

# Utilities

## 3QFY24 Preview: Demand Seasonality to Mute Earnings



We expect utilities under our coverage to report 6% YoY revenue growth driven by 11% YoY growth in power demand. However, earnings to remain flat (EBITDA -2.6%, PAT -0.5% YoY). Key monitorables going forward are sustenance of power demand, trend in international coal prices, and the pace of transition to clean energy. Overall, we remain positive on the utilities space with likely stability in power demand, pickup in thermal capex and continued momentum in RE additions.

- **Power demand remains strong:** The demand for power continues to grow (9MFY24: energy/peak, 8.6%/14%) – it is significantly higher than all earlier growth rates (FY05-15/FY15-20: energy/peak - (6.1%/5.4%)/(3.9%/4.4%)). The PLFs of power plants averaged 68% in 3QFY24 as against 60% in 3QFY23 and 67% in 2QFY24. We expect peak demand to remain high going forward along with sustenance of robust power demand on the back of pick-up in industrial activities and general elections.
- **Fuel prices:** Indonesia coal prices (5,900 GAR), which have corrected sharply (USD 218/tn in Mar'22 to USD 93/tn in Dec'23) are consolidating (USD 90-95/tn) and are expected to remain range-bound. Similarly, Australian coal prices (6,000 GAR) (USD 429/tn in Mar'22 to USD 112/tn in Dec'23) and South African coal prices (6,000 GAR) (USD 392/tn in Mar'22 to USD 131/tn in Dec'23) have also corrected.
- **Our coverage universe:**
  - **BHEL's** net revenue to increase by 24% YoY led by increased execution in power segment. We expect the company to report positive EBITDA and PAT due to increasing operating leverage.
  - **Suzlon's** net revenue to improve 7% YoY with despatches of 3MW series. Earnings to improve 135% YoY and 80% QoQ due to significant reduction in finance cost led by debt repayment in 2QFY24.
  - **JSW Energy's** net sales to grow 28% YoY driven by higher power demand and modest merchant sales. 175% YoY growth in PAT seen due to reduction in fuel cost.
  - **NTPC** is expected to report net sales of INR 447bn in 3QFY24, up 2% YoY. EBITDA is estimated at INR 128bn and PAT to be flat.
  - We expect **Power Grid** to report a flattish quarter with net sales at INR 115bn, and EBITDA margin of 86%.
  - **CESC** is expected to report 12% YoY revenue growth led by strong demand in the eastern region (West Bengal). Going forward, the next trigger for the company remains pending tariff revision and winning new distribution franchisees.
  - **NHPC** and **SJVN** sales are expected to decline YoY due to lower hydro generation v/s 3QFY23; (3,288MU vs 3,653MU) for NHPC and (1,215MU vs 1,395MU) for SJVN.
  - **Tata Power's** net sales to improve 10% YoY led by improved power demand and incremental output from Mundra.
  - **Coal India** produced 199MT (+10% YoY) of coal during 3QFY24 and sold 191MT coal (+9% YoY). However, earnings to be flat due to moderation in e-auction prices.
  - We currently have a BUY rating on NTPC (TP – INR 270), Power Grid (TP – INR 235), Suzlon (TP – INR 37), BHEL (TP – INR 225), CESC (TP – INR 100), NHPC (TP – INR 58), JSW Energy (TP – INR 500), Tata Power (TP – INR 350) and Coal India (TP – INR 360) and a HOLD rating on SJVN (TP – INR 67) and Torrent Power (TP – INR 685). We will review our TP and ratings post 3QFY24 results.

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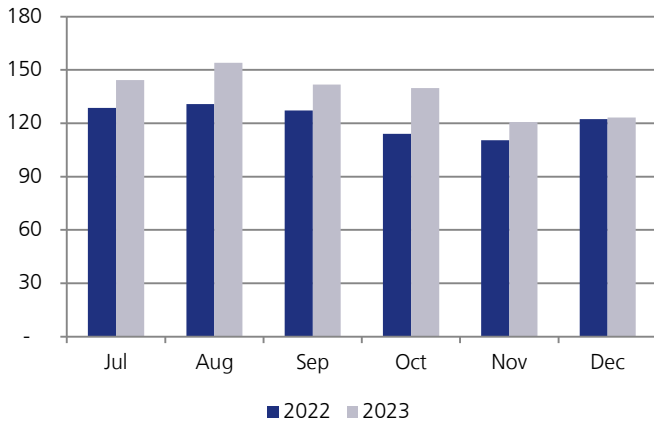
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JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

