Conventional electricity

Industry Code (as per CMIE Prowess): 01010301050000000'

June 2022

Overall Industry Risk Score: 13/20 | Marginally Favourable

Sample Size: 59 Companies **Median Rating Value of sample size:** A-

Individual Parameters Contributing to the Score

Demand & Supply Balance  8/20

Moderate Over Supply

As per Ministry of Power statistics, the total generation from all sources (including renewables) increased by 7.85% from 1381.2 Billion units in FY21 to 1490.2 Billion units in FY22(provisional). As on 31st March 2022, the total installed generation capacity was 399.43 GW out of which 51.1% was Thermal power capacity. The industry has been facing supply side challenges in terms of availability of coal and demand side challenges in terms of rising receivables from discoms. The supply situation is expected to normalise with the import of coal from other countries. The industry is expected to grow gradually in the forthcoming quarters of FY23.

Extent of Competition  16/20

Low competition/ Entry Barriers

This is a highly capital intensive sector and also the gestation period of the projects are 3-5 years. Out of the total generation capacity of 399.43 GW, Private sector share was 195.63 GW i.e. 49%. The focus of the Government is on green energy and hence fresh investment in thermal sector is expected to be subdued.

Regulatory Risk  12/20

Predictable Regulatory environment

Power is part of the infrastructure sector and will continue to receive regulatory support. While thermal power continues to be a core sector in terms of its contribution to overall energy requirements, the regulatory focus has been on changing the energy mix i.e moving towards greener sources of power like solar, wind and hydro power. India aims to reduce the emission intensity of its GDP by 33-35% by 2030 from 2005 levels. As per INDC (Intended Nationally Determined Contribution) to the UN Framework Convention on Climate Change Target, the goal is to achieve 40% of installed power capacity from non fossil sources by 2030. The near term renewable energy capcity of 227 GW has been achieved in FY22.

Input Related Risk  16/20

No supply disruptions / very narrow price band or fluctuations

In most conventional energy projects, the tariff is based on a pass through mechanism and ensuring a reasonable rate of return unless it is a competitively bid project. Further, coal linkages are typically ensured through fuel arrangements agreements. Recent shortages in coal and coal price hikes have affected the profitability of the units. As regards gas allocation, priority is given to fertiliser and power units.