

Energy Update Note –

6th May 2026

We communicated our optimism on the Energy theme through our Note dated 16th January, 2026; [Energy Sector – the Powerhouse of India’s Growth Story](#). It is primarily driven by India's economic transition from a services-led model to **manufacturing-led growth**, alongside massive capital expenditure for **AI data centres**. Just as FMCG was the central pillar of the services-led economy, **energy is now the pivotal sector** for this new manufacturing-driven growth cycle.

Context: The 2026 Energy Crisis

- ▶ The global energy landscape changed materially following the **US-Israel military operation against Iran on February 28, 2026**.
- ▶ This event, along with the near-complete closure of the **Strait of Hormuz**, caused the largest oil supply disruption in history and fundamentally re-priced the cost of energy
- ▶ India was particularly exposed, given its **85%+ oil import dependency** and **90%+ reliance on the Gulf for LPG**. This crisis has accelerated the urgency for energy security and alternative sources.

The Iran Conflict and Global Market Impact

- ▶ **Price Surges:** Brent crude peaked at approximately **USD 120/bbl** in March, a 55% increase from pre-war levels. Global fertiliser prices rose by 30%, and European gas prices doubled.
- ▶ **Supply Disruptions:** **~20% of global oil trade** was disrupted by the closure of the Strait of Hormuz. Additionally, an attack on **Qatar’s Ras Laffan** facility (which supplies 20% of world LNG) temporarily halted production.
- ▶ Regional Contrast – While Asian countries like Pakistan, Sri Lanka, and Vietnam imposed **energy lockdowns and blackouts**, India maintained a stable power supply despite being identified by Moody’s as a highly vulnerable economy.

India’s Resilient Market and Supply Diversification

- ▶ **Diversification:** Between 2016 and 2026, India expanded its **crude oil sources from 27 to 41** countries and its **natural gas sources from 6 to 30 countries**.
- ▶ **Demand Profile:** Industrial demand accounts for the largest share of energy consumption (~40%), followed by general consumption (25%) and transportation (18%).
- ▶ **Key Drivers:** Growth is fuelled by high government capex, automation, robotics, and massive infrastructure buildouts, including new ports, airports, and railways.

Sectoral Breakthroughs: Nuclear, Renewables, and Upstream

- ▶ **Nuclear Energy:** The **SHANTI Bill** has opened the sector to private participation, targeting **100GW by 2047**. A major milestone was reached in April 2026 when a **thorium-based reactor reached criticality**, aiming at leveraging India’s 25% share of global thorium reserves.



- ▶ **Renewables:** FY2025-26 saw record capacity additions of **52,537 MW**, with renewables making up 75% of all new power increments. Solar PV manufacturing capacity reached **100GW in 2025**.
- ▶ **Upstream Oil & Gas:** The "Samudra Manthan Mission" is pushing for 1 million sq. mts. of exploration to increase domestic production, also aiming to make India the largest refiner in the world.

Valuations –

- ▶ **Valuations:** While fundamentals are stronger than any prior cycle, valuations have expanded. The current TTM P/E of ~16.9x is roughly one standard deviation above the 20-year average of 14.4x.
- ▶ The sector has witnessed a re-rating coupled with earnings growth, policy tailwinds, geopolitical uncertainty, significantly improved fundamentals; leading to a significant outperformance vis-à-vis the broader markets.

Strategy and Our View

- ▶ We initiated allocations in January 2026 and increased exposure during the March correction.

