NHPC Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	NHPC operates as a dominant hydro-power utility transitioning into a "Grid Balancer" role with a massive 11.3 GW Pumped Storage pipeline to capture peaking power premiums.	—
2	**Revenue contracted 9.21% to □9,631 Cr as generation dropped 12.5% due to hydrological shocks and climate volatility, highlighting high operational vulnerability.**	—
3	**Operating margins (OPM) compressed significantly from 59% to 51%, reflecting a lack of cost pass-through flexibility during periods of low generation.**	—
4	**Reported PAT of □4,000 Cr is of lower quality, heavily supported by □1,668.26 Cr in capitalized interest and non-cash regulatory accruals.**	—
5	**Total debt escalated to □32,561 Cr (D/E 0.84x) to fund an aggressive capex cycle, testing the company's long-term leverage capacity.**	—
6	**Cash Flow from Operations (CFO) reached a robust □7,252 Cr, significantly exceeding PAT due to a □2,236 Cr reduction in trade receivables and improved debtor days (168 vs 212).**	—
7	**Capital Work-in-Progress (CWIP) stands at a massive □39,798 Cr (43% of assets), with 50.8% aged over 3 years, signaling chronic execution delays and locked capital.**	—
8	**Earnings quality is diluted by □7,061.90 Cr in Regulatory Deferral Assets (7.57% of assets), making a significant portion of the balance sheet dependent on favorable CERC orders.**	—
9	**Governance remains adequate (9/10 rating) but is hampered by a "triple charge" leadership bottleneck (CMD/CFO/Dir-Fin) and RPT exposure at 9.22% of revenue.**	—
10	**State-level regulatory friction, specifically the legal dispute with Himachal Pradesh over 20% free power demands, poses a material threat to project viability and sector contagion.**	—
11	**The outlook hinges on the commissioning of Subansiri Lower and Parbati-II (~2,800 MW), which could drive a 30%+ EBITDA jump and reduce the CWIP-to-Total Assets ratio.**	—
12	**Investment View: Watch; stance is dictated by high-risk execution and regulatory dependency, with key monitorables being CWIP aging and the resolution of the Himachal legal battle.**	—

Final research summary: nhpc ltd (FY 2024)

1. Business overview

- **Business Segments:** Historically a pure-play hydroelectric generator, NHPC is undergoing a strategic pivot into Renewable Energy (RE) and Pumped Storage Projects (PSP). It also acts as a Renewable Energy Implementing Agency (REIA) for solar projects.
- **Revenue Drivers:** Regulated 15.5% ROE model on commissioned assets; "peaking power" premiums from upcoming PSPs; fixed trading margins (□35-52 Cr annually) from 10 GW of solar intermediation.
- **Cost Drivers:** High capital intensity (CWIP); Himalayan hydrological volatility (flash floods); O&M costs; and interest capitalization during long gestation periods.

- **Industry Position:** India’s premier hydropower utility, now repositioning as a "Grid Balancer" to manage intermittent solar/wind energy via massive PSP MoUs (11,375 MW).
- **Expansion Plans:** Massive construction pipeline of 10,402 MW (Hydro + Solar). Strategic expansion into Nepal (1,680 MW) to diversify geographic risk.
- **Capacity Additions:** Focus on commissioning the "elephants"—Subansiri Lower (2,000 MW) and Parbati-II (800 MW).
- **Segment Performance:** Operational shock in FY24 with generation dropping 12.5% YoY (21,779 MUs) and Plant Availability Factor (PAF) falling from 88.75% to 77.60% due to extreme weather.
- **Geographical Presence:** Dominant in the Indian Himalayan region (Himachal, J&K, Sikkim, Arunachal) with emerging footprints in Maharashtra, Odisha, Andhra Pradesh, and Nepal.