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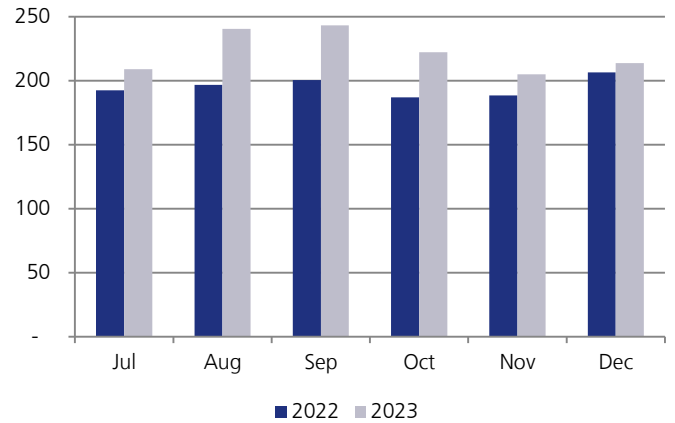
## Key Charts

**Exhibit 1. Energy demand monthly (BU)**



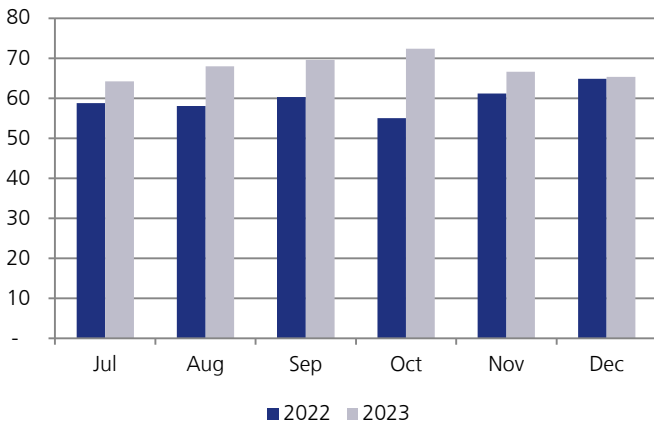
Source: CMIE, JM Financial

**Exhibit 2. Peak demand monthly (GW)**



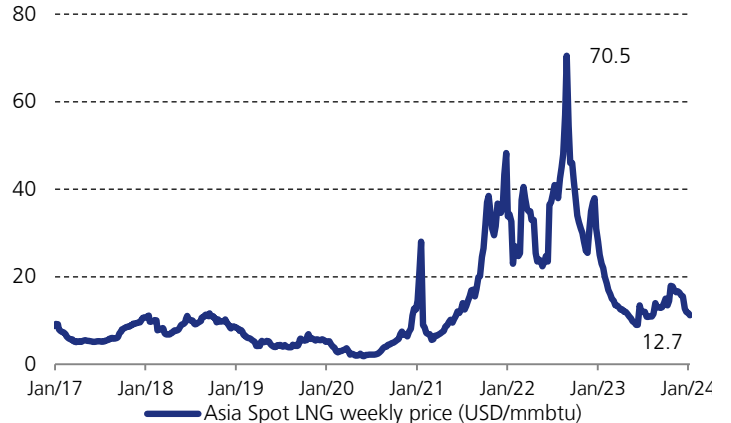
Source: CMIE, JM Financial

**Exhibit 3. Thermal power plants, all-India PLF (%)**



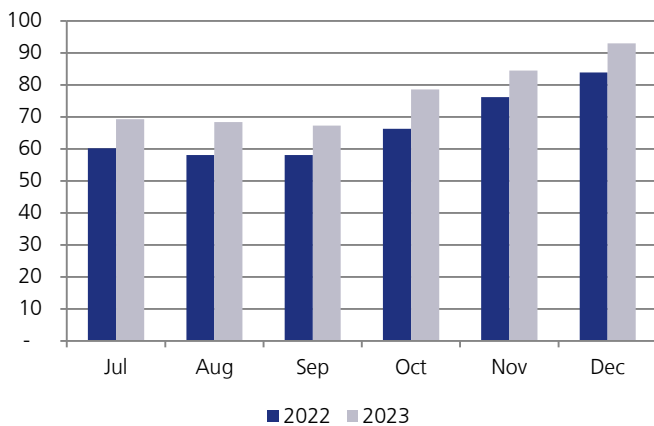
Source: CEA, JM Financial

**Exhibit 4. Asia Spot LNG price (USD/mmbtu)**



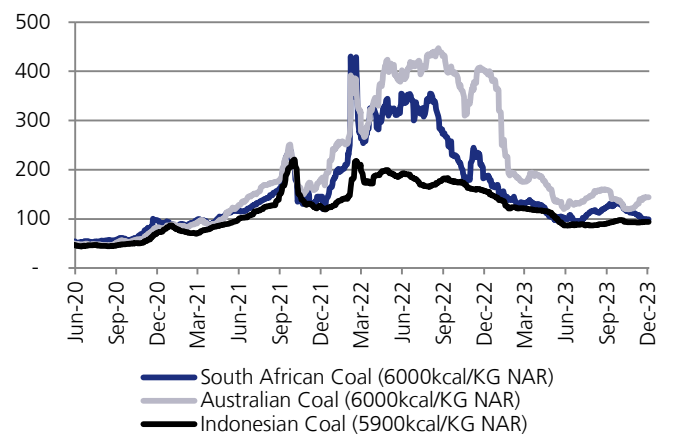
Source: Bloomberg, JM Financial

**Exhibit 5. Coal India monthly production (MT)**



Source: Company, JM Financial

**Exhibit 6. International coal prices (\$/tn)**



Source: Elekre, JM Financial

## 3QFY24 Quarterly preview estimates

## NTPC Ltd

## Exhibit 7. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	4,66,840	4,46,018	5%	4,49,834	4%	Net Sales expected to grow 5% YoY and 4% QoQ to INR 467bn
EBITDA	1,28,604	1,44,776	-11%	1,26,802	1%	
PAT	49,341	48,544	2%	47,264	4%	PAT to remain flat, +2% YoY
EPS (INR/Share)	5.09	5.01	2%	4.87	4%	
EBITDA margin (%)	27.55%	32.46%	-491bps	28%	-64bps	

Source: Company, JM Financial

## Power Grid Corp of India Ltd

## Exhibit 8. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	1,14,932	1,12,618	2%	1,12,670	2%	Net sales to grow 2% YoY and 2% QoQ to INR 114bn remaining broadly stable.
EBITDA	99,175	98,934	0%	99,083	0%	
PAT	35,588	36,453	-2%	37,814	-6%	2% YoY decline in PAT and 6% decline sequentially.
EPS (INR/Share)	3.83	3.92	-2%	4.07	-6%	
EBITDA margin (%)	86%	88%	-156bps	88%	-165bps	Slight margin decline, 156 bps YoY

Source: Company, JM Financial

## CESC Ltd

## Exhibit 9. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	38,581	34,600	12%	47,130	-18%	We expect net sales to grow 12% YoY because of higher power demand in Eastern region.
EBITDA	9,539	8,270	15%	10,070	-5%	EBITDA to improve by 15% YoY due to operational improvement
PAT	3,241	3,190	2%	3,480	-7%	PAT to remain flat YoY
EPS (INR/Share)	2.4	2.40	0%	2.60	-8%	
EBITDA margin (%)	25%	24%	82bps	21%	336bps	

Source: Company, JM Financial

## NHPC Ltd

## Exhibit 10. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	23,245	25,828	-10%	29,313	-21%	Net sales to decline 10% YoY and 21% QoQ at INR 23bn
EBITDA	14,068	17,053	-18%	17,574	-20%	