We continue to remain structurally positive on the theme from a long-term standpoint. Given the current run-up in valuations of the energy index, we believe that the return proposition might not be as steep, however it continues to remain favourable, hence we would allocate in a staggered manner from a 3 to 5-year standpoint **through an actively managed mutual fund.**

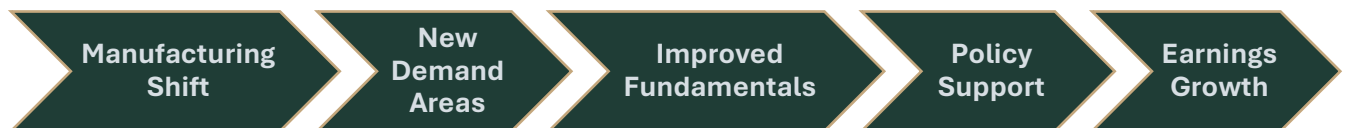
Detailed Note

This note is an update to our January 2026 Energy Sector note to clients. The world has changed materially since then. The US-Israel military operation against Iran on February 28, 2026 and the near-complete closure of the Strait of Hormuz has caused the largest oil supply disruption in history, fundamentally re-pricing the cost of energy and import dependence.

India, with 85%+ oil import dependency and 90%+ LPG reliance on Gulf sources, emerged as one of the most exposed major economies globally. This crisis has not weakened our original thesis; it has accelerated it. With a renewed emphasis on energy security, alternative energy sources are gaining momentum, creating opportunities across the energy spectrum.

Recap of our Note –

Our January 2026 note argued that India's energy sector was on the cusp of a structural re-rating, driven by a shift in India's economic model from services-led to manufacturing-led growth, and AI data centre capex demand. The key rationale for our thesis was: -

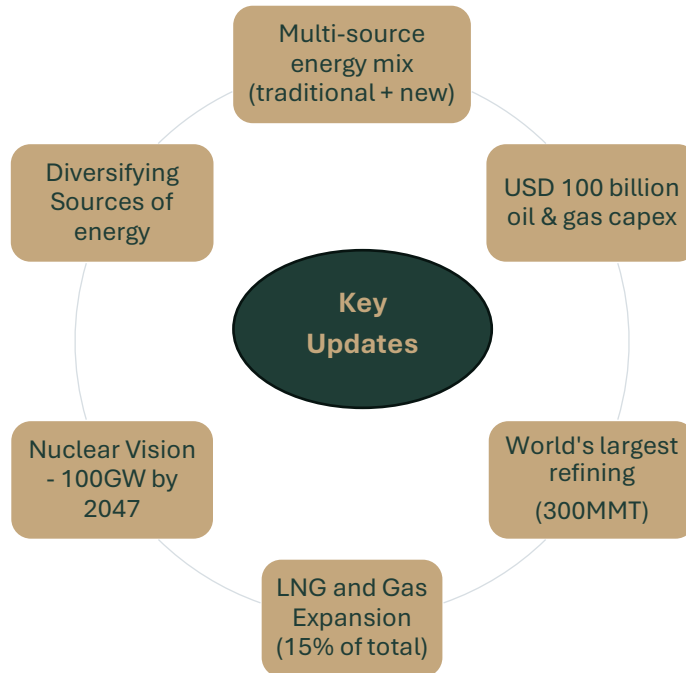


Pravia Insight – *Just as FMCG was central to a services-led economy, energy will be pivotal in a manufacturing-driven growth cycle. Recent developments since January 2026 have only strengthened this view, amplified global uncertainty and reinforced the urgency around energy security.*

Key developments in the energy sector since our previous note –

I. India Energy Week – January 2026 (Ministry of Petroleum and Natural

India Energy Week 2026, held in Goa from January 27-30 under the patronage of the Ministry of Petroleum and Natural Gas (MoPNG), was the country's largest-ever energy conclave.



