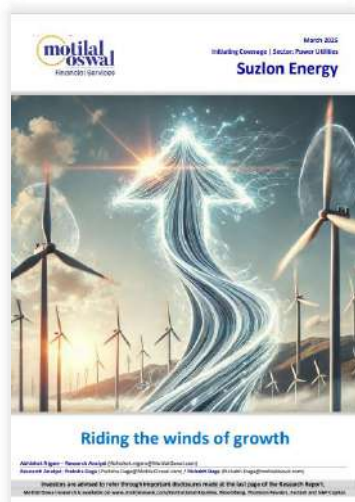


Our latest Utilities updates



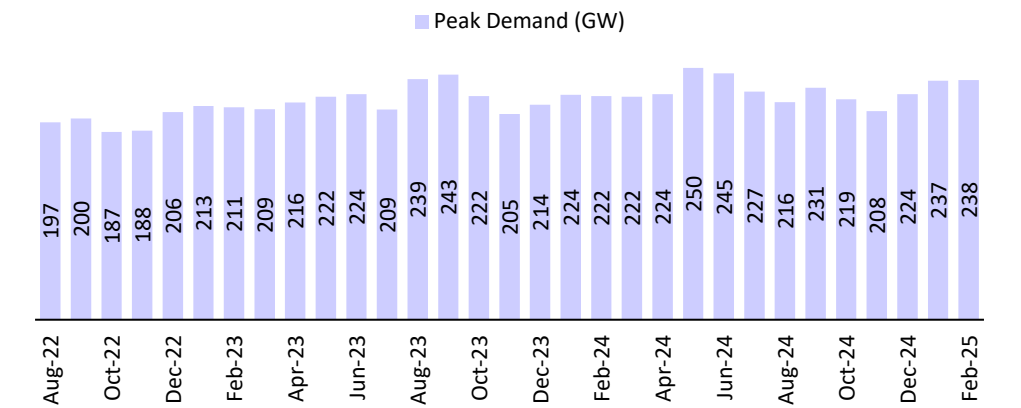
Positive outlook persists amid healthy demand

- Over the last month, power stocks within our coverage have re-rated 1-18%. Investor focus has again returned to peak demand even as concerns around delays in Power Purchase Agreement (PPA) signing and transmission connectivity have continued to linger.
- Strong merchant spreads return: In Feb'25, peak power demand came in at 238GW (up 7% YoY). The Indian Meteorological Department (IMD) is forecasting Mar'25 to be warmer than usual, and the Central Electricity Authority (CEA) has estimated peak demand to reach 270GW (up 8% YoY) during the summer of 2025. Merchant power prices in the Day-Ahead Market (DAM) are up 16% YoY (INR4.57/unit in early Mar'25 from INR3.91/unit in Mar'24) ([Link](#)). We highlight JSW Energy as a top pick in the utility space with 15% of total operational capacity on a merchant basis.
- Declining battery prices are reshaping project configurations and are creating the potential for project economics to improve further. As battery prices have declined from >USD200/kWh in 2018 to USD135/kWh now, companies are re-thinking storage vs. wind combinations and innovating to improve project IRRs.
- Delays in PPA signing are raising investor concerns around the sanctity of guided EBITDA for generation companies; though TPWR, JSWE, and ACME Solar are well placed with 82%, 65%, and 53% of their respective project pipelines already having secured PPAs.
- Transmission connectivity challenges remain high: even though most players in our coverage universe have already secured adequate connectivity for RE projects coming up till FY27. Recognizing these constraints, CERC has proposed the introduction of restricted grid access to optimize transmission efficiency, which we believe should alleviate some of these concerns.