PAT	5,854	6,717	-13%	15,459	-62%	PAT to decline 13% YoY
EPS (INR/Share)	1	1	-14%	2	-60%	
EBITDA margin (%)	61%	66%	-551bps	60%	57bps	

Source: Company, JM Financial

## SJVN Ltd

## Exhibit 11. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	5,287	5,520	-4%	8,784	-40%	Net sales to decline 4% YoY to INR 5.3bn
EBITDA	3,391	3,806	-11%	7,062	-52%	
PAT	2,636	2,874	-8%	4,396	-40%	
EPS (INR/Share)	0.67	0.73	-8%	1.12	-40%	
EBITDA margin (%)	64%	69%	-481bps	80%	-1626bps	

Source: Company, JM Financial

## Coal India Ltd

## Exhibit 12. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	3,54,897	3,51,693	1%	3,27,764	8%	Net sales to remain flat YoY at INR 354bn
EBITDA	89,772	1,03,958	-14%	81,370	10%	
PAT	67,102	77,191	-13%	68,135	-2%	
EPS (INR/Share)	11	13	-13%	11	-2%	
EBITDA margin (%)	25%	30%	-426bps	25%	47bps	Coal production is expected to remain healthy going forward on account of higher thermal additions and increasing power demand.

Source: Company, JM Financial

## Tata Power Co. Ltd

## Exhibit 13. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	1,56,091	1,41,291	10%	1,57,380	-1%	Net sales to improve 10% YoY led by higher power demand
EBITDA	28,196	23,347	21%	30,910	-9%	
PAT	8,592	9,450	-9%	8,755	-2%	PAT to decline 9% YoY
EPS (INR/Share)	2.69	2.96	-9%	2.74	-2%	
EBITDA margin (%)	18%	17%	154bps	20%	-158bps	

Source: Company, JM Financial

## Torrent Power Ltd

## Exhibit 14. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	71,394	64,428	11%	69,609	3%	We expect net sales to increase by 11% YoY on account of improvement in utilization levels of gas plants leading to higher generation.
EBITDA	11,220	14,437	-22%	12,214	-8%	
PAT	5,010	6,846	-27%	5,270	-5%	
EPS (INR/Share)	10	14	-27%	11	-5%	
EBITDA margin (%)	16%	22%	-669bps	18%	-183bps	

Source: Company, JM Financial

## JSW Energy Ltd

## Exhibit 15. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	28,781	22,481	28%	32,594	-12%	Net Sales to improve 28% YoY and decline 12% QoQ led by higher power demand
EBITDA	14,297	6,249	129%	18,804	-24%	
PAT	5,128	1,867	175%	8,569	-40%	175% PAT growth YoY led by reduction in cost of fuel
EPS (INR/Share)	3.1	1.1	175%	5.2	-40%	
EBITDA margin (%)	50%	28%	2188bps	58%	-802bps	

