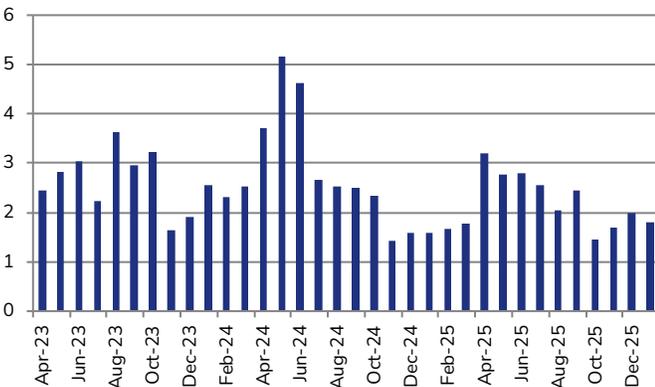
Source: Industry, JM Financial

Exhibit 9: Energy commodities, price trend monthly



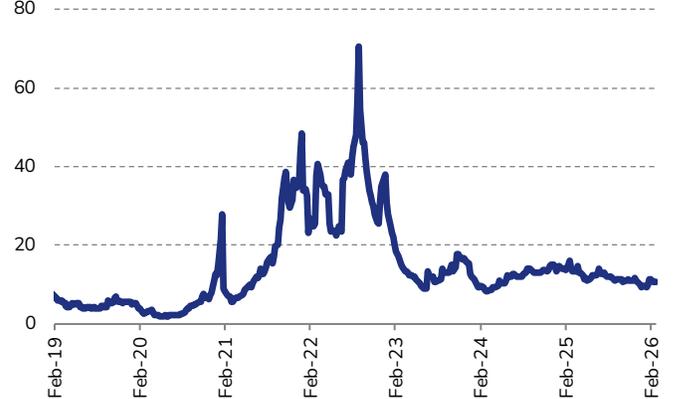
Source: Industry, JM Financial

Exhibit 10: Gas generation (BU)



Source: CMIE, JM Financial

Exhibit 11: Asia spot LNG (USD/mmbtu)



Source: Bloomberg, JM Financial

Exhibit 12: Valuation Comparables

Company Name	Rating	Market Cap (USD mn)	CMP	TP (INR)	Up/Dow (%)	P/E (x)				P/BV (x)			
						FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E
NTPC	Buy	38,780	366	420	15%	14.8	13.9	12.1	11.3	1.9	1.8	1.6	1.5
Power Grid Corp	Buy	29,657	292	314	8%	17.8	17.4	14.9	13.8	3.1	2.9	2.8	2.6
Coal India	Reduce	29,308	435	401	-8%	7.6	9.3	7.4	7.3	2.7	2.3	1.9	1.6
Adani Power	Buy	29,060	138	177	28%	20.5	23.5	17.8	15.2	4.7	3.9	3.2	2.7
Adani Green	Buy	15,718	872	1,204	38%	68.5	58.6	31.9	23.3	11.8	6.7	5.8	4.9
Adani Energy	Buy	13,502	961	1,199	25%	108.9	57.6	39.7	32.0	5.2	4.8	4.3	3.8
Tata Power	Buy	12,777	366	429	17%	29.4	30.5	21.1	20.1	3.3	3.0	2.7	2.4
BHEL	Buy	9,442	248	355	43%	161.7	64.1	27.1	20.9	3.5	3.4	3.2	3.0
JSW Energy	Buy	8,977	468	614	31%	41.9	44.8	41.5	37.0	3.0	2.4	2.3	1.9
Torrent Power	Reduce	8,123	1,476	1,410	-4%	24.9	27.0	22.4	19.6	4.2	3.7	3.1	2.7
NHPC	Add	7,927	72	84	16%	24.1	23.2	15.3	12.4	1.8	1.8	1.7	1.6
Suzlon	Buy	5,985	40	64	60%	26.3	23.2	17.0	15.6	8.9	6.4	4.6	3.6
SJVN	Sell	2,931	68	67	-2%	32.7	31.8	14.6	11.7	1.9	1.8	1.7	1.6
CESC	Buy	2,209	152	196	29%	14.7	14.1	13.2	11.8	1.7	1.6	1.5	1.4
Inox Wind	Add	2,036	86	120	40%	31.4	22.6	19.1	17.1	2.9	2.6	2.3	2.0
ACME	Buy	1,485	225	289	29%	54.2	23.3	21.3	16.3	3.0	2.7	2.4	2.1
IEX	Add	1,155	119	145	22%	24.6	21.5	20.8	24.2	9.3	7.8	6.6	6.0

Source: Bloomberg, JM Financial

...Cont'd

Company Name	EV/EBITDA (x)				ROE (%)				ROIC (%)				ROCE (%)			
	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E
NTPC	10.9	10.0	8.8	8.2	14%	13%	14%	14%	7%	7%	8%	9%	7%	7%	8%	8%
Power Grid Corp	9.5	9.0	8.4	8.0	17%	16%	18%	18%	11%	11%	12%	12%	11%	11%	12%	12%
Coal India	5.0	6.0	5.1	4.7	39%	27%	28%	24%	48%	29%	29%	24%	32%	22%	24%	21%
Adani Power	14.3	14.9	12.4	11.3	26%	18%	20%	19%	16%	12%	13%	12%	18%	13%	13%	12%
Adani Green	25.3	20.9	16.4	13.3	19%	15%	20%	23%	6%	7%	8%	10%	7%	8%	9%	11%
Adani Energy	18.1	19.1	16.6	15.1	6%	9%	11%	13%	10%	8%	8%	8%	11%	8%	8%	8%
Tata Power	12.6	12.3	11.0	10.9	12%	10%	14%	13%	9%	8%	8%	8%	7%	7%	7%	7%
BHEL	70.5	41.4	22.4	18.3	2%	5%	12%	15%	3%	5%	10%	11%	3%	4%	9%	10%
JSW Energy	23.5	14.5	13.3	12.1	8%	6%	6%	6%	7%	7%	6%	6%	6%	7%	6%	6%
Torrent Power	15.3	13.9	10.8	9.5	20%	14%	15%	15%	16%	11%	12%	11%	12%	17%	11%	12%
NHPC	20.2	18.2	12.3	10.6	8%	8%	11%	13%	4%	4%	6%	7%	5%	5%	6%	7%
Suzlon	29.5	16.9	12.8	10.1	41%	32%	32%	26%	57%	49%	51%	57%	42%	33%	30%	26%
SJVN	24.1	22.9	16.1	13.1	6%	6%	12%	14%	3%	3%	5%	5%	4%	3%	5%	6%
CESC	8.6	8.3	7.8	7.3	12%	12%	12%	12%	9%	8%	9%	10%	9%	8%	9%	9%
Inox Wind	16.4	11.2	9.3	7.9	12%	12%	13%	13%	8%	10%	12%	12%	9%	11%	11%	11%
ACME	19.3	17.6	15.4	10.5	7%	12%	12%	14%	6%	5%	5%	6%	6%	6%	6%	7%
IEX	23.1	19.5	18.4	23.0	41%	39%	34%	26%	67%	69%	89%	60%	38%	37%	32%	24%

Source: Bloomberg, JM Financial

APPENDIX I

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