The Iran Conflict –

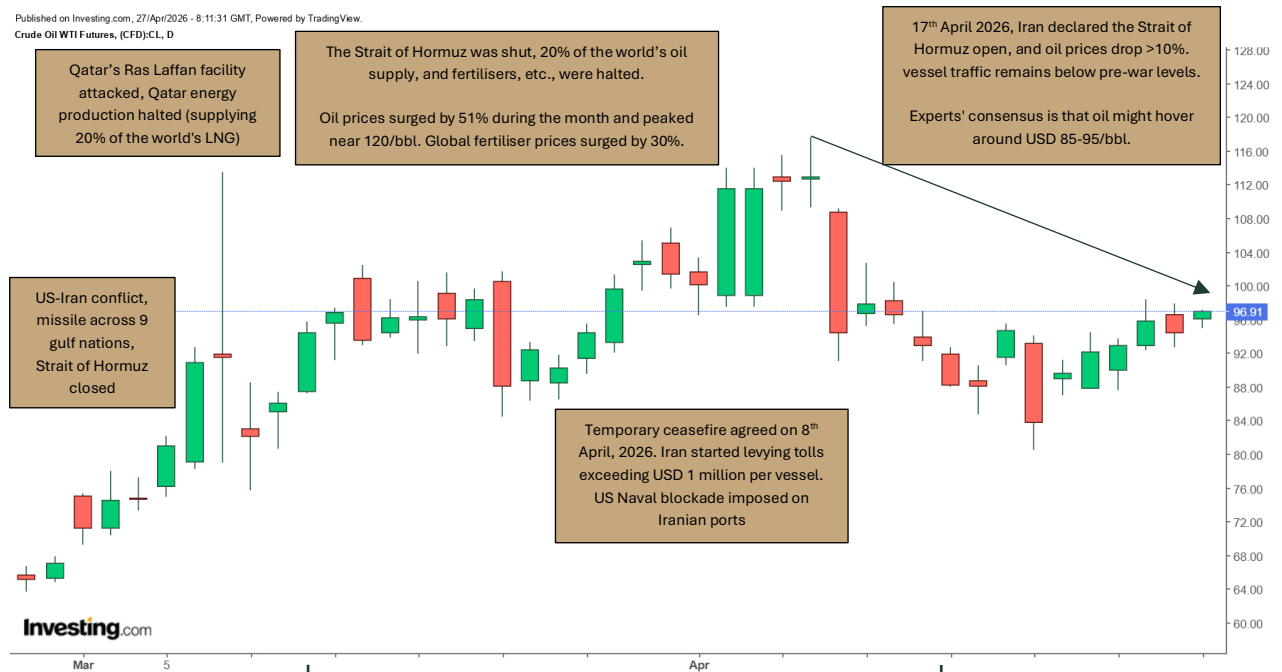
On February 28, 2026, the United States and Israel launched joint military operations against Iran, killing the Supreme Leader and senior officials. Iran's retaliatory response, missile strikes across nine Gulf nations and the effective closure of the Strait of Hormuz triggered the most significant supply disruption in the history of the global oil market.

<p>Oil at ~\$120/bbl. Brent Peak Price (Mar 2026) +55% from pre-war ~\$72/bbl.</p>	<p>~20% Oil Trade Disrupted The closure of the Strait of Hormuz disrupted global supply.</p>
<p>>EUR 60/MWh European TTF Gas ~2x from pre-war levels.</p>	<p>"Greatest" Energy security challenge in history, as per IEA.</p>



Events that unfolded – Creating an energy price increase

Published on Investing.com, 27/Apr/2026 - 8:11:31 GMT, Powered by TradingView.
Crude Oil WTI Futures, (CFD):CL, D



Global Impact –

- ▶ **Crude went over USD100/barrel, 40% up**
- ▶ Global GDP growth might slow from 2.9% to 2.6%.
- ▶ **Looming inflation risk** - including food, due to an increase in crude and fertiliser prices
- ▶ **Significant impact on Asia** - >85% of oil and gas is imported from the Strait of Hormuz.
- ▶ Asian countries; Pakistan, Sri Lanka, Bangladesh, Myanmar and Vietnam, **imposed blackouts, WFHs, etc.** due to the energy crisis

India Impact – No Energy Lockdowns

- ▶ 85-88% Crude and 90% LNG imported from the Gulf
- ▶ **Qatar supplies 50%** of the total LNG demand
- ▶ **Global investors withdrew USD 3 billion** from India due to the looming risks.
- ▶ **Gulf diaspora disrupted**, impacting remittances
- ▶ **Strategic reserves of 2-3 weeks fell short** of the recommended 90-day reserves.