2. Management commentary & outlook

- Management is aggressively repositioning NHPC from "Baseload Hydro" to a "Grid Balancer" through a massive 11,375 MW Pumped Storage Project (PSP) pipeline.
- The company is transitioning to a Renewable Energy Implementing Agency (REIA) model, with 10 GW of solar capacity allocated by MNRE to earn fixed intermediary margins.
- Execution focus remains on the 10,402 MW under-construction portfolio, specifically the Subansiri Lower and Parbati-II projects, which are critical for balance sheet de-leveraging.
- Management highlights a significant legal battle with the Himachal Pradesh Government over the Dugar project, where unilateral changes to "free power" terms (4% to 20%) have made the project commercially unviable.
- Asset monetization is a core strategy, evidenced by the ₹2,046.94 Cr raised from the Kishanganga Power Station to bridge the capex funding gap.
- Borrowing limits are being increased from ₹40,000 Cr to ₹50,000 Cr, with a long-term debt requirement estimated at ₹80,000 Cr by FY 2032-33.
- International expansion in Nepal (1,680 MW) is progressing, with Inception Reports completed and a move toward Project Development Agreements (PDA) underway.
- Management admits to "law and order issues" stalling the 10,000 MW Upper Siang project, indicating significant social license and geopolitical risks.
- The demand environment remains strong for "peaking power," but management is defensively litigating against state-level protectionism to protect the regulated ROE model.
- Management Tone: The tone is "Defensively Aggressive." Management is aggressively pursuing MoUs and capacity expansion to maintain growth optics while simultaneously engaging in defensive litigation against state governments to protect existing margins and the sanctity of PPAs.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2024	Mar 2023
Sales	9,631	10,607
Sales Growth %	-9.21	15.44
Expenses	4,695	4,401
Manufacturing Cost %	14.64	14.02
Employee Cost %	20.21	17.35
Other Cost %	13.89	10.12
Operating Profit	4,936	6,206
OPM %	51	59
Other Income	2,030	743
Exceptional items	-15	-2
Other income normal	2,045	745
Interest	767	523
Depreciation	1,184	1,215
Profit before tax	5,015	5,211
Tax %	20	19
Net Profit	4,000	4,235
Minority share	-404	-345
Exceptional items AT	65	5
Profit excl Excep	3,935	4,230
Profit for PE	3,538	3,885
Profit for EPS	3,596	3,890
Profit Growth %	-9	21
EPS (□)	3.58	3.87
Dividend Payout %	53	48

Balance sheet (□Cr)

Line item	Mar 2024	Mar 2023
Equity Capital	10,045	10,045
Reserves	28,624	26,854
Borrowings	32,561	29,540
Long term Borrowings	29,382	26,602
Short term Borrowings	3,111	2,886
Lease Liabilities	68	52
Other Borrowings	0	0
Other Liabilities	21,037	19,652
Non controlling int	5,190	4,815
Trade Payables	282	235
Advance from Customers	14	28
Other liability items	15,551	14,573
Total Liabilities	92,267	86,091
Fixed Assets	21,474	22,137
Land	5,552	5,456
Building	2,752	18,767
Plant Machinery	8,596	8,311
Equipments	287	255
Computers	100	78
Furniture n fittings	89	75
Railway sidings	13	13
Vehicles	44	43
Intangible Assets	0	0
Other fixed assets	16,154	93
Gross Block	33,588	33,091
Accumulated Depreciation	12,114	10,954
CWIP	39,798	31,357
Investments	479	499
Other Assets	30,516	32,098
Inventories	195	164
Trade receivables	4,420	6,161
Cash Equivalents	3,622	2,694
Loans n Advances	159	55
Other asset items	22,120	23,024
Total Assets	92,267	86,091

Cash flow statement (□Cr)

Line item	Mar 2024	Mar 2023
Cash from Operating Activity	7,252	4,692
Profit from operations	5,854	6,774
Receivables	2,236	-1,527
Inventory	-29	-21
Payables	0	0
Loans Advances	0	0
Other WC items	62	443
Working capital changes	2,270	-1,105
Direct taxes	-871	-977
Cash from Investing Activity	-5,940	-4,191
Fixed assets purchased	-6,969	-4,960
Fixed assets sold	2	0
Investments purchased	0	0
Investments sold	150	0
Interest received	364	326
Dividends received	9	7
Investment in group cos	0	-108
Other investing items	503	543
Cash from Financing Activity	-924	-796
Proceeds from shares	0	0
Proceeds from borrowings	6,282	4,875
Repayment of borrowings	-2,816	-1,899
Interest paid fin	-2,441	-1,706
Dividends paid	-2,326	-2,263
Financial liabilities	-5	-4
Other financing items	382	200
Net Cash Flow	388	-295
Free Cash Flow	285	-268
CFO/OP	165	91