Peak demand firming up again, merchant power prices strong

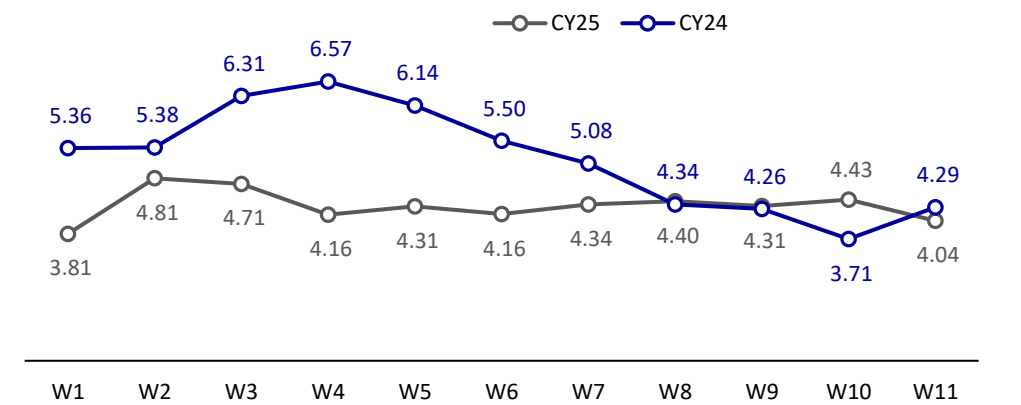
- In Feb'25, peak demand reached 238 GW, marking a 7% YoY growth from 222GW in Feb'24. Further, the Indian Meteorological Department (IMD) is expecting Mar'25 to be warmer than usual, with a high number of heatwaves (days).
- The CEA estimates that peak demand could reach 270 GW during the summer of 2025, surpassing last year's record 250 GW on May 31. This rising demand is already evident in March, with power consumption up 9% in the first ten days compared to the same period in 2024 (Source: NPP).
- Market clearing prices in DAM also reflected this surge in demand, rising to ₹4.57/unit in early Mar'25 from ₹3.91/unit in Mar'24, as quoted by Rohit Bajaj, Joint Managing Director of Indian Energy Exchange (IEX) ([Link](#)).

Exhibit 1: India's peak demand (GW)



Source: CEA, MOFSL

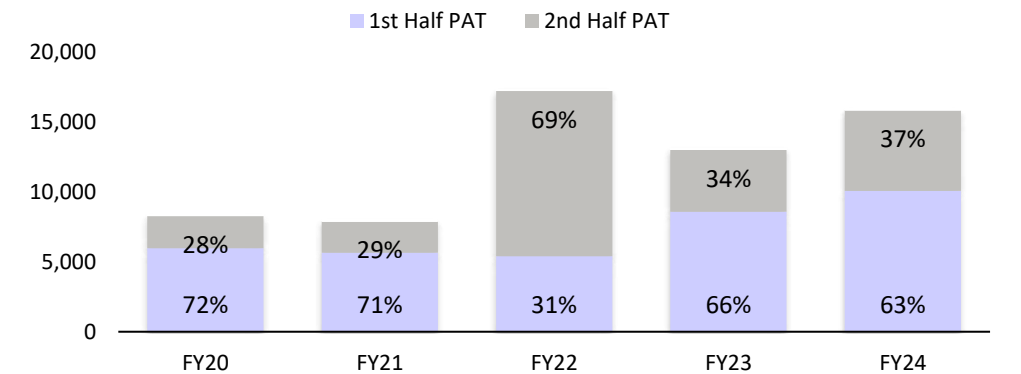
Exhibit 2: Weekly weighted MCP (INR/kWh)



Source: IEX, MOFSL

■ Within our coverage universe, **JSW Energy** is the key play on rising merchant power prices with 1.3GW of merchant capacity, post-commissioning of 350MW Ind-Barath Unit 2 announced on Mar'25. We note that JSWE generates over **60% of its annual profits in the first half of the year**, aligning with the peak demand periods.

