# Electric Utilities

India

Sector View: **Cautious** NIFTY-50: **25,571** **February 23, 2026**

## Power demand turning the corner, earnings still holding back

**India's power demand has inched up in recent months but still remains muted on a YTD basis at 1.7% yoy. Capacity addition has been strong—India added a remarkable 53 GW in 10MFY26, including 8.8 GW of coal-based capacities, against a cumulative addition of 59 GW in the last two years. Demand-supply dynamics are more benign, reflecting in lowered bidding activity and fewer takers for plain-vanilla solar capacities. Earnings performance for listed utilities remains unimpressive, with new capacity addition continuing to lag targets, although weak stock performance has made valuations more palatable.**

### Flat power demand in 3QFY26 but picking up in recent months

Power demand in India was flat in 3QFY26, likely impacted by an elongated monsoon, which extended till October 2025. Demand has improved in Dec 2025 and Jan 2026, however, the YTD FY2026 growth is still sluggish at 1.7% yoy. This demand weakness follows a modest 3% yoy growth in power demand for FY2025, compared with 10/15-year CAGRs of 4.7%/4.9%. We highlight that an extended monsoon leads to a drop in demand from the agricultural sector (a fifth of overall power demand), as the need for irrigation pumps drops, while higher ambient temperatures also lead to a drop in power demand from households & commercial premises. Nevertheless, we expect power demand to mean revert to ~5% growth on the back of 6-7% real economic growth.

### Rapid capacity addition continues to positively skew demand-supply dynamics

India has added an impressive 53 GW of capacity in YTD FY2026, comprising 40 GW renewable and 8.8 GW coal capacities. The strong capacity addition, coupled with muted power demand over the last two years, has favorably tilted the demand-supply dynamics. India now has 35 GW of under-construction coal capacities targeted for commissioning by FY2030E and ~148 GW of under-construction renewable capacities (including 100 GW of solar and 23-24 GW each of wind/ hybrid capacities). Incremental renewable bidding has come off in FY2026, with any new bids for hybrid/FDRE/storage projects only, instead of the plain vanilla solar projects. As highlighted by us earlier, we expect PPAs to be signed for the hybrid and FDRE capacities, while the solar LOAs (~11-12 GW) could likely see some cancelations.

### Listed players continue to deliver poor earnings growth

Our coverage players have also seen some improvement in capacity addition in YTD FY2026, but they still continue to lag targets, largely owing to delays in transmission connectivity. Earnings performance across the coverage remains unimpressive. We highlight that the absence of earnings growth, execution slippages and weak power demand have led to disappointing stock performance. Valuations have come off from peaks but still do not offer an attractive entry point in the absence of earnings improvement.

Full sector coverage on KINSITE



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Among the public utilities, **NTPC's** consolidated PAT of Rs55 bn (+8% yoy) was supported by higher regulatory earnings and higher share of JV profits. The adj. standalone PAT was weak at Rs46.5 bn (+1% yoy) on regulated equity of Rs944 bn (+5% yoy), implying lower core RoE of 16.2% (17.1% in 3QFY25).

**NHPC** reported weak standalone PAT of Rs2.9 bn (+7% yoy), despite the commissioning of Parbati II (800 MW) in April 2025–profit was impacted by lower revenue recognition from the project (at 80% of the proposed tariff), as tariffs for the same are yet to be approved by CERC. Accordingly, Parbati II posted a PAT loss of Rs1.16 bn in the quarter.

Among the private players, **JSW Energy** reported 122% yoy growth in 3QFY26 EBITDA on the back of Mahanadi & O2 acquisitions (3.1 GW operational), as well as 2.1 GW of organic capacity addition in the last 12 months. Adj. for acquisitions, EBITDA grew a modest 8% yoy. Adjusted for a one-time deferred tax credit, JSW reported a loss on the back of high finance costs, owing to the sharp increase in debt to finance the recent acquisitions, and high depreciation, while revenues from renewable and hydro assets were impacted by lower generation (seasonality).

**TPWR's** consolidated PAT of Rs7.7 bn (down 25% yoy) was impacted by losses at Mundra, as reflected in the Rs1.6 bn standalone PAT loss, which was only partially offset by contribution from cell & module facility, higher profit in Odisha and a true-up regulatory order in Delhi. Renewable capacity addition remained weak (562 MW in 9MFY26, running behind the 1.5 GW full-year target), as TPWR was focused on running down its 3P-EPC book.

**CESC** reported 8% yoy growth in consolidated PAT on the back of (1) 37% yoy PAT growth at Chandrapur, aided by new PPAs, (2) 16% growth at Noida discom and (3) reduced losses at Malegaon on the back of lower T&D losses, even as Kolkata discom saw modest 2% yoy PAT growth, aided by other income.

**ACME Solar** continued its strong showing, with 45% yoy growth in 3QFY26 EBITDA at Rs4.4 bn, on the back of 17% higher operational capacity at 2,962 MW and an improvement in blended CUF to 24.3% (+160 bps yoy), aided by new solar/wind capacities in Rajasthan/Gujarat.

**PWGR** reported better-than-expected PAT of Rs41.8 bn (up 8.4% yoy). However, most of the incremental earnings were on the back of higher prior-period income, adjusted for which, PAT was flat yoy. However, a strong capex of Rs114 bn (+49% yoy) and capitalization of Rs90 bn (+164% yoy) were the key features of Power Grid's 3QFY26 business performance, backed by a revised land acquisition policy.

**Power demand in India has improved in the last two months, following a weak start to the year**

Exhibit 1: Power demand in India, March fiscal year-ends, 2015-26 (BU)