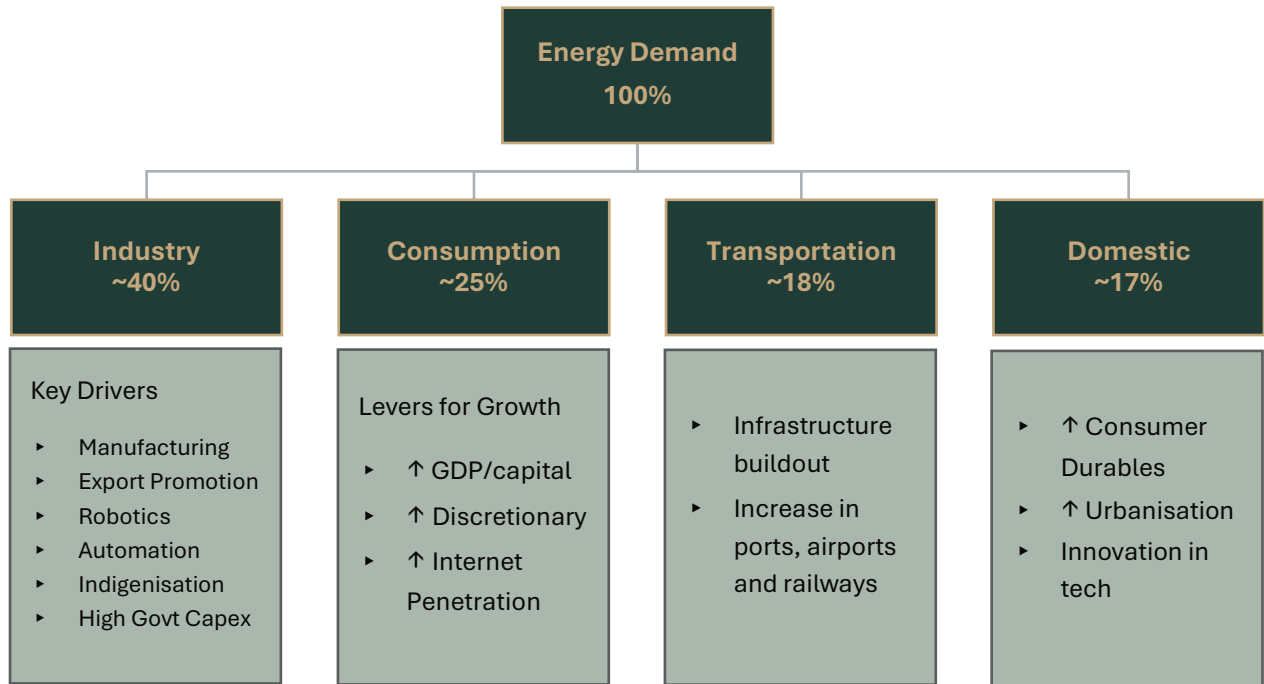
Moody's identified India as the most vulnerable major economy to this crisis, with output potentially declining by nearly 4% by 2030 from the baseline trajectory if the conflict persists.

Despite the looming risks, India did not have blackout periods, unlike other Asian countries.

Pravia Insight – We highlighted in our Annual Note that India has faced several challenges over the years, its investment proposition has been questioned, however, it has always emerged resilient – it is demonstrated in this case as well



Indian Energy Market – Resilient with higher demand across avenues –



Source: MOSPI, Pravia Research

Energy Sector – Supply Diversification, Reforms

Energy Sources	2016	2026
Crude Oil	27 Countries	41 Countries
Natural Gas	6 Countries	30 Countries
LPG	10 Countries	15 Countries

