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Sector update

- NTPC (BUY)
- Coal India (BUY)
- JSW Energy (ADD)
- Torrent Power (HOLD)
- CESC (BUY)

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INDIA

Power

Outlook 2021: Covering lost ground

CY20 was an eventful year for power sector, which made a better-than-expected comeback in the second half after the difficulties faced during Q1FY21 due to the outbreak of Covid-19 pandemic. But we expect CY21 to be an operationally and financially stronger year for the entire sector, with many pending/on-going concerns likely to be addressed soon. CY21 is also expected to be a highly eventful year, particularly on the generation and distribution front, while transmission space may spring a surprise with few large-sized opportunities. Renewables are set to take a leap on several fronts – capacity, generation, manufacturing, rooftop, pumps among several others – but conventional will continue to hold strong. Expect innovative tendering, policies and financing to become a norm rather than an exception.

Top picks: NTPC (TP: Rs165/sh), Coal India (TP: Rs240/sh), CESC (TP: Rs851/sh)

- **NTPC** – Strong operational performance; capacity addition on track; 16% expected earnings growth over FY20-22E with 6-7% dividend yield; valuations attractive
- **Coal India** – Higher volumes; cost-control measures underway; receivables to decline; FY22E dividend yield at 14.8%.
- **CESC** – One of the most undervalued midcap power stocks; can rerate on any positive commentary/actions on better capital allocation; good operational recovery

Key things to watch in CY21:

- **Capacity addition** – RE, particularly solar, will gather a significant pace. Wind capacity addition will restart. Thermal addition is also expected to continue led by NTPC.
- Large RE parks (**UMREPP**) may be the new route to achieve capacity targets of 175GW RE by CY22-end and 300GW solar by CY30. **Solar tariffs** are expected in the range of Rs2-2.5/unit.
- **Demand recovery** looks strong and demand growth sustainable. Expect power demand to maintain its positive trajectory and end FY21 with 5-6% growth YoY.
- Domestic **coal production** will increase, helped by higher coal PLFs and e-auctions, which will consequently reduce dependency on imports.
- **Transmission** may witness a fillip with opportunities related to upcoming RE capacities, ISTS tenders and strategically important projects
- **Merchant power prices** may average higher at Rs2.5-3/unit as demand improves
- **Solar module manufacturing** will be promoted and further incentivised through policies and schemes. Around Rs45bn PLI scheme will help.
- **Stressed asset resolution** to restart.
- **Electricity (amendment) Act** and **National Tariff Policy** is expected to come up
- More **discoms** will be up for **privatisation**. Three discoms in Odisha have already been privatised and many other states and UTs are in the pipeline including MP, Jharkhand, Rajasthan, UP, Chandigarh, Puducherry.
- **Smart metering** to gain significant momentum
- Ambitious **KUSUM scheme** will start delivering and have a big impact. Scheme targets more than 30GW solar installation for agricultural sector through three components. Ultimate aim is to solarise agricultural feeders. No financial burden on farmers and opportunity to increase farmer income, reduce losses, reduce state subsidies and cross subsidies among other benefits.
- **SECI** to get more innovative with tendering including flexi RE contracts with focus on 24x7 RE supply, pure storage capacity tenders, revival of wind power and solarising agricultural grids.
- Further liquidity infusion through **PFC/REC scheme** will help ease systemic stress. Nearly Rs1.14trn has already been sanctioned; expect disbursements to the tune of Rs200bn in next one month
- Focus on improving on **ESG** front will continue for all companies in the sector

CY20 – A recap

Covid-19 pandemic disrupted power demand; made better-than-expected comeback

All India demand posted a "Nike Swoosh" shaped recovery post phase-wise re-opening of the economy in H1FY20. Although energy demand growth in Q1FY21 was down 16.6% YoY, we expect FY21 to end on a flattish-to-mild decline (ranging from 3-4% decline YoY) in power demand. While conventional generation continues to constitute majority, renewable generation pie is increasing every quarter. All-India daily demand in Oct'20 / Nov'20 was higher by 11.6% / 2.4% YoY while peak demand is higher by an average of 7.9%/2.8% YoY, respectively. For YTDCY20, all-India daily demand was flat YoY while peak demand clocked at 176,568MW on 18th Sep'20 was only 3.3% YoY lower. Power deficit has declined further to 0.3% in 7MFY21.

Chart 1: Power demand growth vs GDP

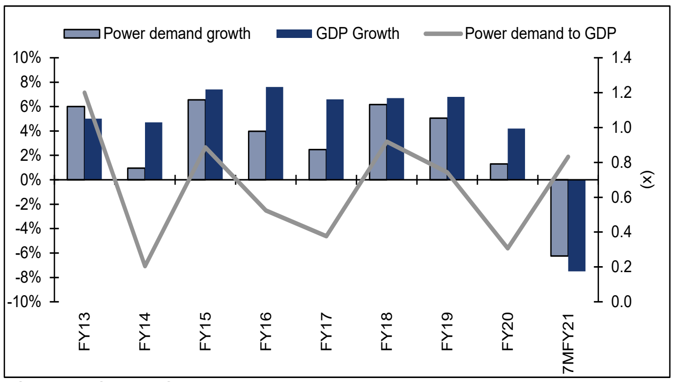
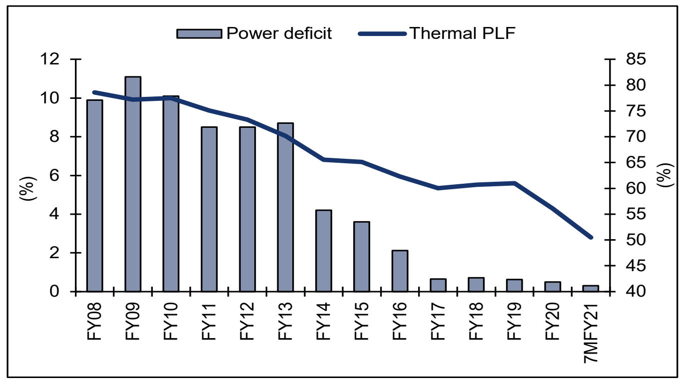