| (BU) | Apr | May | June | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Average | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | 88.9 | 91.4 | 93.9 | 94.6 | 94.7 | 89.2 | 91.4 | 85.5 | 87.2 | 87.2 | 79.5 | 85.4 | **89.1** | 1,069 |
| 2016 | 85.8 | 96.2 | 90.9 | 96.4 | 97.4 | 97.7 | 98.5 | 85.5 | 89.4 | 91.5 | 89.1 | 96.1 | **92.9** | 1,114 |
| 2017 | 98.7 | 99.4 | 96.8 | 96.8 | 99.0 | 99.0 | 96.9 | 87.8 | 91.8 | 92.5 | 86.7 | 98.8 | **95.4** | 1,144 |
| 2018 | 102.6 | 107.3 | 100.2 | 102.8 | 105.7 | 102.5 | 101.3 | 95.2 | 96.9 | 100.6 | 91.9 | 106.4 | **101.1** | 1,213 |
| 2019 | 104.3 | 112.3 | 109.0 | 110.3 | 112.0 | 109.6 | 111.5 | 99.9 | 101.7 | 101.7 | 93.1 | 108.7 | **106.2** | 1,274 |
| 2020 | 110.2 | 119.7 | 117.4 | 114.9 | 110.9 | 108.0 | 98.1 | 94.6 | 100.8 | 105.3 | 103.5 | 98.8 | **106.9** | 1,282 |
| 2021 | 85.6 | 102.7 | 105.6 | 112.4 | 109.8 | 112.6 | 109.6 | 97.9 | 106.6 | 110.8 | 104.6 | 122.0 | **106.7** | 1,280 |
| 2022 | 118.4 | 110.4 | 114.7 | 124.8 | 129.4 | 114.7 | 114.7 | 99.6 | 109.7 | 111.8 | 109.1 | 125.0 | **115.2** | 1,382 |
| 2023 | 134.7 | 136.4 | 136.4 | 128.2 | 130.7 | 126.9 | 113.3 | 112.5 | 122.3 | 127.5 | 119.1 | 127.0 | **126.2** | 1,515 |
| 2024 | 132.5 | 136.7 | 141.3 | 144.3 | 152.2 | 141.8 | 139.8 | 119.4 | 123.3 | 135.0 | 128.1 | 139.0 | **136.1** | 1,633 |
| 2025 | 144.4 | 144.3 | 152.7 | 150.2 | 144.3 | 140.8 | 139.2 | 123.8 | 129.6 | 136.4 | 130.6 | 146.9 | **140.3** | 1,683 |
| 2026 | 148.5 | 147.9 | 149.2 | 153.9 | 149.8 | 145.7 | 131.1 | 123.1 | 137.1 | 142.5 | | | **142.9** | 1,429 |
| **Average** | **112.9** | **117.1** | **117.3** | **119.1** | **119.6** | **115.7** | **112.1** | **102.1** | **108.0** | **111.9** | **103.2** | **114.0** | | |
| | | | | | | | | | | | | | | |
| **CAGR (2015-24)** | **4.5** | **4.6** | **4.6** | **4.8** | **5.4** | **5.3** | **4.8** | **3.8** | **3.9** | **5.0** | **5.4** | **5.6** | | **4.8** |
| **CAGR (2020-24)** | **4.7** | **3.4** | **4.7** | **5.9** | **8.2** | **7.1** | **9.3** | **6.0** | **5.2** | **6.4** | **5.5** | **8.9** | | **6.2** |
| **Growth (2024)** | **(1.6)** | **0.3** | **3.6** | **12.5** | **16.4** | **11.7** | **23.4** | **6.1** | **0.8** | **5.9** | **7.6** | **9.4** | | **7.8** |
| **Growth (2025)** | **9.0** | **5.5** | **8.0** | **4.1** | **(5.2)** | **(0.7)** | **(0.4)** | **3.7** | **5.1** | **1.0** | **2.0** | **5.7** | | **3.0** |
| **Growth (2026)** | **2.8** | **2.5** | **(2.3)** | **2.5** | **3.8** | **3.5** | **(5.8)** | **(0.6)** | **5.8** | **4.5** | | | | **1.7** |

Source: CEA, Kotak Institutional Equities

**Surplus monsoons impacted power demand in the initial months**

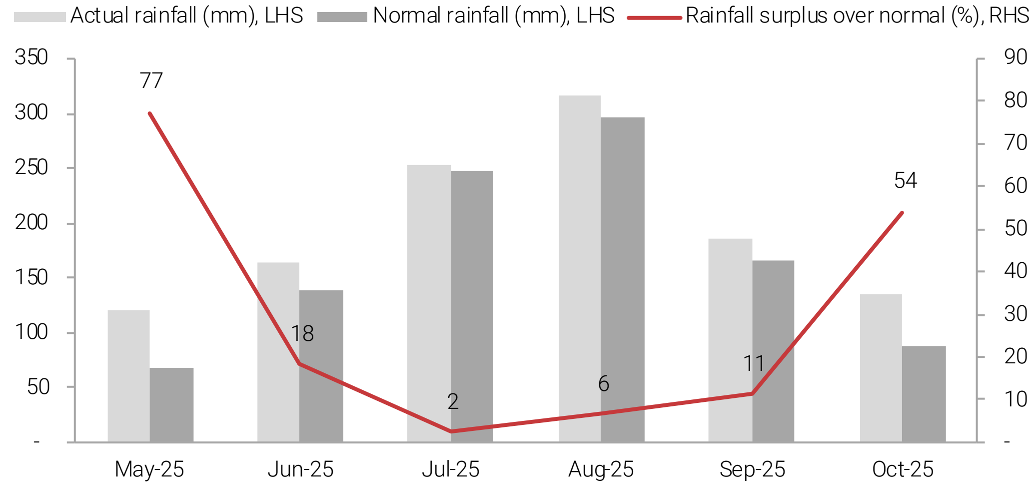
Exhibit 2: Rainfall deficit/surplus data in India, March fiscal year-ends, 2012-25 (%)

| Year | June | Jul | Aug | Sep |
|---|---|---|---|---|
| | 12.3 | (14.8) | 9.2 | 7.6 |
| 2012 | (28.1) | (13.4) | 0.5 | 11.5 |
| 2013 | 34.4 | 7.3 | (2.3) | (12.0) |
| 2014 | (41.8) | (9.6) | (9.0) | 8.3 |
| 2015 | 15.5 | (16.7) | (21.9) | (24.0) |
| 2016 | (9.8) | 6.9 | (8.3) | (3.1) |
| 2017 | 5.4 | 0.4 | (12.1) | (11.6) |
| 2018 | (4.8) | (5.2) | (8.1) | (23.5) |
| 2019 | (32.0) | 4.7 | 16.2 | 52.5 |
| 2020 | 17.2 | (9.9) | 27.0 | 4.6 |
| 2021 | 9.3 | (6.7) | (24.0) | 34.9 |
| 2022 | (7.9) | 16.8 | 3.5 | 8.0 |
| 2023 | (10.1) | 13.5 | (36.2) | 16.4 |
| 2024 | (15.4) | 13.7 | 14.8 | 9.5 |
| 2025 | 18.2 | 2.3 | 6.5 | 11.2 |

Source: Company, Kotak Institutional Equities

**Rains extended to the months of May and October in 2025**

Exhibit 3: Rainfall deficit/ surplus data in India, FY2025 (mm, %)




Source: Company, Kotak Institutional Equities

## Western India has seen tad better power demand in YTD FY2026

### Exhibit 4: Power demand in India, March fiscal year-ends, 2025-26 (MU)

| | Energy demand (MU) | | | | | |
|---|---|---|---|---|---|---|
| **State/region** | **Jan-26** | **Jan-25** | **yoy (%)** | **YTD FY2026** | **YTD FY2025** | **yoy (%)** |
| **Northern Region** | **40,488** | **38,390** | **5.5** | **440,901** | **434,100** | **1.6** |
| Delhi | 2,800 | 2,587 | 8.2 | 33,806 | 32,546 | 3.9 |
| Haryana | 5,179 | 4,725 | 9.6 | 61,112 | 59,064 | 3.5 |
| Punjab | 5,176 | 4,753 | 8.9 | 66,002 | 65,860 | 0.2 |
| Rajasthan | 10,314 | 10,119 | 1.9 | 93,078 | 92,706 | 0.4 |
| Uttar Pradesh | 12,122 | 11,303 | 7.2 | 141,452 | 139,087 | 1.7 |
| **Western Region** | **48,089** | **46,179** | **4.1** | **443,639** | **434,943** | **2.0** |
| Chattisgarh | 3,464 | 3,553 | (2.5) | 34,966 | 35,409 | (1.3) |
| Gujarat | 13,340 | 12,537 | 6.4 | 130,705 | 126,209 | 3.6 |
| Madhya Pradesh | 10,539 | 10,124 | 4.1 | 85,620 | 84,425 | 1.4 |
| Maharashtra | 18,338 | 17,649 | 3.9 | 167,185 | 166,909 | 0.2 |
| **Southern Region** | **37,150** | **35,844** | **3.6** | **351,301** | **349,481** | **0.5** |
| Andhra Pradesh | 6,802 | 6,333 | 7.4 | 66,390 | 64,890 | 2.3 |
| Karnataka | 9,304 | 8,736 | 6.5 | 76,925 | 74,920 | 2.7 |
| Tamil Nadu | 9,878 | 9,747 | 1.3 | 109,947 | 108,697 | 1.2 |
| **Eastern Region** | **15,228** | **14,412** | **5.7** | **174,222** | **169,636** | **2.7** |
| Bihar | 3,497 | 3,082 | 13.5 | 40,792 | 38,325 | 6.4 |
| Orissa | 3,237 | 3,130 | 3.4 | 37,301 | 35,797 | 4.2 |
| West Bengal | 5,059 | 4,744 | 6.6 | 61,937 | 60,662 | 2.1 |
| **North Eastern Region** | **1,592** | **1,539** | **3.4** | **18,820** | **17,457** | **7.8** |
| **All India** | **142,547** | **136,363** | **4.5** | **1,428,880** | **1,405,617** | **1.7** |