Exhibit 3: JSWE's Adj. PAT over the years (INR m)

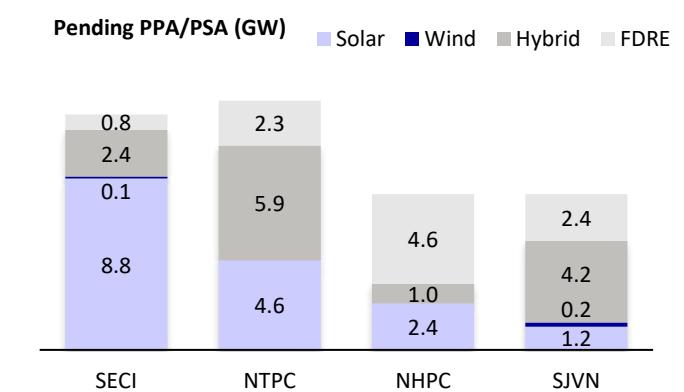


Source: Company, MOFSL

JSWE and TPWR the least impacted by PPA delays

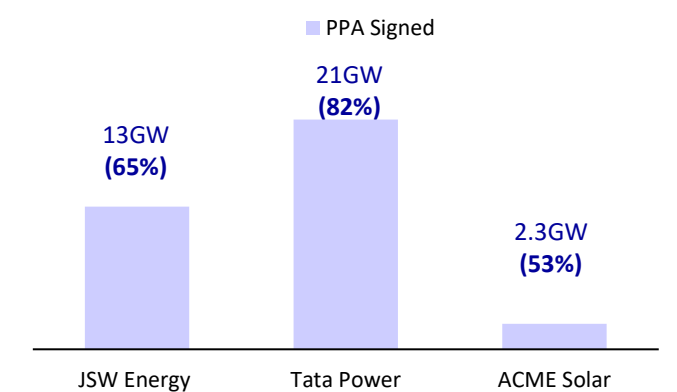
- According to media articles [\(link\)](#) and our channel checks, **nearly 40GW of RE projects** awarded by government-backed agencies have remained stranded for over a year. The majority of these, based on our discussions with industry participants, are in the plain vanilla solar category (~17GW), followed by hybrid (13GW).
- Key reasons for the delay in signing PPA, according to us, are led by: 1) expectations of declining RE tariffs, 2) the time-consuming process required for state DISCOMs to secure regulatory approvals, and 3) a sharp rise in RE auctions to ~62GW in FY24 from ~13/15/12GW in FY21/FY22/FY23.
- Delays in securing PPA have raised investor concerns about the sanctity of guided EBITDA for generation companies. Amongst the RE generation companies in our coverage universe, TPWR (82%) and JSWE (65%) have the highest % of project pipeline covered by PPA, followed by ACME Solar (53%).

Exhibit 4: PPA and PSAs not signed yet for nearly 40GW of RE projects awarded



Source: Industry, MOFSL

Exhibit 5: PPA signed (as a % of under construction + pipeline)