Chart 2: Monthly power demand comparison



Source: CEA, I-Sec research

Note: GDP growth for 7MFY21 taken at -7.5% as per RBI's MPC's FY21 estimates

Chart 3: All India daily demand trend (MU)

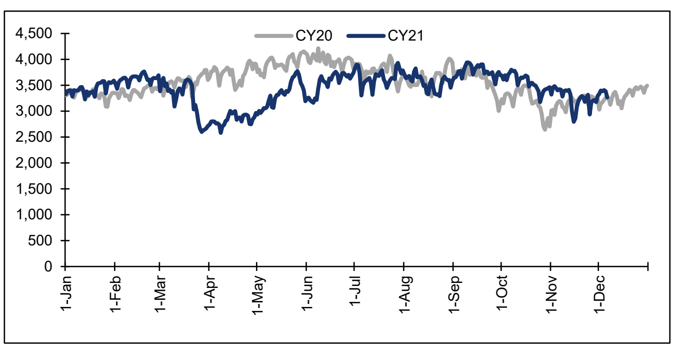
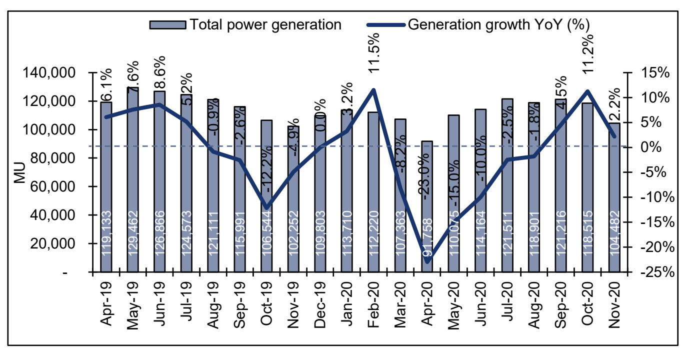


Chart 4: Power generation trend



Source: CEA, I-Sec research

Chart 5: Peak daily demand has been consistently higher since Sep'20 (MUs)

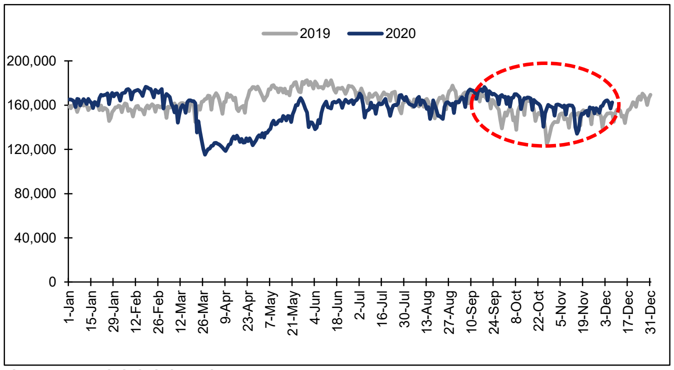
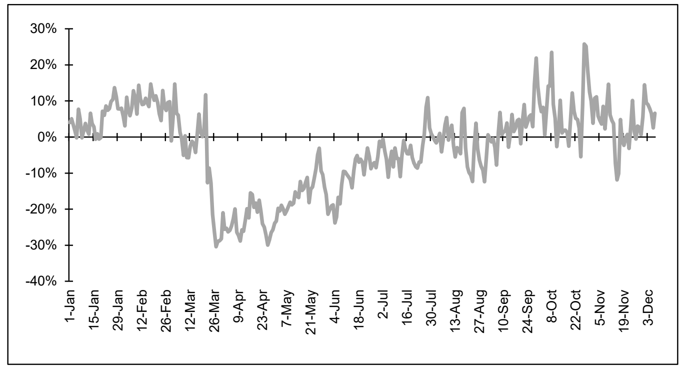


Chart 6: Peak daily demand YoY (%)



Source: POSOCO, I-Sec research

Merchant prices hovered in Rs2.3-Rs2.8 range with an average MCP of Rs2.55/unit during YTDFY21, compared to an average MCP of Rs3/unit during FY20, as per IEX. We expect merchant prices to improve slightly in near term and range between Rs2.5-3/unit.

This year solar tariffs plunged to a record low of Rs2/unit in the latest round of SECI bid held in Nov'20.

Chart 7: Merchant prices were lower

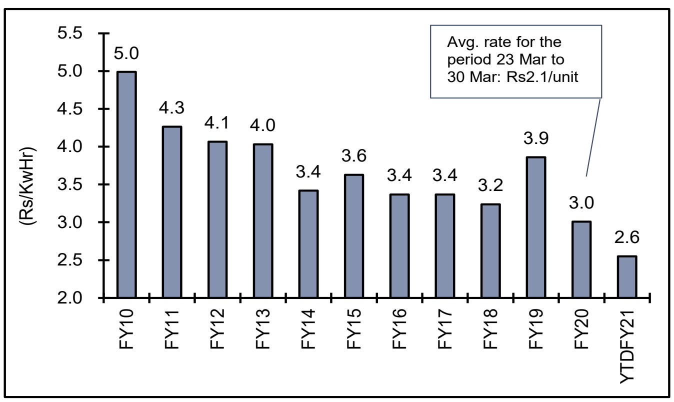
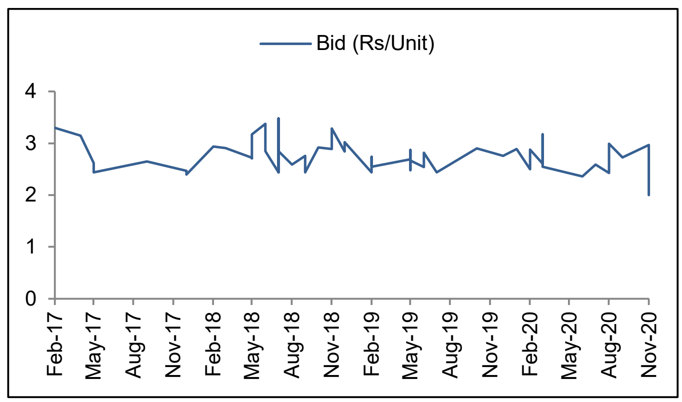