Source: CEA, Kotak Institutional Equities

## Peak power demand has also risen in recent months

### Exhibit 5: Peak power demand in India, March fiscal year-ends, 2015-26 (GW)

| (GW) | Apr | May | June | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Annual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | 142 | 142 | 148 | 146 | 146 | 146 | 146 | 137 | 139 | 139 | 138 | 139 | 148 |
| 2016 | 140 | 144 | 145 | 143 | 148 | 151 | 151 | 138 | 136 | 141 | 142 | 144 | 151 |
| 2017 | 145 | 148 | 145 | 140 | 152 | 159 | 154 | 148 | 152 | 144 | 149 | 152 | 159 |
| 2018 | 160 | 158 | 156 | 157 | 164 | 162 | 162 | 151 | 153 | 159 | 159 | 162 | 164 |
| 2019 | 162 | 172 | 172 | 170 | 173 | 177 | 173 | 163 | 164 | 164 | 162 | 169 | 177 |
| 2020 | 177 | 184 | 184 | 177 | 179 | 175 | 165 | 156 | 172 | 172 | 179 | 171 | 184 |
| 2021 | 133 | 167 | 167 | 172 | 169 | 177 | 171 | 161 | 184 | 190 | 190 | 186 | 190 |
| 2022 | 183 | 169 | 194 | 203 | 198 | 181 | 180 | 167 | 184 | 193 | 194 | 202 | 203 |
| 2023 | 216 | 206 | 212 | 192 | 197 | 200 | 187 | 188 | 206 | 213 | 211 | 209 | 216 |
| 2024 | 216 | 222 | 224 | 209 | 241 | 243 | 222 | 205 | 214 | 224 | 222 | 222 | 243 |
| 2025 | 224 | 250 | 245 | 227 | 216 | 231 | 219 | 208 | 224 | 237 | 238 | 235 | 250 |
| 2026 | 235 | 232 | 243 | 221 | 230 | 229 | 211 | 216 | 241 | 245 | | | 245 |
| **Average** | **168** | **172** | **175** | **169** | **173** | **175** | **169** | **161** | **170** | **174** | **170** | **171** | |
| **CAGR (2015-24)** | **4.8** | **5.1** | **4.7** | **4.1** | **5.7** | **5.8** | **4.8** | **4.6** | **4.9** | **5.4** | **5.4** | **5.3** | **5.7** |
| **CAGR (2020-24)** | **5.1** | **4.8** | **5.1** | **4.2** | **7.7** | **8.6** | **7.7** | **7.0** | **5.6** | **6.9** | **5.5** | **6.8** | **7.2** |
| **Growth (2024)** | **0.1** | **7.6** | **5.5** | **8.7** | **22.6** | **21.3** | **18.7** | **8.8** | **3.6** | **5.4** | **5.1** | **6.0** | **12.6** |
| **Growth (2025)** | **3.6** | **12.7** | **9.3** | **8.6** | **(10.2)** | **(4.9)** | **(1.3)** | **1.2** | **4.8** | **5.9** | **7.3** | **6.0** | **2.8** |
| **Growth (2026)** | **5.0** | **(7.3)** | **(0.9)** | **(2.8)** | **6.1** | **(0.8)** | **(3.8)** | **3.9** | **7.6** | **3.4** | | | **(1.8)** |

Source: CEA, Kotak Institutional Equities

**Merchant tariffs saw a sequential increase in January 2026**

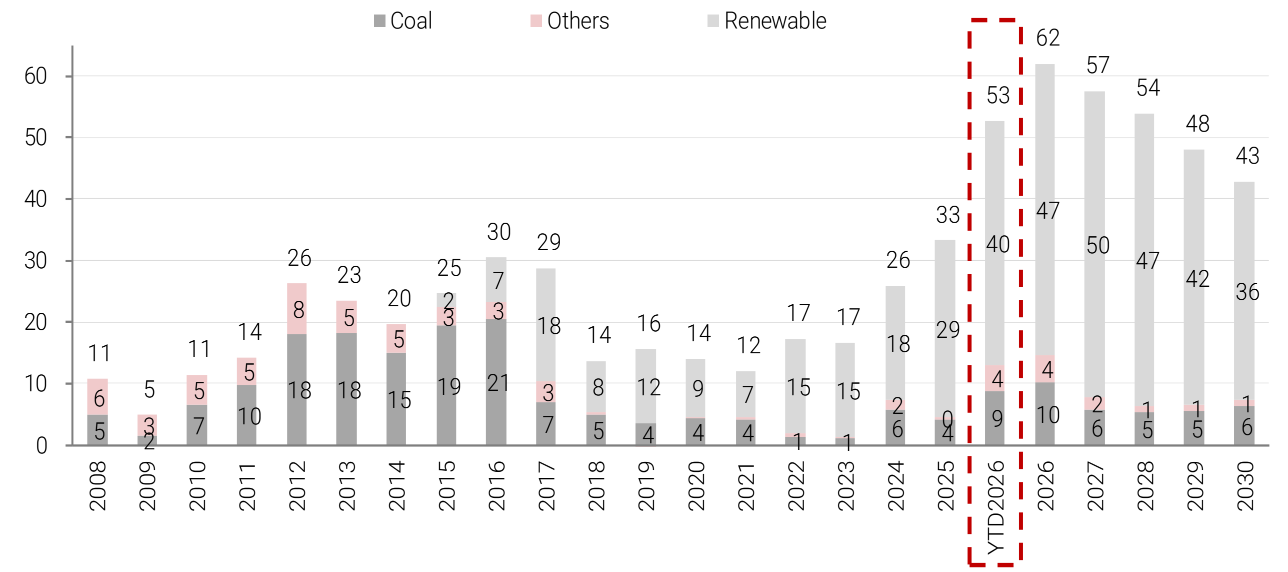
Exhibit 6: Merchant tariffs (day ahead market) on IEX, March fiscal year-ends, 2016-26 (Rs/kwh)