<p>Upstream Oil & Gas – Diversification and Exploration Push</p> <ul style="list-style-type: none"> Oil-field leases extended to 30 yrs Samudra Manthan Mission – 1 million sq. mts. Exploration Aiming to become the largest refiner in the world 	<p>Energy Sources</p> <table border="1"> <thead> <tr> <th>Energy Sources</th> <th>2016</th> <th>2026</th> </tr> </thead> <tbody> <tr> <td>Crude Oil</td> <td>27 Countries</td> <td>41 Countries</td> </tr> <tr> <td>Natural Gas</td> <td>6 Countries</td> <td>30 Countries</td> </tr> <tr> <td>LPG</td> <td>10 Countries</td> <td>15 Countries</td> </tr> </tbody> </table>	Energy Sources	2016	2026	Crude Oil	27 Countries	41 Countries	Natural Gas	6 Countries	30 Countries	LPG	10 Countries	15 Countries
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<p>Nuclear Energy – Major reform and progress</p> <ul style="list-style-type: none"> Massive capacity expansion – 100GW by 2047, from 8.3GW currently SHANTI Bill – allowing private sector participation Thorium Breakthrough – a reactor reached criticality in April 2026, capitalising on the high thorium reserves (25% of the world's reserve) Transition to Small Module Reactors (SMRs) – move nuclear projects from site-built constructions → serial manufactured products ideal for private consumption 	<p>Renewables – Penetration is increasing</p> <p>India's renewable energy expansion has been transformational. FY2025-26 set a new record for annual capacity additions at 52,537 MW, with renewables accounting for 75% of the increment.</p> <ul style="list-style-type: none"> PM Surya Ghar: ₹ 75,000 crore scheme, reached 31 lakh households for solar connection Solar PV module manufacturing: reached 100GW in 2025 Grid integration progress: National power shortage declined from 4.2% in FY2013-14 to 0.03% in December 2025. 												