Chart 8: Solar tariffs plunged to record low



Source: IEX, I-Sec research

Capacity addition suffered due to Covid-related disruptions during FY21. Only a meagre 4GW of total capacity was added (net, less capacity retirements), of which, solar/wind addition was 1.9GW/0.6GW.

Chart 9: Total (net) capacity addition lower due to Covid-related disruption

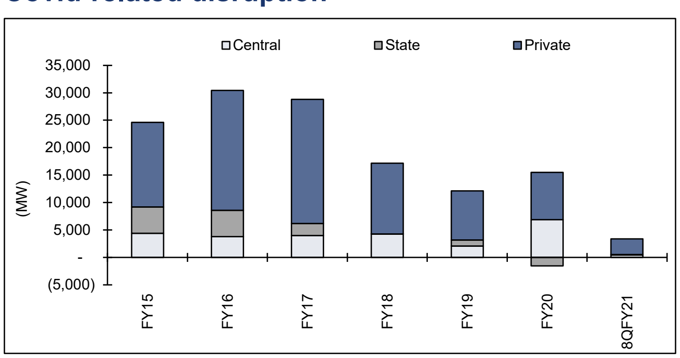
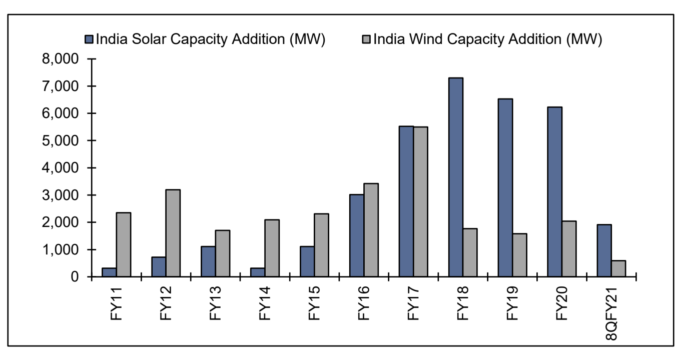


Chart 10: Same for renewables capacity addition



Source: CEA, I-Sec research

Renewables gained 170bps in overall generation during FY19-8MFY21 and 90bps over FY20 to reach 10.9% of total generation in 8MFY21.

Chart 11: Source wise generation – FY20

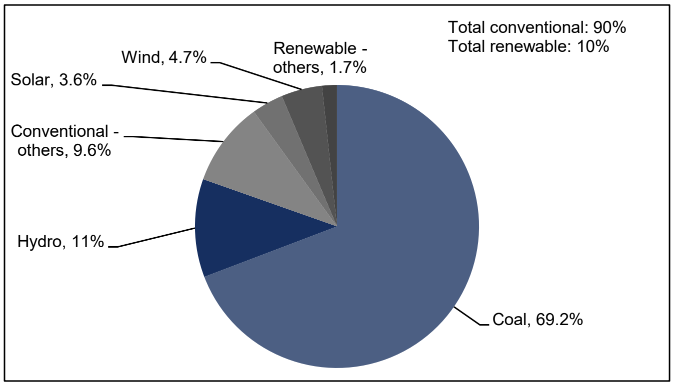
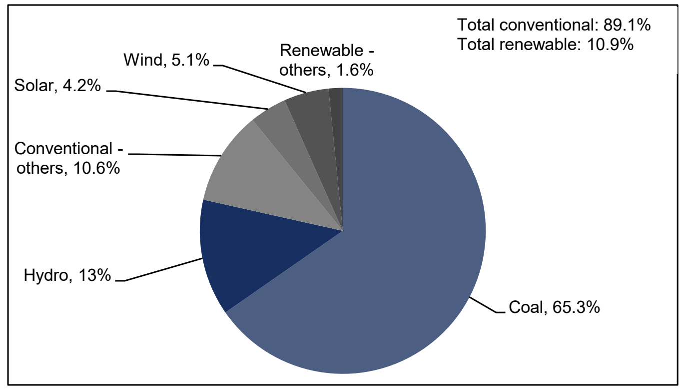


