

Renewable energy stocks in focus over long term

Experts upbeat on sector after government push, despite short-term hiccups

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Rapidly growing climate awareness and the government's increased focus on the renewable energy sector have kept analysts upbeat on this space.

While they believe it is a long-term structural investment theme, the sector may face near-term hiccups in the adoption of clean energy sources due to the current global macroeconomic headwinds.

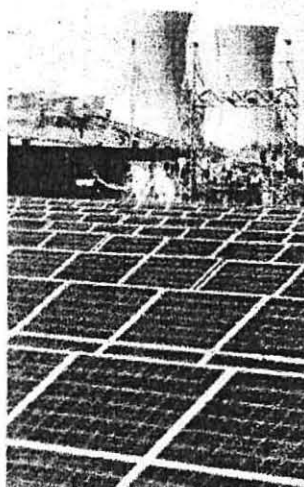
"We are positive on this sector as India has been firmly working towards green energy. The transition will see some delays due to the Ukraine war but once the global situation improves, it will be beneficial for us," said A K Prabhakar, head of research at IDBI Capital.

According to the government, the country's renewable energy capacity (especially wind and solar) has grown at an average compound annual rate (CAGR) of 15.6 per cent — from 39 Gw in 2015 to 110 Gw by 2022.

Further, the government doubled down on its clean energy goals, at the recently-concluded 27th United Nations Climate Change Conference

(COP27) in Egypt. It unveiled India's multi-pronged strategy to achieve low-carbon growth.

The government's long-term low-carbon development strategy emphasises on low-carbon transport, to be



driven by the use of bio fuels. This is especially through ethanol blending with petrol, higher electric vehicle (EV) penetration, and more use of green hydrogen. Besides, it focuses on renewable energy for the development of low-carbon electricity systems.

The PLI schemes for solar equipment, battery storage systems, and subsidies for EVs have expanded the opportunity pool beyond power generation

"India's commitment towards reducing its carbon footprint has led to a lot of interest in the renewable energy space. This is one of the long-term structural stories like that of defence and banking," said Gaurav Dua, head of capital market strategy at Sharekhan.

That apart, the government's production-linked incentive (PLI) schemes for solar equipment, battery stor-

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(stock prices in ₹)

	Mar 31,'22	Nov 23,'22	% change
KPI Green Energy	554	850	53.5
NHPC	28	42	50.9
NTPC	135	168	24.5
Inox Wind	111	117	6.1
JSW Energy	299	302	1.1
Sundram Fasteners	898	903	0.6
Power Grid Corp	217	215	-0.8
Tata Motors	434	424	-2.2
Tata Power	239	221	-7.6
Greaves Cotton	191	147	-23.1
Balrampur Chini Mills	490	355	-27.6
Globus Spirits	1,530	819	-46.5
Sensex	58,569	61,511	5.0

Source: Bloomberg, exchanges; Compiled by BS Research Bureau

age systems, and subsidies for electric vehicles have also expanded the opportunity pool beyond power generation.

"Several positive factors, such as reasonable economics and government incentives, make us believe that Indian companies will be able to participate in the solar opportunity. We don't see ambition or capital as a constraint for them with players such as Adani Solar, Reliance Industries and Tata Power Solar keen on the space," said analysts at Kotak Institutional Equities.

Among the lot, Reliance and Adani group subsidiaries — Reliance New Energy Solar (RNES) and Adani Infrastructure — have received government nod under the first tranche of solar photovoltaic (PV) module PLI worth ₹4,500 crore. RNES and Rajesh Exports were also

selected under the ₹18,100-crore advanced chemistry cell battery storage PLI scheme.

From an investment viewpoint, Dua said investors should selectively pick stocks from the ethanol, EV, solar, wind, and hydro power segments. Tata Motors, Sundaram Fasteners, Globus Spirits, Balrampur Chini, and Greaves Cotton remain some of his top picks in this theme.

Prabhakar prefers Tata Power, which has a 35 per cent renewable power capacity and hydro power major NHPC over the Adani-Reliance duo in the green energy space. Jefferies is bullish on NTPC, Power Grid and JSW Energy from the space.

At the bourses, shares of NHPC, KPI Green Energy, Inox Wind and NTPC have rallied up to 52 per cent since April. In comparison, the BSE Sensex is up around 5 per cent during this period.