| | Apr | May | June | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2016 | 2.7 | 2.6 | 2.6 | 2.7 | 2.8 | 3.7 | 3.0 | 2.7 | 2.6 | 2.5 | 2.3 | 2.6 | **2.7** |
| 2017 | 2.9 | 2.3 | 2.3 | 2.2 | 2.2 | 2.4 | 2.5 | 2.3 | 2.3 | 2.5 | 2.5 | 2.6 | **2.4** |
| 2018 | 2.8 | 2.9 | 2.6 | 2.5 | 3.1 | 4.1 | 4.1 | 3.5 | 3.0 | 3.2 | 3.2 | 4.0 | **3.3** |
| 2019 | 4.0 | 4.7 | 3.7 | 3.5 | 3.3 | 4.7 | 5.9 | 3.6 | 3.3 | 3.3 | 3.1 | 3.1 | **3.9** |
| 2020 | 3.2 | 3.2 | 3.3 | 3.4 | 3.3 | 2.8 | 2.7 | 2.9 | 2.9 | 2.9 | 2.9 | 2.5 | **3.0** |
| 2021 | 2.4 | 2.6 | 2.3 | 2.5 | 2.4 | 2.7 | 2.7 | 2.7 | 2.8 | 3.2 | 3.4 | 4.1 | **2.8** |
| 2022 | 3.7 | 2.8 | 3.1 | 2.9 | 5.1 | 4.4 | 8.0 | 3.1 | 3.5 | 3.4 | 4.4 | 8.2 | **4.4** |
| 2023 | 11.4 | 7.3 | 6.9 | 5.8 | 5.3 | 5.9 | 4.0 | 4.7 | 5.4 | 6.8 | 6.8 | 5.4 | **6.3** |
| 2024 | 5.6 | 4.7 | 5.4 | 4.5 | 6.9 | 6.2 | 6.5 | 4.0 | 4.5 | 5.8 | 4.9 | 3.9 | **5.2** |
| 2025 | 5.1 | 5.3 | 5.4 | 5.0 | 4.3 | 4.3 | 4.0 | 3.5 | 3.9 | 4.4 | 4.3 | 4.2 | **4.5** |
| 2026 | 4.4 | 3.7 | 3.6 | 4.1 | 4.0 | 3.4 | 2.9 | 3.2 | 3.8 | 4.2 | | | **3.7** |
| **Average** | **4.4** | **3.8** | **3.7** | **3.6** | **3.9** | **4.1** | **4.2** | **3.3** | **3.5** | **3.8** | **3.8** | **4.1** | |

Source: CEA, Kotak Institutional Equities

**Strong capacity addition in YTD FY2026; we build some moderation going forward, owing to slower pace of renewable bidding**

Exhibit 7: Capacity addition by source, March fiscal year-ends, 2008-30E (GW)



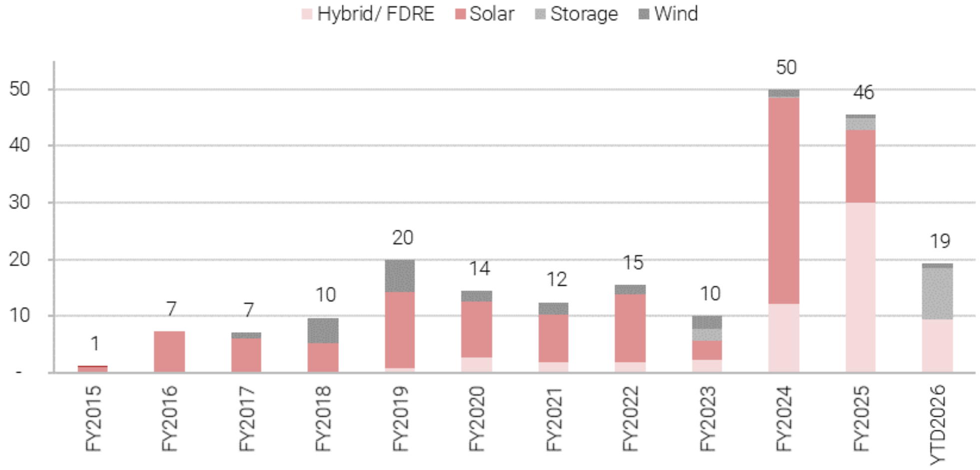

Notes:

(a) Coal based Capacity of 2,825 MW, Gas based Capacity of 4,400.84 MW and Nuclear Capacity of 100 MW, which is under outage for very long time, have been removed temporarily w.e.f. 30.04.2025. Whenever, any generating unit, out of these, starts generating again shall be added back. The above chart shows the gross capacity addition, and does not adjust for the temporary decommissioning.

Source: CEA, Kotak Institutional Equities estimates

**New renewable bids have come off significantly in FY2026**

Exhibit 8: Bidding for renewable capacities, March fiscal year-ends, FY2015-26 (GW)



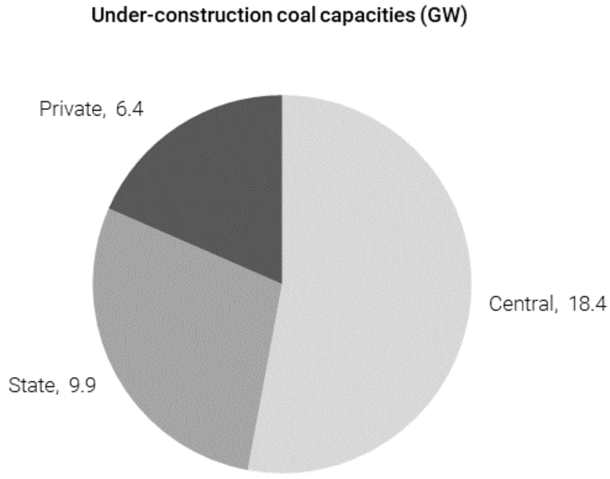

Notes:

(a) The above data also includes some bids from states and private discoms, in addition to the REIA bids.

Source: Elekore, Kotak Institutional Equities

**35 GW of under-construction coal capacities in India as of January 2026**

Exhibit 9: Under-construction coal capacity, January 2026 (GW)




Source: CEA, Kotak Institutional Equities

**We build 4.9% CAGR in power demand over FY2025-30E; lower coal utilization to accommodate renewables**

Exhibit 10: Power demand and supply in India, March fiscal year-ends, 2015-30E (MU, MW, %)