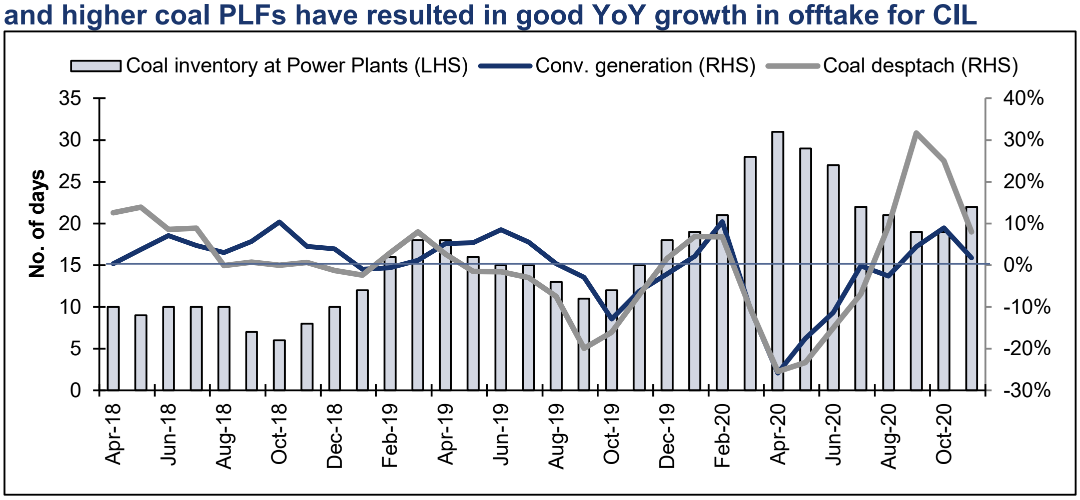
Chart 12: Source wise generation – 8MFY21



Source: CEA, I-Sec research

Coal availability has been a non-issue in CY20 as CIL ramped-up production and coal demand picked up pace only Q2FY21 onwards, to support this CIL/power plants had substantial coal inventory.

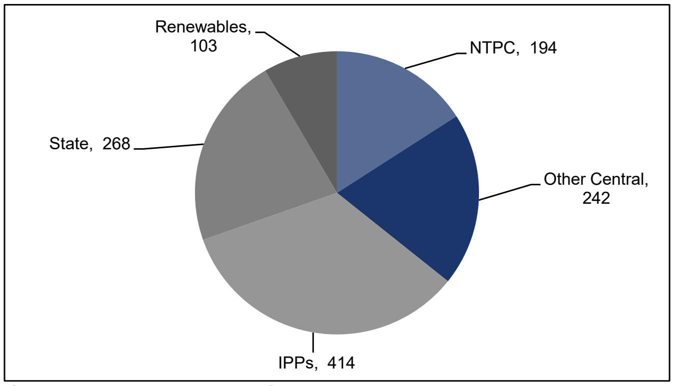
Chart 13: Coal inventory at plants remain consistent at 22 days as of Nov'20-end and higher coal PLFs have resulted in good YoY growth in offtake for CIL



Source: CEA, I-Sec research

Discom overdues near Rs1.26trn by Oct'19-end, but expected disbursement of the balance *AatmaNirbhar* loan package from PFC/REC can help repay all pending debtors of the entire value chain.

Chart 14: Overdue break-up – Oct'20



Source: PRAAPTI Portal, I-Sec research

Table 1: State-wise overdue amount – Oct'20

S. No.	State	Overdue amount (Rs bn)
1	Rajasthan	383.10
2	Tamil Nadu	206.45
3	Uttar Pradesh	137.28
4	Karnataka	85.32
5	Maharashtra	75.37
6	Telangana	57.19
7	Jammu & Kashmir	54.62
8	Jharkhand	50.83
9	Others	209.08
	All-India	**1259.24**

Power Grid partly commissioned Raigarh-Pugalur transmission line, which helped add 8,094ckt of transmission lines and 20,580MVA of sub-station capacity during 7MFY21.

Chart 15: Transmission lines yearly addition

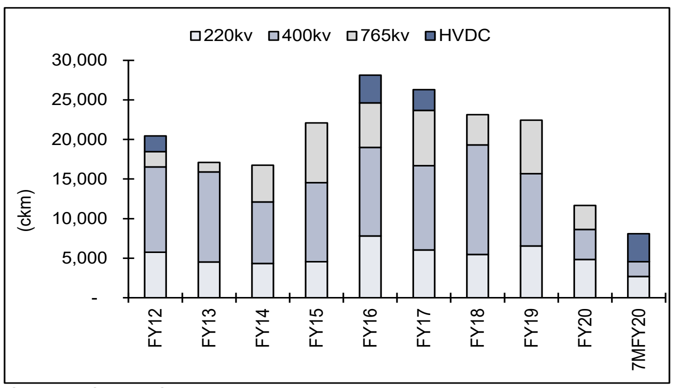
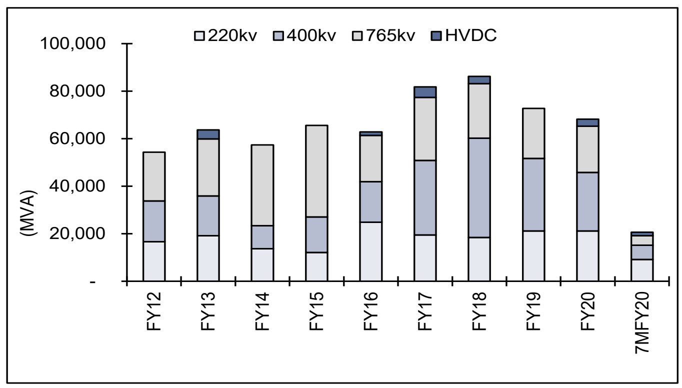
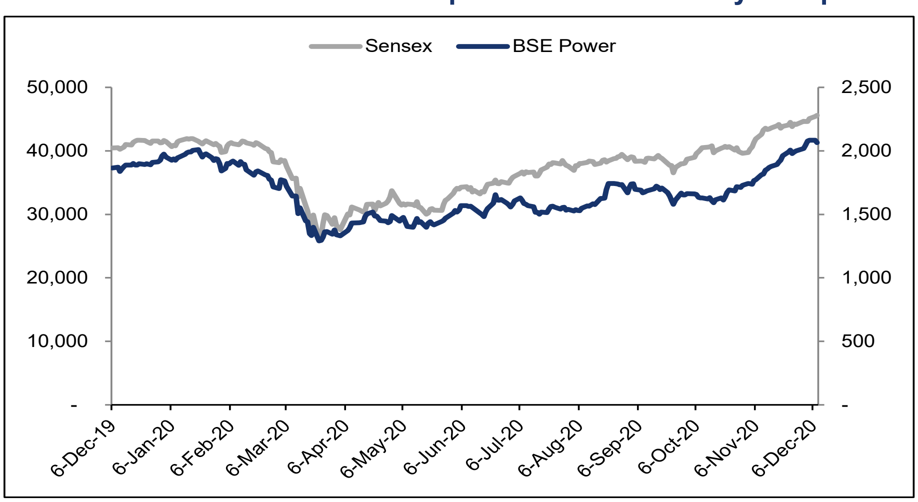