Source: Company, JM Financial

## BHEL Ltd

## Exhibit 16. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	65,076	52,634	24%	51,253	27%	We expect net sales to increase by 24% YoY and 27% QoQ led by increased execution in power segment
EBITDA	1,817	1,443	26%	-3,877	NM	
PAT	950	423	125%	-2,381	NM	We expect company to report positive EBITDA and PAT due to operating leverage.
EPS (INR/Share)	0.27	0.12	125%	-0.68	NM	
EBITDA margin (%)	3%	3%	5bps	-8%	1036bps	

Source: Company, JM Financial

## Suzlon Energy Ltd

## Exhibit 17. 2QFY24E Estimates (INR mn)

Particulars	3QFY24E	3QFY23	YoY %	1QFY24	QoQ %	Comments
Net Sales	15,656	14,580	7%	14,214	10%	Net Sales to improve 7% YoY, and 10% QoQ
EBITDA	2,517	2,153	17%	2,250	12%	
PAT	1,843	784	135%	1,023	80%	Earnings to improve 135% YoY and 80% QoQ due to massive finance cost reduction.
EPS (INR/Share)	0.14	0.06	112%	0.08	80%	
EBITDA margin (%)	16%	15%	130bps	16%	24bps	

Source: Company, JM Financial

## Exhibit 18. Valuation table

Company Name	Reco,	CMP	TP (INR)	P/E (x)				P/BV (x)				EV/EBITDA (x)				ROE (%)			
				FY23A	FY24E	FY25E	FY26E	FY23A	FY24E	FY25E	FY26E	FY23A	FY24E	FY25E	FY26E	FY23A	FY24E	FY25E	FY26E
NTPC	BUY	310	270	17.5	13.4	10.9	10.6	2.0	1.8	1.7	1.5	10.2	9.3	8.1	7.8	12%	15%	16%	15%
Power Grid Corp	BUY	239	235	14.6	14.2	13.7	13.1	2.7	2.5	2.4	2.2	8.3	7.8	7.5	7.2	19%	18%	18%	18%
CESC	BUY	137	100	13.6	12.7	11.1	14.0	1.7	1.6	1.4	1.4	8.7	7.9	7.1	7.8	12%	12%	13%	10%
Coal India	BUY	378	360	8.1	10.1	9.0	8.2	4.1	3.4	2.8	2.3	5.1	5.9	5.0	4.3	57%	37%	34%	31%
Tata Power	BUY	344	350	32.9	24.6	21.9	18.5	3.8	3.4	3.0	2.6	17.1	13.4	12.9	10.7	11%	12%	12%	13%
JSW Energy	BUY	463	500	55.9	48.5	32.0	22.0	4.1	3.8	3.5	3.1	27.9	18.3	14.1	10.7	8%	8%	11%	15%
Torrent Power	HOLD	1,020	685	23.1	9.7	8.7	8.7	4.5	3.3	2.6	2.1	12.1	6.4	5.7	5.6	20%	39%	33%	26%
NHPC	BUY	69	58	16.5	15.6	13.1	11.8	1.9	1.8	1.6	1.5	16.1	13.9	12.3	9.6	12%	12%	13%	13%
SJVN	HOLD	93	67	26.4	25.0	17.9	16.4	2.6	2.5	2.3	2.1	21.1	18.1	13.5	11.3	10%	10%	13%	14%
BHEL	BUY	195	225	141.9	1,105.5	41.5	9.7	2.5	2.5	2.4	2.1	92.8	368.4	28.7	6.2	2%	0%	6%	23%
Suzlon	BUY	43	37	317.8	65.9	33.6	26.0	48.2	14.6	10.2	7.3	65.8	45.9	27.3	21.0	0%	35%	36%	33%

Source: JM Financial

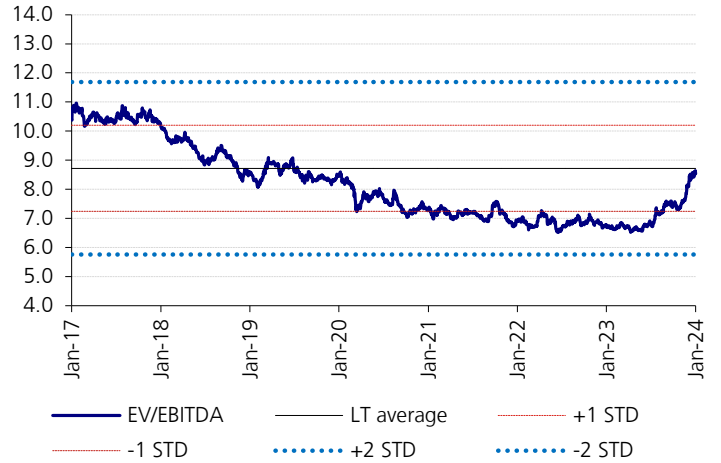
# Valuation Charts

Exhibit 19. NTPC P/B (x)