| | 2015 | 2020 | 2025 | 2026E | 2030E | CAGR (2025-30E) |
|---|---|---|---|---|---|---|
| **Energy requirement** | | | | | | |
| Total requirement (MU) | 1,067,085 | 1,282,274 | 1,693,959 | 1,733,598 | 2,149,599 | 4.9 |
| | | | | | | |
| **Energy availability** | | | | | | |
| **Capacity (MW)** | | | | | | |
| Hydro | 41,267 | 45,699 | 47,728 | 51,348 | 55,588 | 3.1 |
| Coal | 164,636 | 205,135 | 221,813 | 229,210 | 252,130 | 2.6 |
| Gas | 23,062 | 24,955 | 24,533 | 20,132 | 20,132 | (3.9) |
| Diesel | 1,200 | 510 | 589 | 589 | 589 | – |
| Nuclear | 5,780 | 6,780 | 8,180 | 8,780 | 9,480 | 3.0 |
| Renewable | 31,692 | 87,028 | 172,368 | 219,757 | 393,975 | 18.0 |
| **Capacity (MW)** | **267,637** | **370,106** | **475,212** | **529,817** | **731,894** | **9.0** |
| **Generation (MU)** | | | | | | |
| Hydro | 129,111 | 155,853 | 147,587 | 164,903 | 183,377 | 4.4 |
| Coal | 835,838 | 961,123 | 1,329,191 | 1,290,743 | 1,365,347 | 0.5 |
| Gas | 41,075 | 48,491 | 33,723 | 27,389 | 21,163 | (8.9) |
| Diesel | 1,407 | 146 | 433 | 413 | 413 | (0.9) |
| Nuclear | 35,973 | 44,957 | 56,528 | 52,742 | 62,284 | 2.0 |
| Renewable | 61,785 | 136,832 | 255,009 | 313,599 | 653,971 | 20.7 |
| **Gross Generation** | **1,105,189** | **1,347,401** | **1,822,471** | **1,849,789** | **2,286,554** | **4.6** |
| Less: Auxilliary consumption | 81,242 | 76,771 | 122,416 | 124,251 | 144,442 | 3.4 |
| Add: Bhutan Imports | 5,008 | 5,818 | 4,956 | 5,206 | 6,206 | 4.6 |
| **Total availability (MU)** | **1,028,955** | **1,276,448** | **1,692,369** | **1,730,744** | **2,148,318** | **4.9** |
| **Energy deficit (%)** | **3.6** | **0.5** | **0.1** | **0.2** | **0.1** | |
| | | | | | | |
| **Utilization (%)** | | | | | | |
| Hydro | 36 | 39 | 36 | 38 | 38 | |
| Coal | 62 | 54 | 69 | 66 | 63 | |
| Gas | 21 | 22 | 14 | 14 | 12 | |
| Diesel | 13 | 3 | 5 | 8 | 8 | |
| Nuclear | 78 | 76 | 79 | 71 | 75 | |
| Renewable | 23 | 19 | 18 | 18 | 20 | |
| **Overall (%)** | **49** | **42** | **45** | **42** | **37** | |

Source: CEA, Kotak Institutional Equities estimates

**Two years of weak power demand have created favorable demand-supply dynamics**

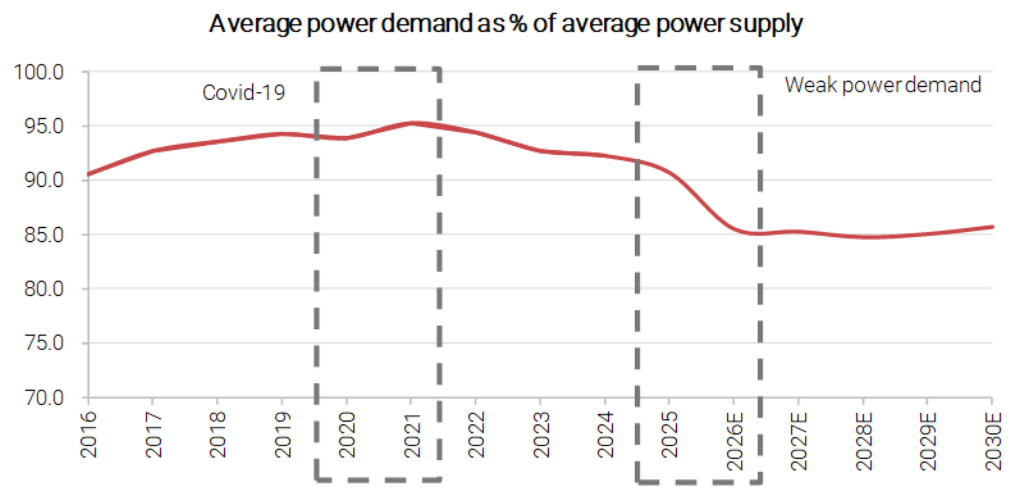
Exhibit 11: Average power demand and average power supply, March fiscal year-ends, 2015-30E (GWh, %)

| | Average demand (GWh) = X | Incremental average annual demand (GWh) | Average supply (GWh) = Y | Incremental average annual supply (GWh) | Average demand as % of supply = (X/Y) |
|---|---|---|---|---|---|
| 2015 | 122 | | 133 | | 91.7 |
| 2016 | 127 | 5 | 140 | 7 | 90.5 |
| 2017 | 131 | 3 | 141 | 0 | 92.7 |
| 2018 | 139 | 8 | 148 | 7 | 93.5 |
| 2019 | 145 | 7 | 154 | 6 | 94.2 |
| 2020 | 146 | 1 | 156 | 2 | 93.9 |
| 2021 | 146 | (0) | 153 | (2) | 95.2 |
| 2022 | 158 | 12 | 167 | 14 | 94.4 |
| 2023 | 173 | 15 | 187 | 19 | 92.7 |
| 2024 | 186 | 14 | 202 | 16 | 92.2 |
| 2025 | 192 | 6 | 212 | 10 | 90.7 |
| 2026E | 198 | 6 | 231 | 20 | 85.5 |
| 2027E | 210 | 12 | 246 | 15 | 85.3 |
| 2028E | 222 | 12 | 262 | 15 | 84.8 |
| 2029E | 233 | 12 | 274 | 13 | 85.1 |
| 2030E | 245 | 12 | 286 | 12 | 85.7 |

Source: CEA, Kotak Institutional Equities estimates

**Favorable demand-supply dynamics**

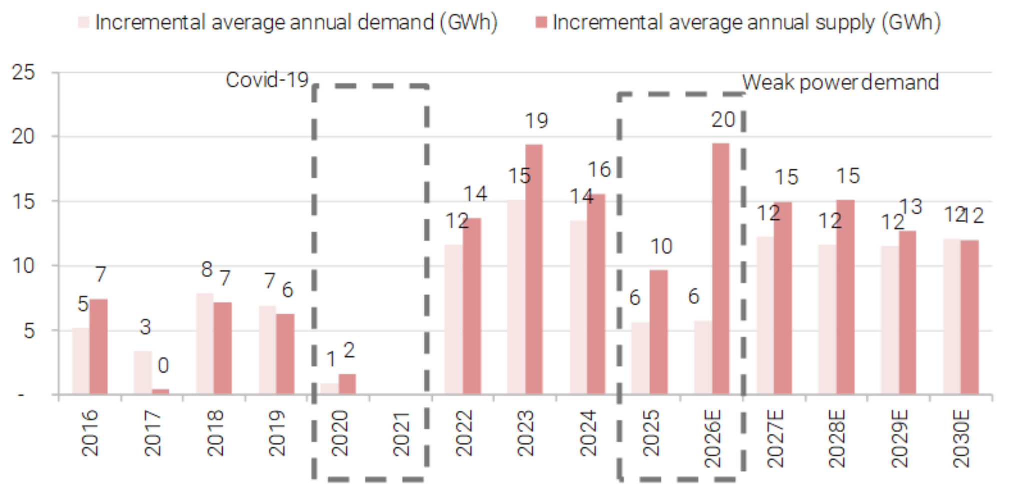
Exhibit 12: Average power demand as % of average power supply, March fiscal year-ends, 2016-30E (%)




Source: CEA, Kotak Institutional Equities estimates

**Weak demand coupled with improved supply in FY2025 and 2026E**

Exhibit 13: Incremental annual power demand and supply, March fiscal year-ends, 2016-30E (GWh)




Source: CEA, Kotak Institutional Equities estimates

## Listed companies have faltered against capacity addition targets

Project execution by listed companies has lagged targets, although partially compensated by acquisitions. Accordingly, earnings growth has been disappointing in the last two years, leading to a de-rating of multiples. We note that valuations have become more palatable, but still do not offer an attractive entry point, nor do they fully factor execution risk from further disappointment in comparison to the capacity addition targets. NTPC and Tata Power have been lagging capacity addition targets in 9MFY26, while JSW Energy (aided by acquisitions) and ACME (low targets for FY2026) are on course to deliver capacity targets.