Chart 16: Substation capacity yearly addition



Source: CEA, I-Sec research

Chart 17: BSE Power Index underperformed SENSEX by 200bps in TTM



Source: BSE, I-Sec research

Recap of major events, government policies, regulations, initiatives of CY20 focused on power and coal sectors

- **Jan'20**: Government of India promulgated Mineral Laws (amendment) ordinance, 2020, which opened up commercial mining of coal to private sector. The bill was passed in Mar'20.

  Report link

- **Jan'20**: Stressed asset resolution picks-up pace

  Report link

- **Feb'20**: FY21 Union Budget keeps the focus on power sector intact but a few key points positively benefited the PSUs in particular.
  - Dividend distribution tax removed
  - Disinvestment target pointed towards no further ETFs – confirmed later
  - Investment targets of power PSUs remain stable; PSU gencos increase
  - New corporate tax scheme extended to power companies – several PSUs and private companies take advantage, especially in case of their renewable / acquisition / new businesses.
  - KUSUM scheme enhanced – solar pumps have become a major focus area, with all round benefits for every stakeholder. Expected to gain further momentum in the near term.
  - Smart meters promoted – Another major focus area, as AT&C losses can be easily reduced through this route.

  Report link

- **Mar'20**: MoP compelled to ask for three-month moratorium to discoms on payment to gencos/transcos due to the force majeure situation arising from Covid-19 pandemic. MoP also asked for reduction in late payment surcharge (LPS).

  Report link

- **Apr'20**: Draft Electricity (Amendment) Bill, 2020 released

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- **May'20**: Government released details of the National Infrastructure Pipeline (NIP), which was announced on 31st Dec'19. Of the total planned investment amount of Rs111trn, share of power sector at Rs25trn is the highest (22.5%).

  Report link

- **May'20**: Government announces a series of reforms for power and coal sectors as part of Rs20trn *AatmaNirbhar Bharat* package. Key focus areas included:
  - One-time rebate of 20-25% on fixed charges for the duration of the lockdown.
  - PFC and REC mandated to extend Rs900bn worth of special long-term transition loans for up to 10 years to discoms, conditionally, in two equal tranches (quantum enhanced to over Rs1.25trn).

- Several announcements made to increase domestic coal production, reduce imports and strengthen coal-related infrastructure in order to reduce the seasonal non-availability of domestic coal.
- Privatisation of distribution utilities of union territories announced; to set a precedent for states to reduce losses and improve services to customers.

Report link

- **Jun'20**: Coal mine auction started for 41 mines with an estimated peak cumulative production capacity of 225mtpa by FY26.

  Report link

- **Jul'20**: Thrust on self-reliance and reducing import of power equipment, with focus towards reducing dependence on China.

  Report link

- **Aug'20**: Power demand growth turns positive for the first time in FY21.

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- **Sep'20**: Government releases draft Electricity (Rights of Consumers) Rules, 2020 and draft standard bidding documents (SBD) for privatisation of distribution licensees.

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- **Sep'20**: Smart metering implementation regains momentum lost due to Covid-19; billing efficiency, higher revenues prove efficacy.

  Report link

- **Oct'20**: PFC/REC discom liquidity infusion scheme gains traction

  Report link

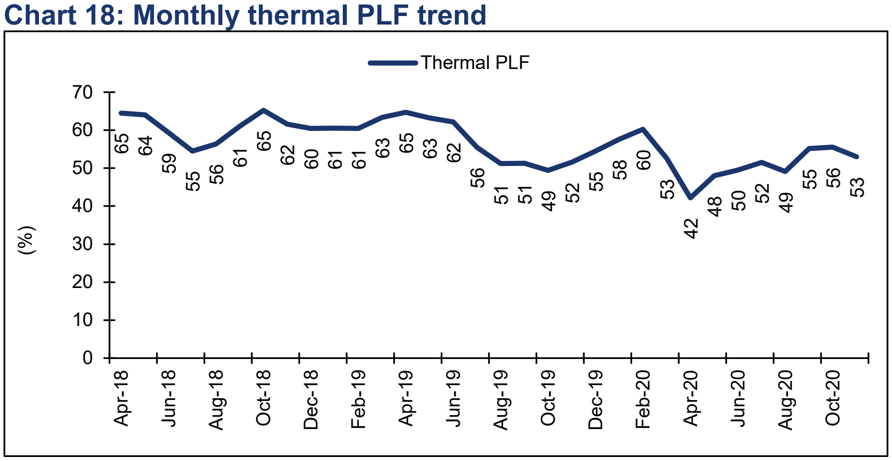
- **Nov'20**: Solar tariff in SECI bidding plunged to its lowest ever at Rs2/unit.

  Report link

What to expect in CY21 – an action packed year for power sector?