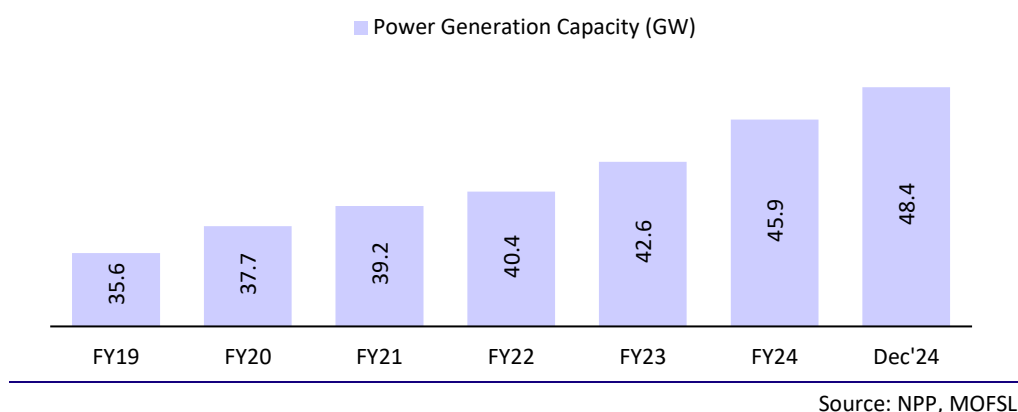


Source: Company, MOFSL

Falling battery prices reshaping project economics, minimizing penalty risk

- Falling battery prices (down from **over USD200/kWh in 2018** to **~USD135/kWh now**) are reshaping the renewable energy landscape as developers maximize capex on solar/battery components while curtailing capital allocation to wind equipment.
- FDRE projects face a **penalty equal to 1.5x the PPA tariff** in case of generation falling short of committed targets. Wind capacity is often cited as a source of generation variability, exposing the company to 1) penalties in the event of lower than committed generation and 2) merchant risk in the event of over-generation. Developers are oversizing solar and battery storage, as solar + tracker systems are achieving PLFs comparable to/marginally below wind capacity. Wind energy is also constrained by land access and right-of-way (RoW) challenges, requiring longer execution timelines compared to solar.
- Replacing wind capacity with additional battery capacity leads to 1) reducing the risk of incurring penalties, and 2) minimizing execution challenges. Key industry participants believe annual wind installations in India are likely to remain in the 4-5GW range due to execution challenges. In our coverage universe, JSWE, TPWR, and Acme Solar have 0.3/1.9/2.6 GW of FDRE projects in hand, which account for 2%/19%/59% of their RE project pipeline.

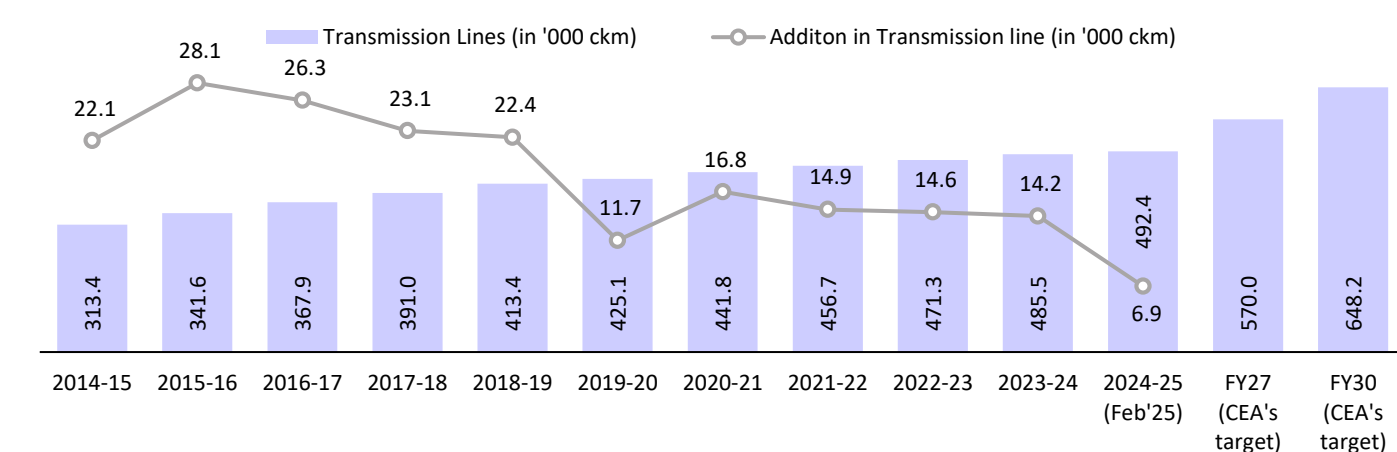
Exhibit 6: Evolution of wind power capacity in India (in GW)