Source: Petroleum Secretary, GOI

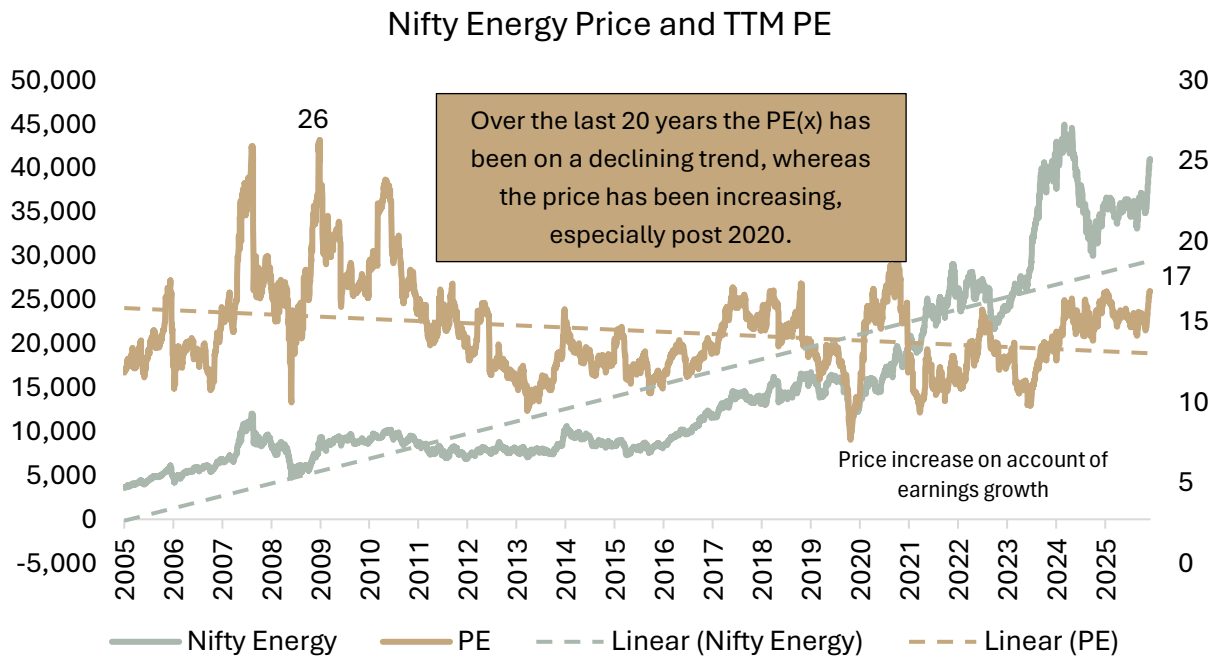


Top 10 Holdings of the Nifty Energy Index – Comprising 40 stocks

Stock Name	Sector	Weight %	PE TTM	PB TTM	EV/EBITDA
Oil & Natural Gas Corp Ltd	Oil & Gas	10.70	9.93	1.02	5.04
Coal India Ltd	Thermal	10.27	9.54	2.49	4.74
Reliance Industries Ltd	Oil & Gas	9.59	23.97	2.14	10.65
NTPC Ltd	Thermal	7.10	16.01	2.02	10.87
Power Grid Corp of India Ltd	Utilities	5.42	19.06	2.99	10.69
GAIL (India) Ltd	Natural Gas	4.42	12.52	1.22	8.05
Suzlon Energy Ltd	Renewable	3.89	23.58	9.71	28.89
GE Vernova T&D India Ltd	Industrials	3.65	107.11	54.80	77.69
CG Power & Industrial Solutions Ltd	Industrials	3.64	113.55	17.16	77.03
Oil India Ltd	Oil & Gas	3.09	13.70	1.42	9.66
Weighted Average		61.76	26.63	6.44	17.51

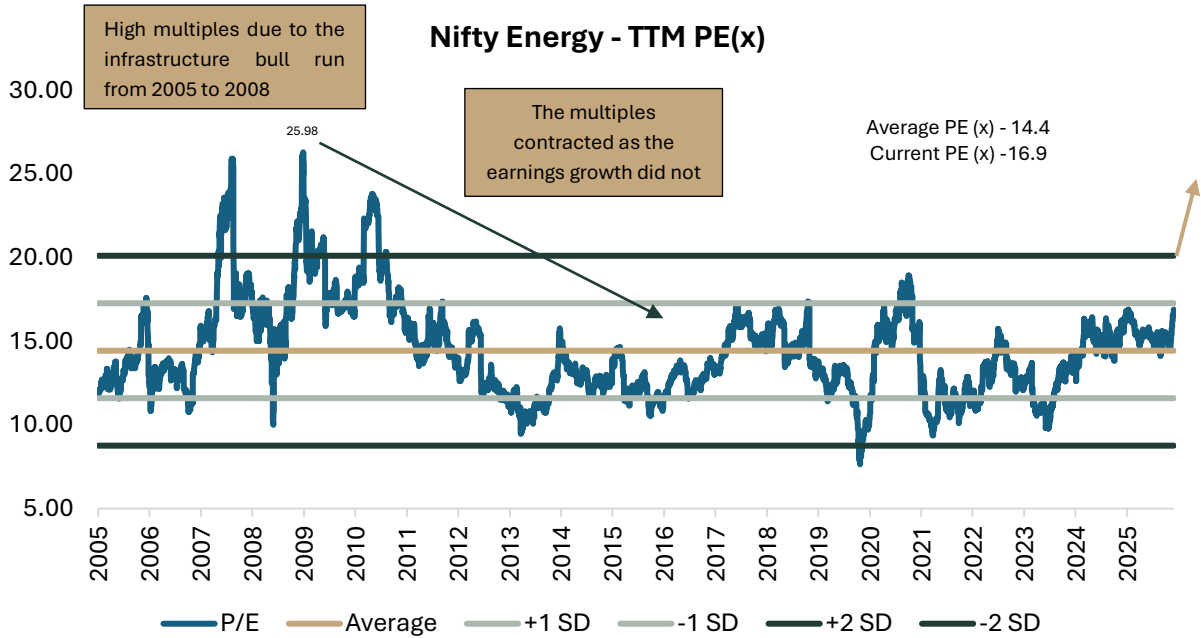
Top 10 holdings constitute ~62% of the portfolio, with 7 stocks trading at a TTM PE(x) less than 20x, and EV/EBITDA of up to 11x. Moreover, the portfolio represents a diversified exposure across different segments of the energy ecosystem.