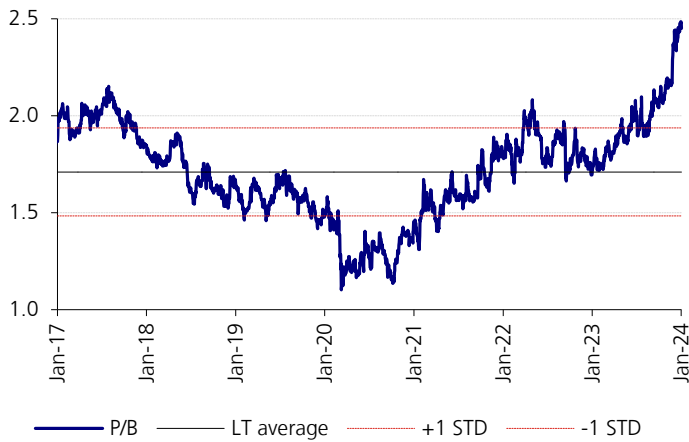
Source: Bloomberg, JM Financial

Exhibit 20. NTPC EV/EBITDA (x)



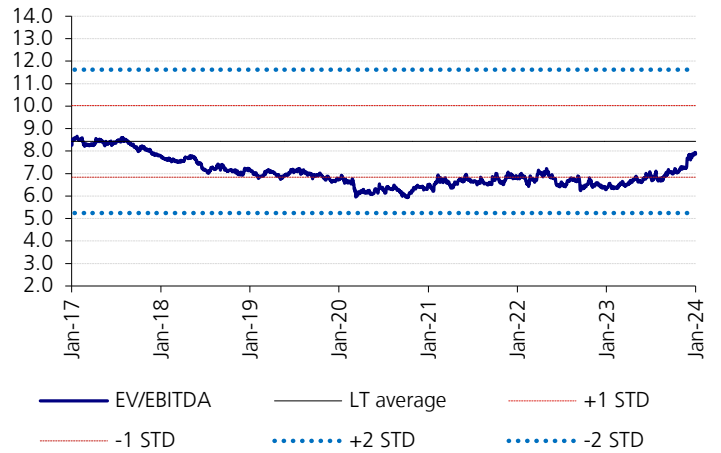
Source: Bloomberg, JM Financial

Exhibit 21. Power Grid P/B (x)



Source: Bloomberg, JM Financial

Exhibit 22. Power Grid EV/EBITDA (x)



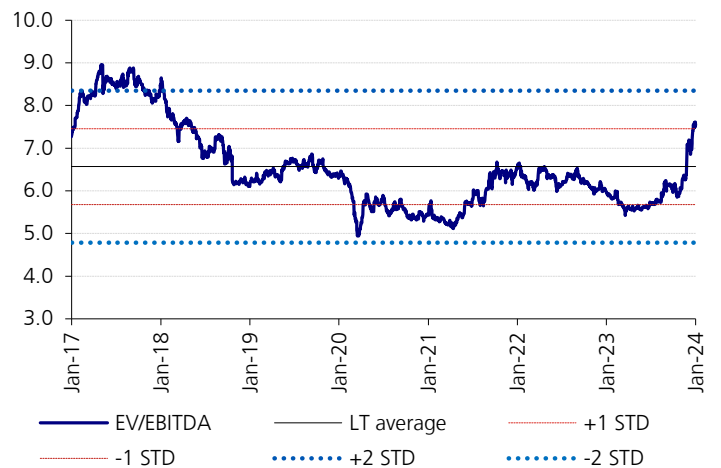
Source: Bloomberg, JM Financial

Exhibit 23. CESC P/B (x)



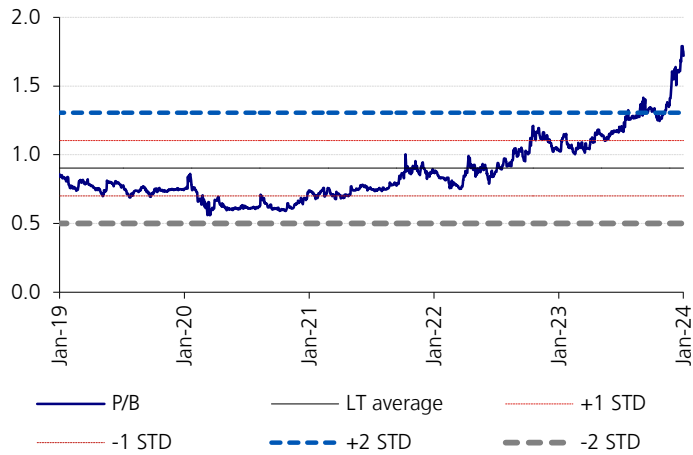
Source: Bloomberg, JM Financial

Exhibit 24. CESC EV/EBITDA (x)