- **Capacity addition – RE to gather significant pace; thermal will also continue:** We expect thermal capacity addition to continue, with NTPC being the primary player in this space. However, all upcoming capacities will be more efficient. Renewables-installed capacity currently stands at 90GW; the target of 175GW by CY22-end seems challenging, but we expect significant addition in CY21.
- **Large RE parks may be the new route to achieve lofty RE capacity targets:** PM will inaugurate a 30GW RE (solar + wind) park in Kutch region of Gujarat state. This will be the world's largest RE Park. Several companies have been allotted land in this RE Park to develop RE capacity (GIPC, NTPC among others). This is among the quickest route to develop RE capacity and reach the ambitious CY22-end RE capacity target and CY30-end target of 450GW RE capacity (300GW solar), since land identification and acquisition is state's responsibility. Other states, which are pursuing this route, include Rajasthan, Karnataka, Andhra Pradesh, Madhya Pradesh etc. We believe the historic low solar tariff of Rs2/unit discovered during the latest SECI auction will remain the benchmark and tariffs will continue to be in Rs2-2.5/unit range in the near term.
- **Demand recovery looks strong and growth sustainable**: We expect power demand to maintain its positive trajectory and end FY21 with 5-6% growth YoY, supported by seasonal demand and further improvement in commercial and industrial demand.
- **Domestic coal production to increase; dependency on imports to decline**: With Coal India continuing its high OB removal numbers since the past three quarters, and thermal PLFs improving every month, we believe CIL can better our FY21 production/offtake estimates of 580mnte. This will also include a significant growth in e-auction volumes (100-120mnte in FY21E) which is replacing coal imports.

Chart 18: Monthly thermal PLF trend



Source: CEA, I-Sec research

- **Transmission may witness a fillip on the back of RE capacities, state tenders and strategically important projects**: Transmission lines for UMREPPs, ISTS (MP, Rajasthan, Gujarat etc.) and few strategically important projects (Ladakh, Lahaul-Spiti) are some of the upcoming opportunities. Nearly Rs179bn worth of tenders are expected to be finalised in the next 3-6 months.

- **Merchant power prices may average higher at Rs2.5-3/unit as demand improves:** CY20 has not been a good year for merchant power prices, but with power demand improving, we expect prices to be slightly higher – in the range of Rs2.5-3/unit in the near term.
- **Solar module manufacturing will be promoted and further incentivised**: In order to achieve the target of 300GW of solar capacity by 2030, at present estimates, US$100bn worth of solar panels are required to be imported (US$10bn p.a.). Thus, it is pertinent that domestic panel manufacturing be encouraged and incentivised. This will require strong policies and frameworks for manufacturing and installation of panels, in addition to the Rs45bn PLI scheme for manufacturing of high efficiency solar PV modules recently announced by the government.
- **Stressed asset resolution to restart**: Covid-19 disruption has put a halt on this front, with non-functioning of NCLT being the biggest hurdle. Going forward, we expect the resolution of several large assets to be expedited.
- **Electricity (amendment) Act and National Tariff Policy expected to come up:** GoI is expected to table the draft National Tariff Policy in the Union Cabinet, which will address most prevailing issues in the sector. We also expect the Electricity Act amendment to be tabled during the winter session of the Parliament.
- **More discoms will be up for privatisation**: Preferred route is to be through distribution franchisees (DFs) that have a PPP component allowing the bidders flexibility of capex with necessary approvals. Government is also looking at bringing in more than one supplier to a common circle to increase competition, providing more options to consumers. In CY20, three discoms in Odisha have already been privatised and many other states and UTs are in the pipeline including MP, Jharkhand, Rajasthan, UP, Chandigarh, Puducherry, among others.
- **Smart metering to gain significant momentum**: Covid period had stalled the installation of new smart meters, but proved to be a booster shot in the acceptance of smart metering as a better solution for all discoms. With a target to replace 250mn conventional meters with smart meters, we expect the programme to pick up significant pace next year. We believe that a shift towards smart metering solutions, at least in urban and semi-urban areas, is inevitable. It is an easy and quick route for any discom to address some of the pressing problems – billing accuracy, improved collections, theft reduction, AT&C loss reduction, digitisation and better services to consumers, remote monitoring, access and data collection and demand management, among others. As per NSGM, 2.1mn smart meters are currently installed in India and 12.5mn under deployment.
- **Ambitious KUSUM scheme will start delivering and having a big impact**: It is estimated that out of ~1,300BU of electricity consumption in India, ~200BU is from the agricultural sector, primarily for using agricultural pumps. This is apart from the several million diesel pumps which are also being operated (it is estimated that there are ~30-40mn agricultural pumps in India). Every state subsidises electricity supply to agriculture, to the tune of Rs10 to Rs120bn every year per state. Still agriculture barely breaks even for most farmers. KUSUM scheme targets more than 30GW of solar installation for agricultural sector through three components:
  - ***Component A***: 10GW of decentralised ground mounted grid connected renewable power plants of individual plant size up to 2MW.
  - ***Component B***: Installation of 1.75mn standalone solar powered agriculture pumps of individual pump capacity up to 7.5HP.

- ***Component C***: Solarisation of 1mn grid-connected agriculture pumps of individual pump capacity up to 7.5HP.

The funding of the scheme is as follows: Central government – 30%, state – 40%, loan through NABARD etc. – 20%, and payment by farmer – 10%. But most states have opted for loans with no financial burden on farmers for the balance 30%.

The ultimate aim is to solarize agricultural feeders totally. Many states have not been able to separate agricultural feeders. Central government is coming out with another scheme to separate agricultural feeders, which when solarized will help reduce the cost of power further. Even in this case, the payback period for the loan is ~6 years. Funding structure – 30% from central government and 70% through loans from NABARD/PFC/REC. States and farmers do not have to fund anything. This loan is paid off in 5-6 years flat just by diverting the agricultural subsidy and after that the subsidy amount is freed, which can be used by the state for other developmental activities.