CERC's draft proposal to help resolve connectivity issue

- Based on our recent discussions with leading RE developers—including JSWE, Acme Solar, and ReNew—transmission infrastructure has emerged as a primary challenge in project execution. Developers cite right-of-way (RoW) disputes, landowner compensation demands, and delays in forest clearances as key impediments. These issues have led to the postponement of 14 inter-state transmission system (ISTS) projects ([Link](#)), highlighting structural bottlenecks in India's transmission planning and execution.
- In response to these challenges, the Central Electricity Regulatory Commission (CERC) has proposed the Fourth Amendment to the Connectivity and General Network Access Regulations, 2025, aimed at optimizing transmission efficiency. The draft regulation introduces restricted grid access, allocating solar projects to solar hours while wind and energy storage systems (ESS) utilize non-solar hours.
- This reform seeks to unlock stranded transmission capacity, particularly benefiting wind energy projects, while promoting hybrid project integration and accelerating renewable capacity expansion. If effectively implemented, it could enhance grid utilization and reduce transmission bottlenecks.
- Within our coverage universe, JSWE and Acme Solar have secured full transmission connectivity for their 8.0GW and 4.4GW under-construction RE portfolios, respectively. Acme Solar also secured an additional 2GW already secured for future projects. In contrast, NTPC Green has connectivity for 50% of its 10GW under-construction RE portfolio.