We further highlight that reported earnings for most utilities have been lackluster, with low-single-digit growth. Earnings multiples for listed stocks have accordingly de-rated, as weak execution and modest earnings growth have disappointed.

**Better capacity addition in FY2026 but still lagging targets for most players**

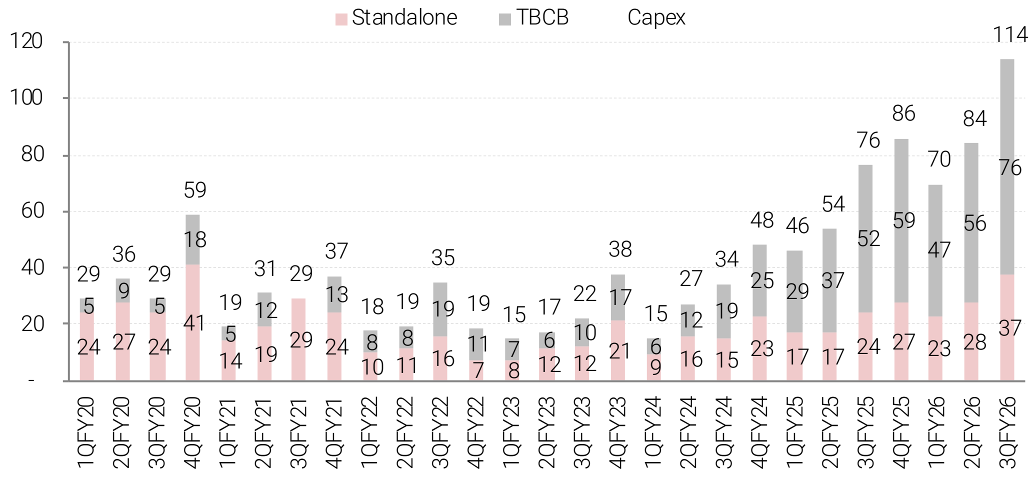
Exhibit 14: Capacity addition for coverage–targets and actuals, March fiscal year-ends, 2025-26E (MW)

| | FY2025 | | | | FY2026 | | | 9MFY26 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Coal/ Hydro | | Renewable | | Coal/ Hydro | Renewable | Comments | Coal/ Hydro | Renewable | Comments |
| (MW) | Target | Actual | Target | Actual | Target | Target | | Actual | Actual | |
| NTPC | 2,700 | 660 | 3,000 | 3,312 | 3,780 | 5,720 | Targeting 9.5 GW coal + hydro + RE (primarily in NTPC Green); target lowered by ~2.5 GW vs start of the year | 3,530 | 2,617 | Barh 660 MW + North Karanpura 660 MW + THDC Khurja 660 MW + 800 MW Patratu + 750 MW Tehri + Renewable |
| NHPC | 1,550 | — | 535 | 107 | 1,800 | 583 | Targeting to commission 4 units X 250 MW at Subansiri Lower in 2026E | 1,300 | 193 | Parbati II (800 MW) commissioned in April 2025, Subansiri Lower (2X250MW) commissioned in Dec 25 & Feb 26, Subansiri Lower (2X250MW) targeted for 4QFY26 |
| Tata Power | — | — | 1,500 | 1,026 | — | 1,400 | Targeting 1.4 GW of owned RE commissioning in 2026E (target lowered by ~0.3 GW vs. start of the year), followed by 2-2.5 GW in 2027E | | 562 | Weak own capacity addition; 800 MW targeted in 4QFY26E |
| JSW Energy | 350 | 2,150 | 1,970 | 1,435 | 240 | 3,600 | O2 acquisition (1.3 GW operational) completed in April 2025 + 0.9 GW u/c at O2 to be completed in FY2026 + balance organic addition + 240 MW hydro project at Kutehr (renewable target lowered by ~0.4 GW vs. start of the year) | 240 | 2,221 | 1,343 MW acquired from operational O2 portfolio, balance addition within O2 and organic renewable portfolio (125 MW RE added in 3QFY26); targeting ~1.4 GW addition in 4QFY26. |
| ACME Solar | — | — | 1,200 | 1,200 | — | 450 | Targeting 450 MW of solar and wind capacities | | 422 | Tracking the full-year addition target |

Source: CEA, Kotak Institutional Equities

**Improving capex spends for Power Grid, expected to sustain at high levels in the quarters ahead**

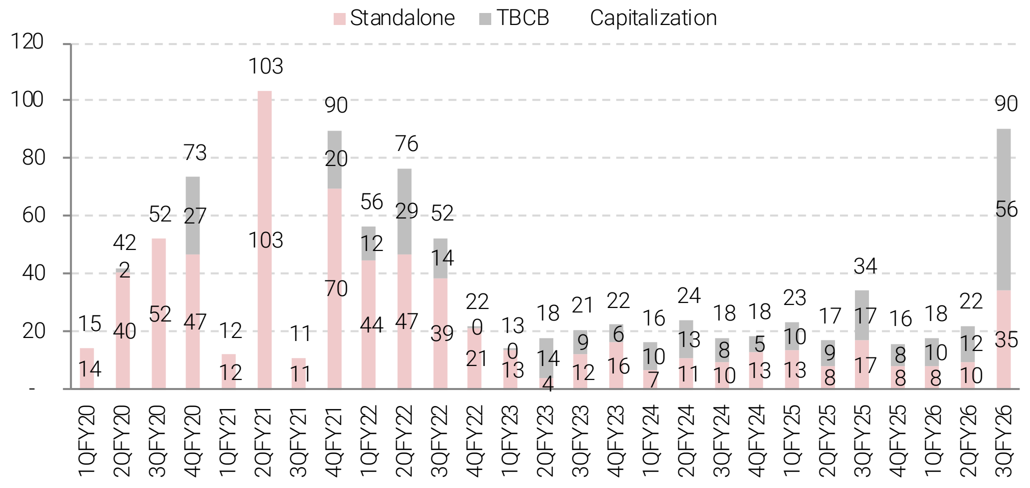
Exhibit 15: Capex for Power Grid, March fiscal year-ends, 2020-26 (Rs bn)




Source: CEA, Kotak Institutional Equities

**Capitalization improved significantly in 3QFY26, guidance for 2026E increased to Rs220 bn**

Exhibit 16: Capitalization for Power Grid, March fiscal year-ends, 2020-26 (Rs bn)