Since irrigation is required for only ~120 days in a year, during the remaining 240 days, discom can use the power generated through the grid linkage and the resultant revenue generation can help pay off the loan in only 4-5 years. The farmer gets power for irrigation during the day, when he needs it most. The farmer is also incentivised for saving power, in case the consumption is lower than normative, in which the farmer gets paid.

Another spin off will be the reduction of cross-subsidisation of power by industries. Hence, industries will also get cheaper power subsequently.

- **SECI to get more innovative**: What we can expect from SECI going forward:
  - Flexi RE contracts with focus on 24x7 RE supply
  - Pure storage capacity tenders
  - Revival of wind power
  - Solarising agricultural grids
  - Solar power for agricultural machinery (further R&D will be required)
  - Grid connected induction stoves to be provided in rural areas.
- **Further liquidity infusion through PFC/REC scheme will help ease the systemic stress**: Till Oct'20-end, PFC/REC *Aatma Nirbhar* scheme to infuse liquidity into discoms received interest totaling Rs1.3trn, of which Rs1.14trn has already been sanctioned and Rs157bn under UDAY limit relaxation is in process. Rs311.4bn has been disbursed. We believe in the next one month there will be significant disbursements under this package, to the tune of Rs200bn. This will include disbursal of Tamil Nadu's first loan tranche of >Rs150bn (out of total Rs302bn sanctioned). Even though current cashflow has improved for most gencos, which are recovering >100% from discoms in the past few months, disbursals will further channelise liquidity into the value chain by clearing pending dues, easing the systemic stress. Subsequently, we believe the receivables situation of PSUs should improve in next 2-3 months.
- **Focus on ESG will continue for all companies in the sector**: Several companies including PSUs have already committed a target-based approach towards improving their performance on the ESG front. We expect the focus and efforts towards ESG and other sustainability initiatives to continue for all companies.

Top Picks for CY21

NTPC

Key investment rationale:

- **Growth story intact:** NTPC has a standalone commercial capacity of 50GW and consolidated capacity of 62GW while under construction coal capacity is ~14GW, expected to be commissioned by FY24 (FY21 commissioning target is >5GW). By FY30, with organic growth, the installed capacity of the company will be ~108GW, and adding inorganic additions, the figure is estimated to touch 115GW. This will require a capex of Rs2.2trn over the next 5-7 years. FY20 core growth, strong commissioning pipeline (thermal and renewable) and green initiatives (FGD, low-NOx system installation) will further strengthen NTPC's standalone core business.
- **Transition towards an integrated energy company to bring huge opportunities across segments:** From only a generator, NTPC aims to become an integrated energy company by FY32 with greater interest in mining, distribution, trading and other areas, apart from generation (both conventional and renewable). NTPC's recent bid win at SECI auctions securing 470MW at Rs2.01/unit is a step in this direction.
- **Decoding H1FY21 for the year ahead:** With adjusted EPS for standalone/consolidated entity at Rs7.4/Rs8 in H1FY21, we believe, NTPC is on course to achieve FY21E target EPS of Rs12.3/Rs14. Rs102.6bn increase in regulated equity in TTM has resulted in strong core earnings, which a robust commissioning pipeline, supported by green initiatives will strengthen further. Over dues (>45days) now stand at Rs191.6bn but are expected to reduce to Rs160bn by FY21-end. Under-recoveries were Rs4.97bn at Q2FY21-end. The company expects FY21 under recovery at ~Rs2.5bn.
- **Dividend to normalise:** During recent investor interactions, NTPC informed its dividend policy (higher of 5% of net worth or 30% of profits) remains intact and optimising shareholder returns is important. We expect Rs6/share as dividend for FY21E, despite the announcement of the recent buyback.
- **Valuation:** We maintain BUY with target price unchanged at Rs165/share. NTPC's standalone EPS for FY21E/FY22E/FY23E is Rs12.3/Rs16.5/Rs18.5, respectively, while consolidated EPS is Rs14/Rs18.5/Rs21, respectively. Stock is trading at 5.9x FY22 standalone PE & 0.7x P/BV & 6.5% dividend yield.

Coal India

Key investment rationale:

- **Coal production is now higher YoY; current run rate indicates offtake will breach last year's volumes:** For Nov'20, CIL's production was up 3.3% YoY at 51.7mnte while offtake was up 8% YoY at 51.3mnte. Average coal stocks at power plants have slightly increased to 22 days currently vs 19 in Sep'20-end as offtake increased. YTD, CIL's production is 334.5mnte, higher by 1.2% YoY, while offtake is 357.2mnte, down only 1.8% YoY. OB removal continues to be higher YoY, with MTD volumes registering a growth of >10%. E-auction premiums were higher at

13% during Oct'20 vs 10% during 7MFY21, although lower than previous year's premium of 47%. But e-auction volumes for 7MFY21 were up 90% YoY at 59mnte.

- **A high dividend yield play:** Company has guided that instead of just once, starting this year, CIL will give out dividend 2-3 times a year. For FY21, so far the company has paid 91% of profit as interim dividend (Rs7.5/sh). We believe in FY21-22, CIL's dividend payout may lead to >25% yield at CMP.
- **Heavy focus on cost reduction and efficiency improvement in next few years**: Although CIL continues to be the cheapest coal miner and commercial coal mining may still be 4-5 years away, its focus on reducing costs and improving efficiencies will help it be much ahead of the competition. Some of the measures include: Manpower reduction, import substitution, expediting completion of cost efficiency projects, rationalising loss making mines, rationalising current stripping policy, among others.
- **Valuation**: We maintain our BUY rating with a target price to Rs240, incorporating lower e-auction realisation and lower other income due to lower cash and high receivables. We value CIL on DCF basis with a peak production of 850mnte FY29E onwards. Stock is trading at 4.9x FY22 PE & 14.8% dividend yield.