Exhibit 7: India's growth of transmission lines

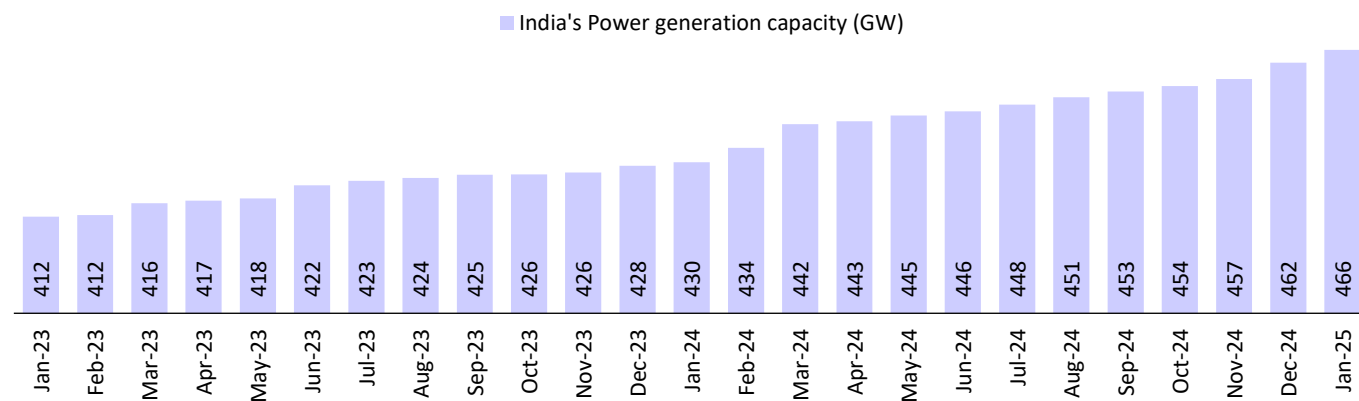


Source: Ministry of Power, CEA, MOFSL

Valuation

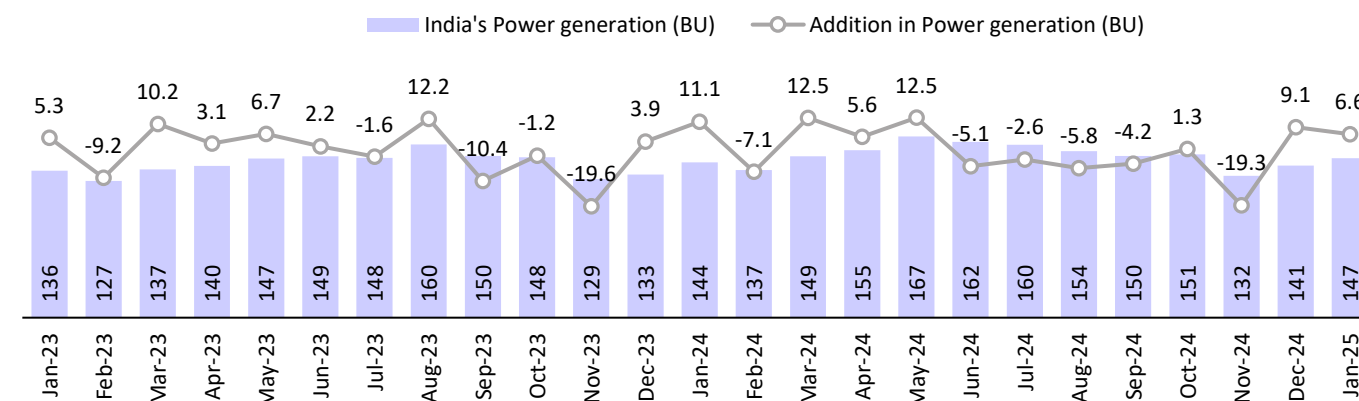
- We reiterate our **BUY** rating on JSWE, which is our top pick in the space, with a **sum-of-the-parts (SoTP)-based TP of INR705**.
- We also have a **BUY** rating on ACME Solar with a TP of **INR 330**. Our valuation is based on an **EV/EBITDA multiple of 11x** applied to the estimated **FY28 EBITDA**. Adjusted for net debt, our TP implies an **upside potential of 59%**.

Exhibit 8: India's power generation capacity (in GW)



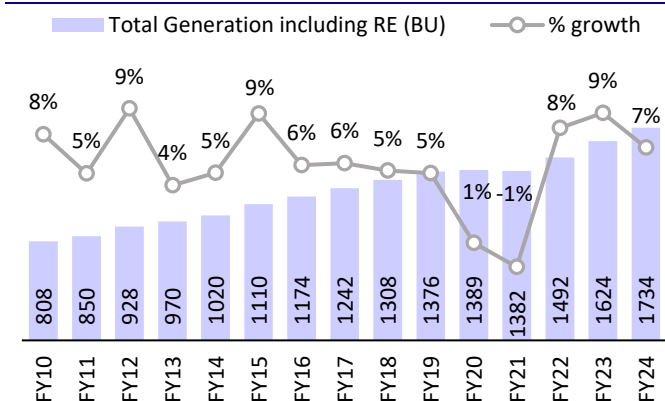
Source: NPP, MOFSL

Exhibit 9: India's power generation (in BU)



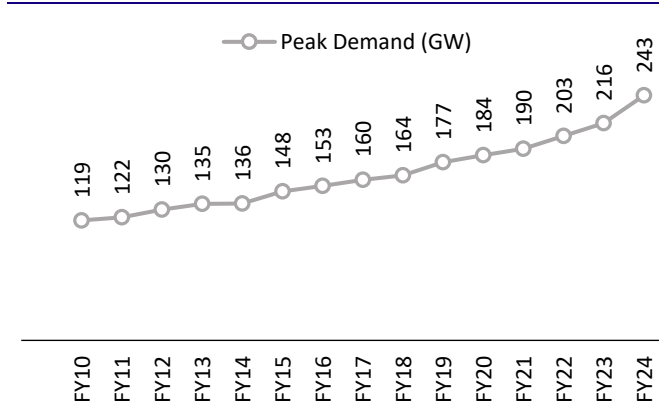
Source: NPP, CEA, MOFSL

Exhibit 10: India's power demand growth



Source: NPP, CEA, MOFSL

Exhibit 11: Peak demand growth



Source: NPP, CEA, MOFSL

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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