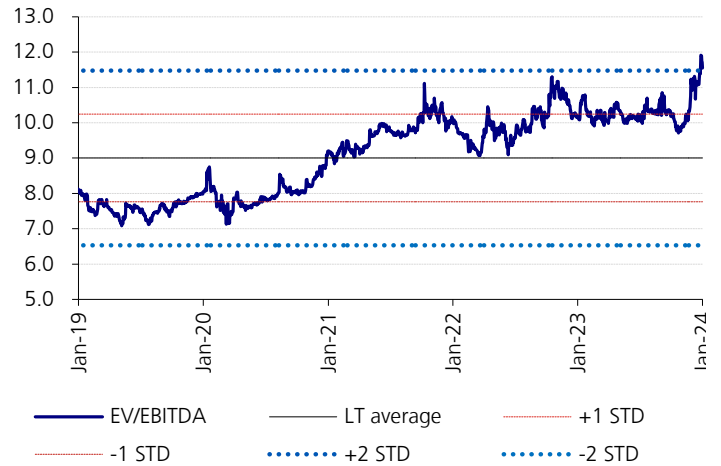
Source: Bloomberg, JM Financial

Exhibit 25. NHPC P/B (x)



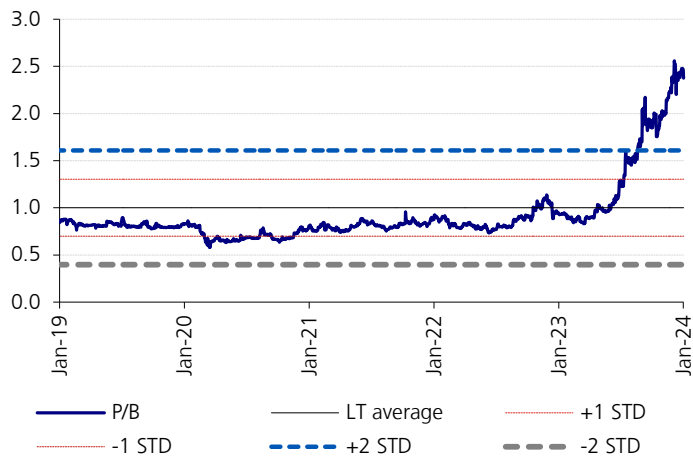
Source: Bloomberg, JM Financial

Exhibit 26. NHPC EV/EBITDA (x)



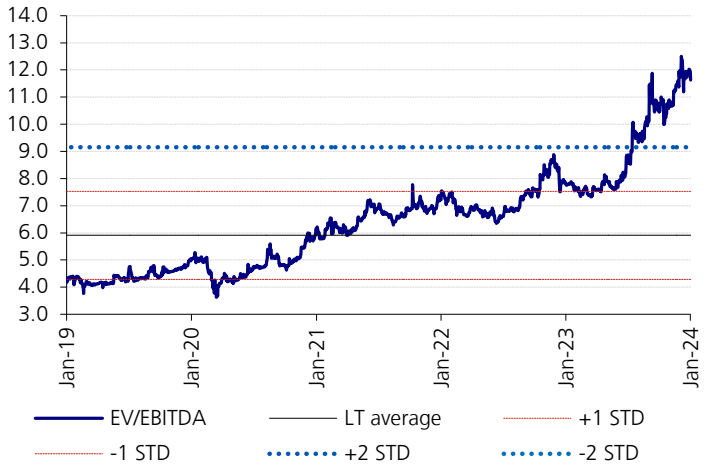
Source: Bloomberg, JM Financial

Exhibit 27. SJVN P/B (x)



Source: Bloomberg, JM Financial

Exhibit 28. SJVN EV/EBITDA (x)



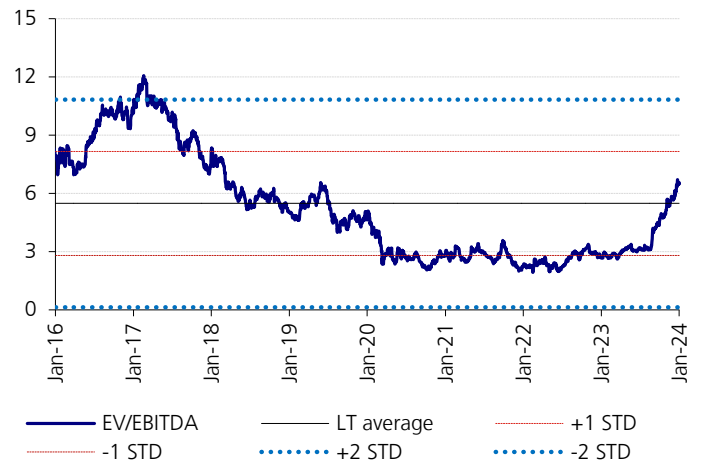
Source: Bloomberg, JM Financial

Exhibit 29. Coal India P/B (x)