Source: CEA, Kotak Institutional Equities

## Modest earnings growth across the coverage universe

### Exhibit 17: Quarterly snapshot of electric utilities under coverage, March fiscal year-ends, 2025-26E (Rs mn)

| | 3QFY26 | 3QFY25 | 2QFY26 | (% chg.) yoy | (% chg.) qoq | 9MFY26 | 9MFY25 | (% chg.) | Comments for 3Q/ 9MFY26 | 2026E | (% chg.) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CESC** | | | | | | | | | | | |
| Revenue | 41,680 | 38,610 | 53,390 | *8.0* | *(22)* | 149,370 | 142,320 | 5.0 | 8% yoy growth in 3QFY26 consolidated PAT on the back of (1) 37% yoy PAT growth at Chandrapur, aided by new PPAs, (2) 16% yoy growth at the Noida discom, and (3) reduced losses at Malegaon on the back of lower T&D losses, while Kolkata discom saw a modest 2% yoy PAT growth. | 192,080 | 5.3 |
| EBITDA | 9,420 | 9,100 | 11,330 | *3.5* | *(17)* | 31,670 | 29,850 | *6.1* | | 41,960 | 6.6 |
| PAT | 2,850 | 2,650 | 4,290 | *7.5* | *(33.6)* | 11,010 | 9,960 | *10.5* | | 15,235 | 11.3 |
| **JSW Energy** | | | | | | | | | | | |
| Revenue | 40,818 | 24,389 | 51,774 | *67* | *(21)* | 144,026 | 85,560 | 68.3 | 122% yoy growth in 3QFY26 EBITDA on the back of Mahanadi & O2 acquisitions, as well as 2.1 GW of organic capacity addition in the last 12 months. Adj. for acquisitions, EBITDA growth was a modest 8% yoy. PAT impacted by higher interest & depreciation cost, but supported by deferred tax credit. 3QFY26 capacity addition remained weak at 125 MW. | 189,641 | 61.5 |
| EBITDA | 20,296 | 9,137 | 29,965 | *122* | *(32)* | 78,147 | 40,163 | *94.6* | | 102,815 | 96.9 |
| PAT | 4,851 | 1,678 | 7,047 | *189* | *(31)* | 19,329 | 15,428 | *25.3* | | 20,908 | 7.2 |
| **Tata Power** | | | | | | | | | | | |
| Revenue | 144,853 | 151,175 | 157,691 | *(4.2)* | *(8.1)* | 477,187 | 471,743 | 1.2 | 3QFY26 consolidated PAT of Rs7.7 bn (down 25% yoy), impacted by losses at Mundra, as reflected in the Rs1.6 bn standalone PAT loss, partially offsetted by the contribution from the cell & module facility, higher profit in Odisha discom & true-up from a regulatory order in Delhi. | 635,725 | (1.4) |
| EBITDA | 35,918 | 30,790 | 35,261 | *16.7* | *1.9* | 106,862 | 94,762 | *13* | | 142,025 | 9.6 |
| PAT | 7,720 | 10,307 | 9,194 | *(25.1)* | *(16.0)* | 27,513 | 30,681 | *(10)* | | 35,871 | (12.4) |
| **NHPC** | | | | | | | | | | | |
| Revenue | 22,207 | 22,868 | 33,653 | *(2.9)* | *(34.0)* | 87,998 | 80,329 | 9.5 | 3QFY26 consolidated PAT of Rs2.2 bn (-5% yoy), as Parbati II (800 MW commissioned in April 2025) yielded a PAT loss of Rs1.2 bn, impacted by lower revenue recognition from the project (at 80% of the proposed tariff), as tariff for the same is yet to be approved by CERC. | 114,339 | 10.2 |
| EBITDA | 2,116 | 10,215 | 20,269 | *(79.3)* | *(89.6)* | 40,400 | 42,828 | *(5.7)* | | 50,767 | (8.0) |
| PAT | 2,191 | 2,312 | 10,214 | *(5.2)* | *(78.5)* | 23,056 | 21,688 | *6.3* | | 28,634 | (4.8) |
| **NTPC** | | | | | | | | | | | |
| Revenue | 458,457 | 450,528 | 447,858 | *1.8* | *2.4* | 1,376,969 | 1,382,697 | (0.4) | Profit aided by higher regulatory income and improved share of JV profits. 3QFY26 capacity addition was better at 1.7 GW, taking the 9MFY26 addition to 6.1 GW, against the lowered full-year target of 9.5 GW (11.8 GW earlier). | 1,898,681 | 0.9 |
| EBITDA | 145,696 | 136,671 | 128,158 | *6.6* | *13.7* | 399,653 | 393,389 | *1.6* | | 549,118 | 1.4 |
| PAT | 54,887 | 50,625 | 50,668 | *8.4* | *8.3* | 165,661 | 158,112 | *4.8* | | 229,574 | (4.2) |
| **Power Grid** | | | | | | | | | | | |
| Revenue | 126,537 | 112,755 | 119,932 | *12.2* | *5.5* | 360,560 | 337,429 | 6.9 | Capitalization target raised for FY2026 to Rs220 bn (from Rs200 bn) and capex guidance to Rs320 bn (from Rs280 bn). 3QFY26 PAT of Rs41.8 bn (+8% yoy), supported by higher prior-period income. | 486,936 | 5.7 |
| EBITDA | 109,116 | 95,805 | 96,310 | *13.9* | *13.3* | 299,022 | 290,677 | *2.9* | | 405,425 | 3.1 |
| PAT | 41,850 | 38,616 | 35,661 | *8.4* | *17.4* | 113,816 | 113,786 | *0.0* | | 155,472 | 0.2 |
| **ACME Solar** | | | | | | | | | | | |
| Revenue | 4,966 | 3,490 | 4,676 | *42* | *6* | 14,752 | 9,182 | *61* | 45% yoy growth in 3QFY26 EBITDA at Rs4.4 bn, on the back of 17% higher operational capacity at 2,962 MW and an improved CUF to 24.3% (+160 bps yoy), aided by new solar/wind capacities in Rajasthan/Gujarat. Signed 1,240 MW of PPAs in YTD FY2026. | 20,312 | 45 |
| EBITDA | 4,443 | 3,072 | 4,000 | *45* | *11* | 13,022 | 7,997 | *63* | | 17,918 | 45 |
| PAT | 1,137 | 1,190 | 1,108 | *(4)* | *3* | 3,713 | 1,356 | *174* | | 5,234 | 93 |