Key ratios

Line item	Mar 2024	Mar 2023
Debtor Days	168	212
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	168	212
Working Capital Days	-51	-1
ROCE %	8	8

3.2 Financial analysis summary

- **Revenue** from operations witnessed a contraction of 9.21% to □9,631.00 Cr, primarily due to tariff-based recognition risks under CERC regulations where provisional billing may lead to future true-up adjustments; this decline directly impacted the OPM %, which fell from 59.00% to 51.00%.
- **Other Expenses** surged by 28.77% to □2,529.58 Cr, a material increase relative to the revenue decline, suggesting a lack of variable cost control or one-time operational hits from climate events.
- Despite the operational slowdown, **PAT** was supported by a massive 173% increase in Other Income to □2,030.00 Cr, largely driven by non-operating late payment surcharges from Discoms; this reliance on non-core income is reflected in the Cash Flow Statement, where Receivables liquidation of □2,236.00 Cr significantly boosted CFO to □7,252.00 Cr, resulting in a high-quality CFO / PAT ratio of 1.81.
- The **Balance Sheet** reveals a massive capital deployment phase, with CWIP increasing by □8,441.00 Cr to reach □39,798.00 Cr, now representing 43.1% of Total Assets; however, □20,163.67 Cr of this CWIP has been aging for more than 3 years, signaling severe execution bottlenecks in mega-projects.
- **Total Debt** (Borrowings) rose to □32,561.00 Cr to fund this Capex, leading to a Debt / Equity ratio of 0.84; while the Finance Cost on the P&L appears manageable at □767.00 Cr, an additional □1,668.26 Cr of interest was capitalized into CWIP, masking the true interest burden.
- **Working Capital** efficiency improved remarkably as Debtor Days dropped from 212 to 168 days, leading to a Working Capital Days figure of -51.00; this improvement in the Cash Conversion Cycle was the primary driver for the positive Free Cash Flow of □285.00 Cr, despite the heavy Fixed assets purchased of □6,969.00 Cr.
- **Other Assets** include a critical Regulatory Deferral Account balance of □7,061.90 Cr, representing 7.57% of Total Assets; this balance reflects costs deferred for future recovery through CERC tariffs, and any adverse regulatory shift would pose a direct threat to Net Worth and future PAT.
- **Other Liabilities** include Provisions (Current) which rose to □2,769.14 Cr, while Regulatory Deferral Account (Credit) balances stood at □1,347.98 Cr, reflecting the complexity of regulatory accounting.
- **Depreciation** remained stable at □1,184.00 Cr, following CERC-mandated rates which differ from standard useful lives; this policy, combined with the prospective depreciation of exchange fluctuations, tends to smooth the impact on the P&L, potentially overstating current EBIT margins.
- **ROCE %** remained stagnant at 8.00%, while ROE % diluted to 10.34% from 11.48% YoY, suggesting that the massive expansion in Total Assets and Gross Block is yet to translate into incremental earnings as capital remains locked in CWIP.
- The group's liquidity remains robust with **□2,832.45 Cr** in Undrawn Credit Lines, providing a buffer against the high Interest paid fin of □2,441.00 Cr seen in the Cash Flow Statement.
- NHPC’s financial profile this year shifted toward a heavy capital-expenditure regime where declining operational **Revenue** and OPM % were masked by high Other Income and strong CFO from receivable

recoveries, leaving the Balance Sheet highly sensitive to regulatory asset recoveries and the timely commissioning of its massive CWIP base.