Source: Bloomberg, JM Financial

Exhibit 30. Coal India EV/EBITDA (x)



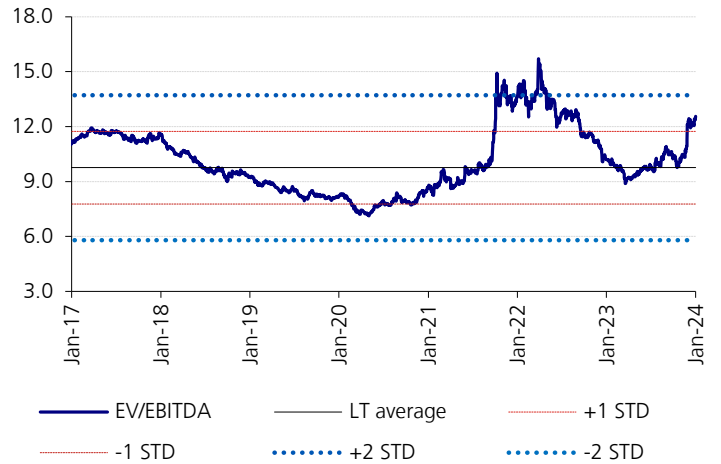
Source: Bloomberg, JM Financial

Exhibit 31. Tata Power P/B (x)



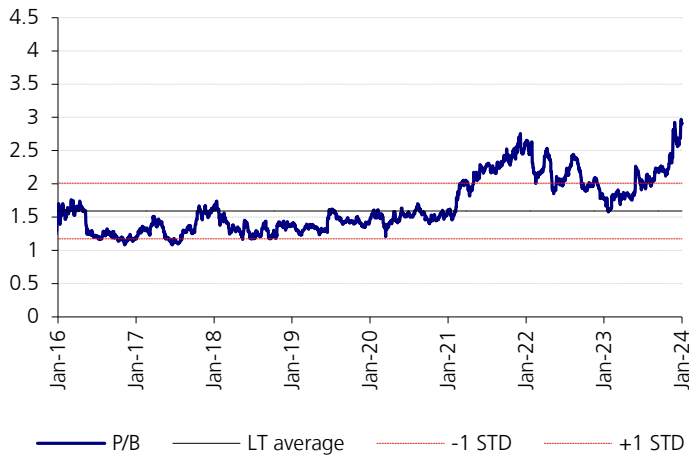
Source: Bloomberg, JM Financial

Exhibit 32. Tata Power EV/EBITDA (x)



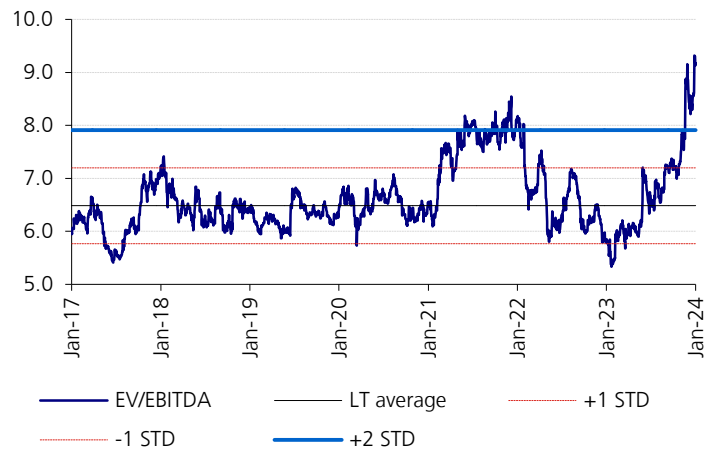
Source: Bloomberg, JM Financial

Exhibit 33. Torrent Power P/B (x)



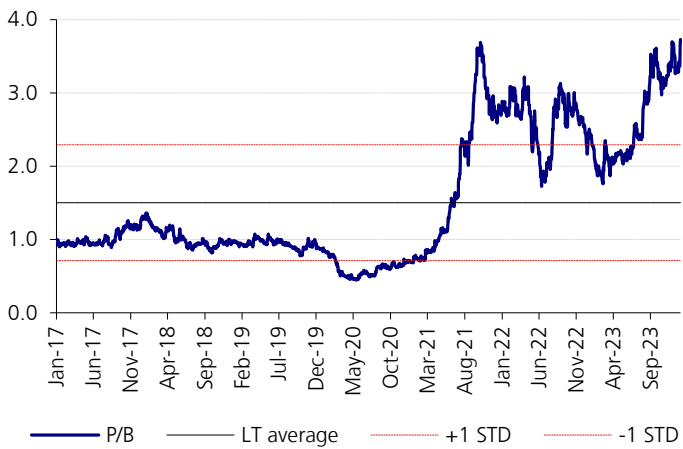
Source: Bloomberg, JM Financial

Exhibit 34. Torrent Power EV/EBITDA (x)



Source: Bloomberg, JM Financial

Exhibit 35. JSW Energy P/B (x)