CESC

Key investment rationale:

- **Regulated businesses impacted slightly due to Covid-led disruption, but expected to recover**: CESC's H1FY21 standalone revenue/PAT declined by 19%/26% YoY due to Covid-related volume, billing and collection issues. There was fixed cost under recovery in Kolkata due to volume decline in Q2FY21, but it may be partially addressed in coming quarters. Receivables have increased but CESC has not taken any provision till now, as collections have improved and the company is confident of recovering dues.
- **Chandrapur's good performance sustains**: On account of 37% growth in sales volumes, Chandrapur clocked 17% increase in revenue and Rs470mn PAT during H1FY21, vs a loss of Rs490mn in H1FY20. Chandrapur's unit-2 is fully tied-up and continues to sell power under long-term PPAs at high PLFs, and repayment of debt is underway. PPA with Maharashtra for supply of 185MW is extended up to 31st Jan'21 (may be further extended).
- **Distribution businesses performance affected, still better than expected**: Rajasthan DFs turned profitable in Q2FY21 with PAT of Rs10mn vs a loss of Rs30mn in Q2FY20 due to improvement in collection and higher reduction in AT&C losses over the past year. Both demand and collections at DFs improved significantly from the lows of Q1FY21. CESC also took over the Malegaon DF in Mar'20 and its H1FY21 revenue / loss came in at Rs1,780mn/Rs400mn. We expect the improving trend in DF businesses to continue.
- **Valuations attractive**: We maintain our BUY rating on CESC with a target price of Rs851/share. The stock is currently trading at FY22E P/E of 6.6x and P/BV of 0.7x. We believe CESC is among the most undervalued stocks in the midcap power space and hence, can rerate on any positive commentary/actions on better capital allocation by the company.

Earnings and valuation summary

Table 2: Financial estimates

Company	Sales				EBITDA				PAT			
(Rs mn)	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
NTPC	977,004	1,056,688	1,160,564	1,245,907	270,927	309,605	370,084	409,496	121,735	121,803	163,448	182,781
Coal India	960,803	910,517	1,011,965	1,085,903	219,208	181,739	225,438	267,920	167,003	138,388	169,751	197,063
JSWE	82,727	79,062	83,600	88,292	29,569	28,375	29,428	30,118	7,700	8,097	9,834	11,534
CESC	116,772	113,819	117,934	122,783	35,355	33,352	34,192	35,154	13,059	11,560	12,456	13,448
Torrent	136,406	131,703	128,047	132,408	35,561	31,217	33,953	35,275	12,692	9,162	12,343	13,682
Median	136,406	131,703	128,047	132,408	35,561	33,352	34,192	35,275	13,059	11,560	12,456	13,682

Source: I-Sec research

Table 3: Valuation summary

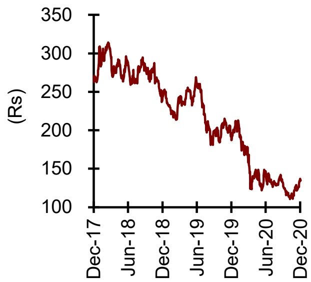
Company	Reco	Target Price (Rs/sh)	CMP (Rs/sh)	M/Cap (Rs bn)	P/BV (x)				P/E (x)				RoE (%)			
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
NTPC	BUY	165	97	962	0.9	0.8	0.7	0.7	8.0	8.0	5.9	5.3	10.7	10.2	12.6	12.9
Coal India	BUY	240	135	837	2.6	2.3	2.0	1.7	5.0	6.0	4.9	4.2	51.3	37.9	41.2	40.6
JSWE*	ADD	69	65	107	0.9	0.9	0.8	0.8	13.9	13.2	10.9	9.3	6.6	6.8	7.8	8.6
CESC	BUY	851	620	77	0.9	0.8	0.7	0.7	6.3	7.1	6.6	6.1	13.6	11.0	10.8	10.7
Torrent	HOLD	313	324	156	1.7	1.6	1.5	1.4	12.5	17.3	12.9	11.6	14.0	9.7	12.1	12.2
Median					0.9	0.9	0.8	0.8	8.0	8.0	6.7	6.3	13.6	10.2	12.1	12.2

Source: I-Sec research, Bloomberg

* Target price increased incorporating higher investment value in JSW Steel

Price charts

Coal India



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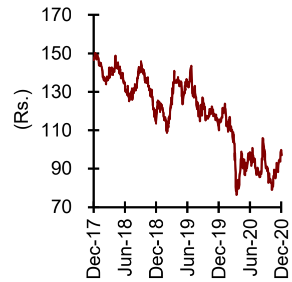
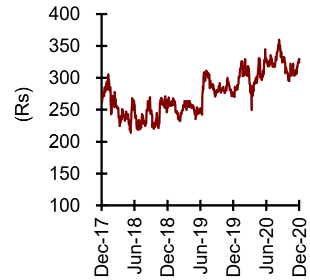
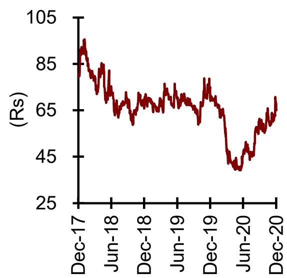


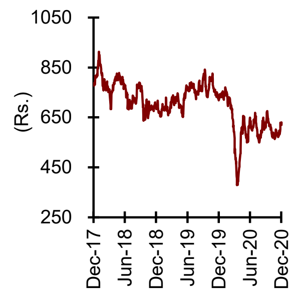
Torrent power



JSW Energy



CESC



Source: Bloomberg

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