3.3 Contingent liabilities & commitments

- **Litigation & Arbitration:** The company uses significant management judgment to evaluate outflows. Hydropower operations typically involve massive arbitration claims from contractors; however, specific tables were not disclosed in the provided summary.
- **Regulatory Risk:** Dependency on CERC for the recovery of ₹**7,061.90 Cr** in Regulatory Deferral Account Balances.
- **Capital Commitments:** While specific figures were not provided, the ₹**39,798.00 Cr** in CWIP implies massive ongoing contractual commitments.
- **Guarantees:** Claims against the company are only disclosed if the probability of outflow is not "remote."

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — high quality; CFO ₹7,252 Cr exceeds PAT ₹4,000 Cr via receivable liquidation.	—	Strong cash conversion driven by ₹2,236 Cr recovery in trade receivables from Discoms.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — liquidity improves; receivables fell 28% while revenue declined 9.2% YoY.	—	Sharp reduction in debtor days from 212 to 168 indicates successful recovery of dues.
3	Revenue timing	Revenue ↑ — estimation risk; provisional tariff recognition used when final CERC orders pending.	—	Note 1(III) 15.0: Revenue recognized on provisional basis; Note 13.1: Spike in other current assets.
4	Revenue from related parties %	Neutral — low risk; RPTs primarily involve JVs and are considered immaterial.	—	Note 1(II)(E): CVPPPL moved from JV to subsidiary; other JV transactions are unaudited but small.
5	Inventory vs revenue growth	Profit ↓ — negligible impact; inventory is minimal (2% of sales) for hydro-power operations.	—	Inventory is primarily stores and spares; not a driver of revenue recognition for power.
6	Inventory valuation method change	Neutral — no change; stores and spares valued at lower of cost or NRV.	—	Standard accounting policy maintained; no material impact on earnings quality.
7	Exceptional items in operating profit	Profit ↑ — non-core boost; ₹65 Cr exceptional gain (AT) vs ₹15 Cr loss (BT).	—	Exceptional items are small relative to PAT but require adjustment for core performance.
8	Depreciation rate vs useful life policy	Profit ↑ — sector specific; CERC rates used which may be lower than Schedule II.	—	Note 2.1: Depreciation follows CERC methodology; Note 1(III) 18.0(m): Prospective depreciation used.
9	Provision reversals boosting PAT	Profit ↑ — non-cash accrual; Late Payment Surcharge avoids ECL provisioning on aged debts.	—	Note 1(III) 9.0(h): No impairment envisaged on Discom receivables due to surcharge mechanism.
10	Tax rate consistency	Profit ↓ — cash tax higher; 20% P&L tax rate vs ₹871 Cr cash tax.	—	Tax rate remains consistent with statutory expectations for the power sector.
11	CWIP age and stalling projects	Profit ↑ — capitalization risk; ₹20,163 Cr of CWIP aged >3 years avoids depreciation.	—	Note 2.2.1: Massive CWIP aging indicates project delays; interest capitalization masks P&L burden.
12	Deferred tax asset recognition adequacy	Profit ↑ — regulatory accrual; Regulatory Deferral Account (Net) adds ₹395.5 Cr to PAT.	—	Note 1(III) 6.0: Recognizes assets for future tariff recovery; 10% of PAT depends on this accrual.
13	RPT quantum and trend	Neutral — manageable; borrowings increased by ₹3,021 Cr to fund subsidiary/JV projects.	—	Note 16.1: Debt used for massive CAPEX; high asset-backing (mortgaged PPE) mitigates risk.
14	Dividend paid vs FCF adequacy	Neutral — sustainable; ₹2,326 Cr dividend paid from ₹7,252 Cr CFO despite high CAPEX.	—	Dividend payout 53%; funded by strong operating cash flows despite ₹6,969 Cr CAPEX.
15	Auditor Reliance on Unaudited Data	Neutral — transparency risk; reliance on other auditors for 7 subsidiaries and unaudited JV data.	—	Auditor noted reliance on unaudited financial information for the NHPTL Joint Venture.
16	Other Income Reliance	Profit ↑ — non-operating boost; Other Income accounts for 33.8% of PAT.	—	Surcharge income is non-operating and depends on poor payment discipline of Discoms.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified. * **KAM 1: Recoverable Amount of Rate Regulated Assets:** Auditor concern regarding □7,061.90 Cr in Regulatory Deferral Account Balances. Recovery is dependent on future CERC orders. * **KAM 2: Revenue Recognition:** Complexity in estimating "highly probable" revenue where final CERC tariff orders are pending; risk in provisional billing. * **KAM 3: Impairment of PPE and CWIP:** Evaluation of stalled projects (Subansiri Lower and Parbati-II) and sensitivity of cash flows to discount rates. * **Auditor Reliance:** Reliance on other auditors for seven subsidiaries and unaudited financial information for the NHPTL Joint Venture.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | ------- | ---------- | -------- | ---------- | --------- | | Govt. of Arunachal Pradesh | State Entity | Unsecured Loan | 875.18 Cr | ***Concentration of credit risk; recovery dependent on project clearances*** | | NHPTL | Joint Venture | Stake Sale/Transfer | 13.16 Cr | ***Partial stake transfer based on unaudited JV financials*** | | CVPPPL | Subsidiary | Investment/Control | 1,861.92 Cr | **Transition from JV to Subsidiary improves consolidated control** | | JVs (General) | Joint Ventures | Share of Profit | 4.40 Cr | Neutral - small impact on consolidated PAT |