Universe Valuations –



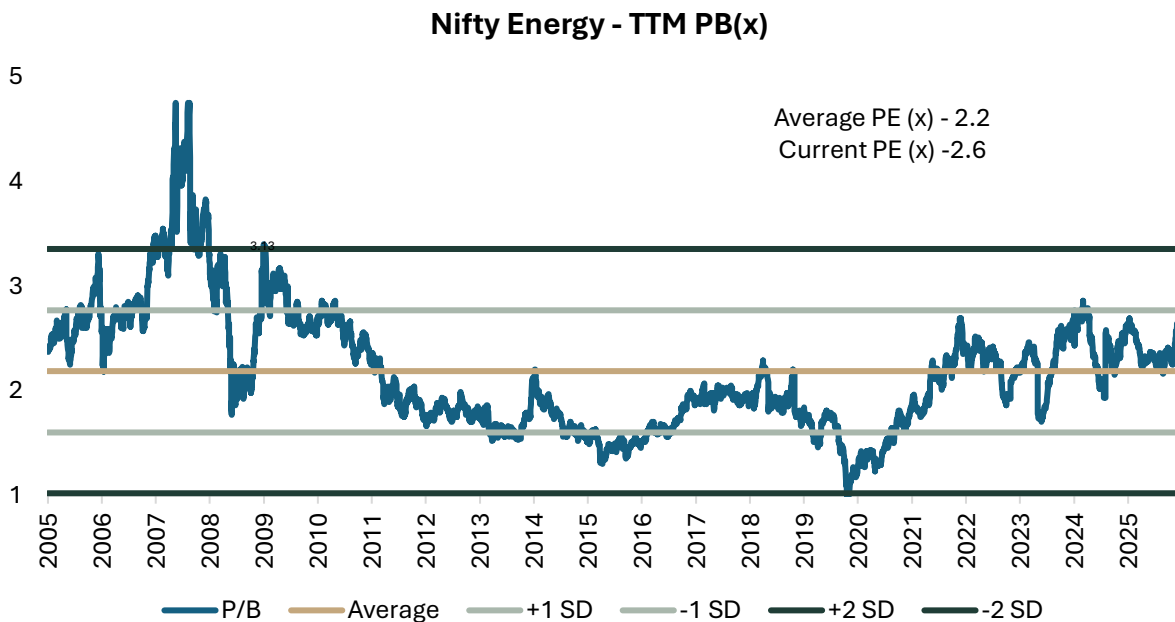
Source: Nifty Indices, Pravia Research





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The Iran crisis has placed energy security at the centre of national policy, and the index has further made the entry point incrementally more attractive. The current P/E of ~16.9x remains elevated; however, the fundamentals are materially better than any prior cycle.



Source: Nifty Indices, Pravia Research



Allocation and performance – Energy has been resilient amidst the volatility

We initiated allocations to the Nifty Energy ETF and select actively managed funds in January 2026, and further increased exposure during the March 2026 market correction triggered by the escalation of the Iran conflict.

Going forward, we would like to continue allocation via Nifty Energy ETF along with one actively managed fund.

Scheme Name	1 Month	3 Months	6 Months	1 Year	Jan-26*
<i>*Recommendations for clients only</i>	16.32	16.36	13.31	20.39	16.32
	14.19	13.87	11.43	23.10	14.52
	14.82	8.61	4.53	13.08	8.33
NIFTY 500 - TRI	8.83	-1.02	-4.30	4.42	-2.49

Our preferred allocation

As of 29th April 2026, Source – Ace MF; *Since our recommendation date

Investment Implications and Our View

Developments over the past three months have **reinforced our constructive outlook on the energy theme**. Energy security has emerged as a non-negotiable strategic priority, driving a sustained policy and capital expenditure response that is likely to persist irrespective of near-term commodity price volatility. (Government push + Corporate Initiatives → Driving Growth)

We continue to remain structurally positive on the theme from a long-term standpoint. Given the current run-up in valuations of the energy index, we believe that the return proposition might not be as steep, however it continues to remain favourable, hence we would allocate in a staggered manner from a 3 to 5-year standpoint **through an actively managed mutual fund**.



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