Source: Company, Kotak Institutional Equities estimates

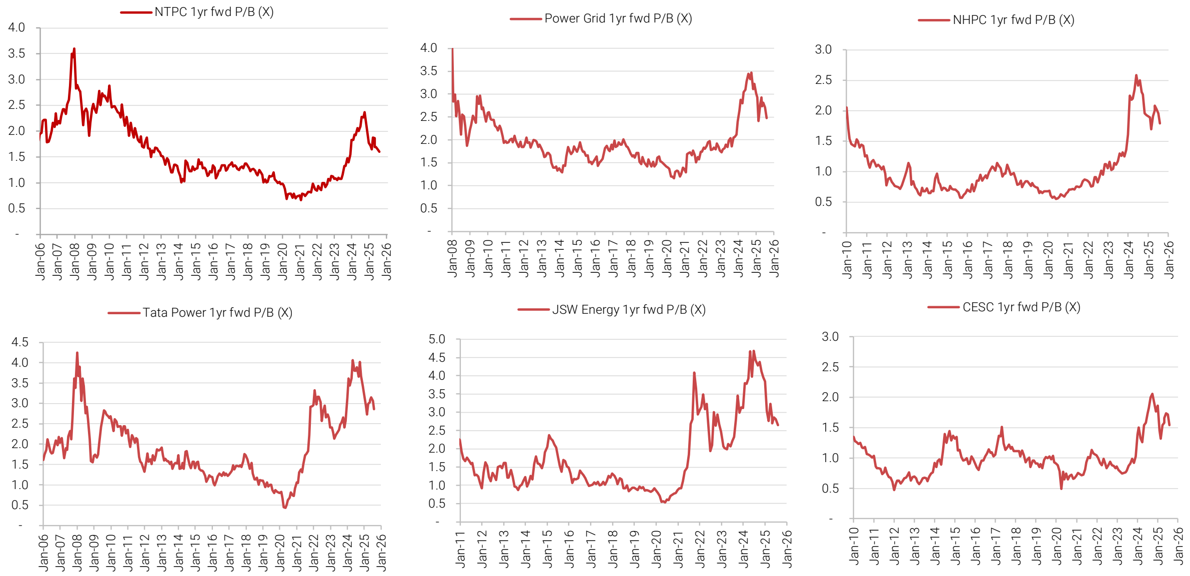
## Valuations have come off in recent times

### Exhibit 18: Valuation comparison on one year forward P/E, March fiscal year-ends, 2010-26 (X)


Source: Bloomberg, Company, Kotak Institutional Equities estimates

### Valuations have come off in recent times

Exhibit 19: Valuation comparison on one year forward P/B, March fiscal year-ends, 2010-26 (X)




Source: Company, Kotak Institutional Equities estimates

### Most utilities are now trading closer to our fair values

Exhibit 20: Valuation summary of electric utilities

| | | Mkt Cap. | Price | Target | EV/EBITDA (X) | | | | | P/E (X) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rating | (US$ bn) | (last close) | (Rs) | 2024 | 2025 | 2026E | 2027E | 2028E | 2024 | 2025 | 2026E | 2027E | 2028E |
| CESC | REDUCE | 2.3 | 155 | 160 | 8.4 | 8.9 | 8.5 | 10.0 | 10.5 | 15.0 | 15.1 | 13.5 | 12.5 | 12.2 |
| Coal India | SELL | 28.7 | 424 | 355 | 7.1 | 7.7 | 9.6 | 7.3 | 6.6 | 7.0 | 7.4 | 8.9 | 7.6 | 7.0 |
| JSW Energy | SELL | 9.5 | 494 | 450 | 19.8 | 23.4 | 14.7 | 13.4 | 11.0 | 47.1 | 44.2 | 41.5 | 32.9 | 19.0 |
| NHPC | SELL | 8.2 | 74 | 72 | 21.3 | 20.2 | 23.6 | 14.7 | 14.0 | 20.6 | 24.9 | 26.1 | 23.3 | 18.2 |
| NTPC | SELL | 39.7 | 373 | 325 | 11.5 | 11.0 | 11.3 | 10.9 | 10.6 | 17.4 | 15.4 | 15.8 | 15.0 | 13.8 |
| Power Grid | REDUCE | 30.6 | 299 | 280 | 10.0 | 10.1 | 10.1 | 9.2 | 8.6 | 17.9 | 17.9 | 17.9 | 15.6 | 14.4 |
| Tata Power | SELL | 13.3 | 378 | 300 | 14.8 | 12.9 | 11.7 | 10.4 | 9.5 | 35.3 | 29.5 | 33.7 | 26.6 | 21.1 |
| ACME Solar | BUY | 1.4 | 232 | 325 | 21.1 | 17.4 | 17.8 | 15.3 | 10.0 | (275.5) | 51.6 | 26.8 | 25.3 | 13.3 |

| | P/BV (X) | | | | | Div Yield (%) | ROCE (%) | | | | | ROE (%) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026E | 2027E | 2028E | 2026E | 2024 | 2025 | 2026E | 2027E | 2028E | 2024 | 2025 | 2026E | 2027E | 2028E |
| CESC | 2.0 | 2.0 | 1.7 | 1.6 | 1.5 | 3.1 | 8.9 | 8.2 | 7.9 | 6.8 | 5.4 | 12.6 | 13.4 | 13.8 | 13.2 | 12.7 |
| Coal India | 3.2 | 2.6 | 2.3 | 2.0 | 1.7 | 6.4 | 27.0 | 16.3 | 9.4 | 12.2 | 11.8 | 53.4 | 38.8 | 27.8 | 28.5 | 27.0 |
| JSW Energy | 3.9 | 3.2 | 2.9 | 2.7 | 2.4 | 0.4 | 6.2 | 4.9 | 8.7 | 6.4 | 7.8 | 8.7 | 8.1 | 7.3 | 8.6 | 13.5 |
| NHPC | 1.9 | 1.9 | 1.8 | 1.7 | 1.6 | 2.0 | 4.3 | 4.1 | 2.5 | 4.3 | 4.6 | 9.6 | 7.7 | 7.1 | 7.6 | 9.3 |
| NTPC | 2.2 | 1.9 | 1.7 | 1.6 | 1.5 | 2.1 | 6.8 | 6.4 | 5.5 | 5.3 | 5.2 | 13.2 | 13.1 | 11.5 | 11.2 | 11.2 |
| Power Grid | 3.2 | 3.0 | 2.8 | 2.5 | 2.3 | 3.0 | 10.5 | 9.8 | 9.4 | 9.3 | 8.8 | 18.3 | 17.3 | 16.1 | 17.0 | 16.8 |
| Tata Power | 3.7 | 3.4 | 3.1 | 2.7 | 2.4 | — | 6.1 | 7.2 | 7.2 | 7.5 | 7.5 | 11.2 | 12.0 | 9.5 | 10.9 | 12.2 |
| ACME Solar | 5.4 | 3.1 | 2.8 | 2.5 | 2.1 | — | 7.0 | 8.0 | 7.7 | 7.3 | 9.8 | (2.2) | 7.7 | 11.0 | 10.5 | 17.2 |

Source: CEA, Kotak Institutional Equities estimates

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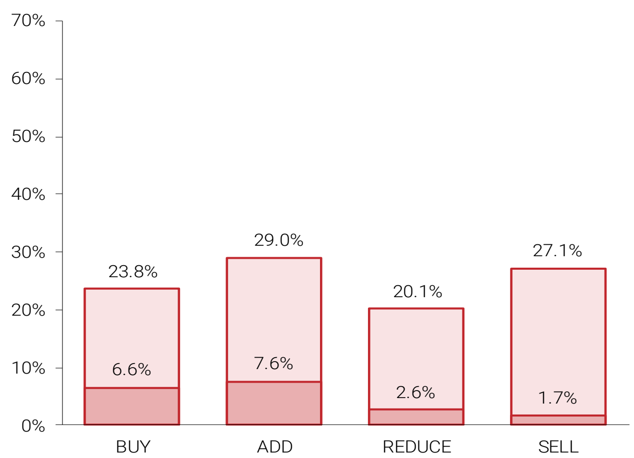


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