Source: Bloomberg, JM Financial

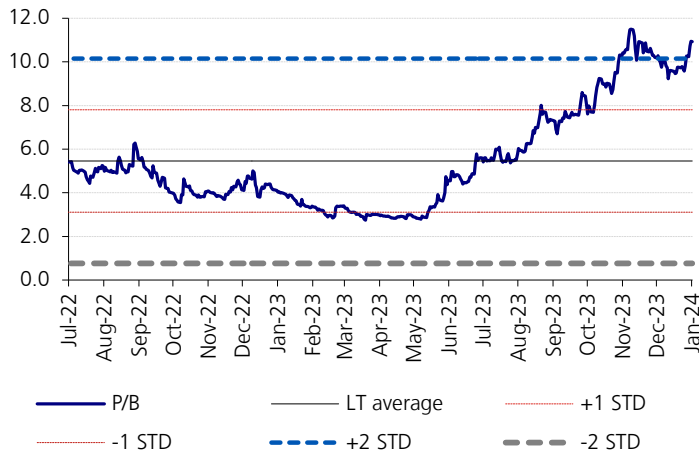
Exhibit 36. JSW Energy EV/EBITDA (x)



Source: Bloomberg, JM Financial

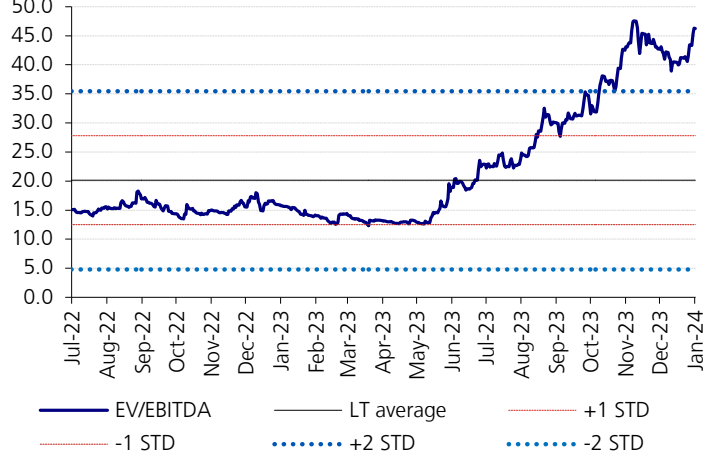


Exhibit 37. Suzlon P/B (x)



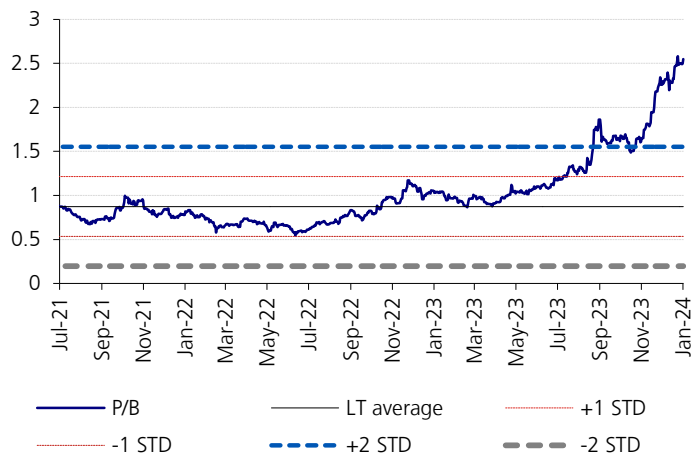
Source: Bloomberg, JM Financial

Exhibit 38. Suzlon EV/EBITDA (x)



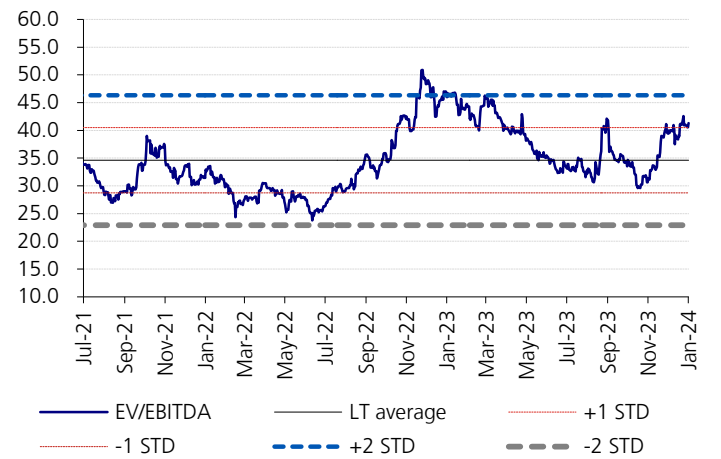
Source: Bloomberg, JM Financial

Exhibit 39. BHEL P/B (x)



Source: Bloomberg, JM Financial

Exhibit 40. BHEL EV/EBITDA (x)



Source: Bloomberg, JM Financial

## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REIT refers to Real Estate Investment Trusts.

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