- **% of Revenue:** 9.22% (calc. based on total RPT exposure).
- **% of CFO:** 12.25% (calc.).
- **Red Flag:** 875.18 Cr unsecured loan to Govt. of Arunachal Pradesh remains a significant non-core exposure.

C. Shareholding * **Promoters:** 67.40% (Reduced from 70.95% via OFS in Jan-Feb 2024). * **FIIs:** 8.93% (Increasing trend). * **DIIs:** 13.91%. * **Public:** 9.76%. * **Pledged Shares:** 0.00%.

D. Board Composition + KMP Compensation * **Total Directors:** 10 | **Independent %:** 50.00% | **Women Directors:** 1. * **KMP Compensation:** Individual KMP compensation (CMD R.P. Goyal, etc.) is not detailed in the provided notes, representing a transparency lag. * **Leadership:** Shri R.P. Goyal holds triple charge (CMD, Director Finance, and CFO), suggesting a leadership bottleneck. * **Employee Costs:** Total Employee Benefit Expenses (□1,418.08 Cr) are largely fixed and did not decline despite the 20.46% drop in Operating Profit.

F. Capital Allocation & Capex | Action | FY current (□Cr) | FY prior (□Cr) | % of CFO | Signal | | ------- | ------------------ | ----------------- | ---------- | -------- | | Dividends Paid | 2,326.00 Cr | 2,263.00 Cr | 32.07% | **Good** | | Capex (Fixed Assets) | 6,969.00 Cr | 4,960.00 Cr | 96.09% | ***Concern*** | | Net Debt Change | 3,466.00 Cr | 2,976.00 Cr | 47.79% | ***Concern*** | | Interest Payments | 2,441.00 Cr | 1,706.00 Cr | 33.66% | Neutral | | Asset Monetization | 2,046.94 Cr | 0.00 Cr | 28.22% | **Positive** |

Capex analytical notes: * **CFO Coverage of Capex:** CFO/Capex ratio is **1.04**. The company is barely self-funding its massive □6,969.00 Cr capex, requiring □3,466.00 Cr in net new debt to cover dividends and investments. * **Nature of Capex:** Purely growth-oriented. **CWIP stands at □39,798.00 Cr, representing 43.13% of total assets.** * **Capex Deployment Efficiency:** Revenue fell 9.21% while Gross Block remained stagnant, as the **□8,441.00 Cr** increase in CWIP has not yet hit the P&L. * **Key Takeaway: □20,163.67 Cr of CWIP is aged over 3 years**, indicating severe execution bottlenecks that threaten future ROCE.

H. Risks * ***Project Execution:*** **□20,163.67 Cr CWIP aged >3 years** leads to cost overruns and interest capitalization masking P&L stress. (High) * ***Regulatory Disallowance:*** Dependency on CERC for **□7,061.90 Cr** in assets; sudden write-offs possible if costs are disallowed. (High) * ***Hydrological Risk:*** Flash floods in Sikkim/ Himachal caused a **12.5% drop in generation** and 20% drop in OPM. (High) * ***State Discom Credit:*** **□4,419.90 Cr** in Trade Receivables; J&K alone owes □69.79 Cr >45 days. (Medium) * ***State Hostility:*** Legal battle with Himachal Pradesh over "free power" terms threatens project viability. (High)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	12.5% generation drop; State legal disputes	Stable demand but high climate and regulatory vulnerability.
Financial health	3	↓	D/E 0.84x; CFO/Capex 1.04x	High leverage and low self-funding capacity for massive capex.
Earnings quality	2	↓	50.8% CWIP aged >3yrs; Regulatory accruals	Profits are supported by non-cash regulatory assets and interest capitalization.
Management & governance	3	→	Triple charge CMD; OFS divestment	Adequate compliance but leadership bottlenecks and transparency gaps in KMP pay.
Capital allocation & earnings visibility	2	↓	CWIP 43% of Assets; ROCE 8%	Massive capital locked in delayed projects with uncertain return timelines.

Business positives (for this company this year) * **Strong Cash Conversion:** CFO of ₹**7,252 Cr** significantly exceeded PAT of ₹4,000 Cr due to successful receivable recovery. * **Asset Monetization:** Successfully raised ₹**2,046.94 Cr** from Kishanganga Power Station to fund capex. * **Working Capital Improvement:** Debtor days reduced from **212 to 168**, improving liquidity. * **Strategic Pivot:** Signed MoUs for **11,375 MW** of Pumped Storage Projects to capture peaking power premiums. * **Dividend Consistency:** Maintained a **53% dividend payout** (₹2,326 Cr) despite heavy capital expenditure.

Business negatives / concerns (for this company this year) * **Execution Stagnation:** ₹**20,163.67 Cr** of CWIP (50.8% of total) is aged over 3 years, signaling severe delays. * **Operational Shock:** Generation fell **12.5%** and OPM dropped from 59% to 51% due to climate events. * **Regulatory Dependency:** ₹**7,061.90 Cr** (7.57% of assets) sits in Regulatory Deferral Accounts, representing "accrued" rather than realized income. * **Interest Masking:** ₹**1,668.26 Cr** of interest was capitalized, hiding the true impact of debt on the P&L. * **State Hostility:** Legal dispute with Himachal Pradesh over a **20% free power** demand threatens project viability.

OVERALL SCORECARD SUMMARY NHPC is currently in a high-risk execution phase where its financial strength is being tested by climate volatility and regulatory friction. While cash flow from receivable recoveries is strong, the quality of earnings is diluted by heavy reliance on regulatory accruals and interest capitalization. The business is on a **stable but strained** trajectory; its future valuation depends entirely on the successful commissioning of stalled mega-projects and the transition to a "Grid Balancer" model.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 9/10 — Governance Rating: 4"

Part c: investor verdict

Thesis: NHPC is a high-leverage infrastructure proxy for India's energy transition, shifting from volatile hydro to high-value pumped storage. **Overall stance:** Watch **Rationale:** Massive CWIP aging and state-level regulatory disputes offset the strong operational cash flows and asset monetization successes. **Re-evaluate when:** CWIP to Total Assets ratio drops below 30% OR Subansiri Lower (2,000 MW) is fully commissioned. **BULL CASE:** Successful commissioning of Subansiri and Parbati-II adds ~2,800 MW of regulated ROE assets, driving a 30%+ jump in EBITDA. **BEAR CASE:** Adverse CERC ruling on the □7,061 Cr regulatory assets or loss of the Himachal legal battle forces a massive net worth write-down. **Key monitorable:** CWIP Aging > 3 Years: Current □20,163 Cr → Watch for any further increase.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status (FY23)	Summary b status (FY24)	Forensic takeaway
Margin Trajectory	OPM at 59%	OPM compressed to 51%	Operational profitability has sharply declined due to hydrological shocks and rising fixed employee costs.
Working Capital	Debtor Days at 212; CFO < PAT	Debtor Days at 168; CFO > PAT	Massive receivable liquidation from state discoms has provided a temporary cash windfall that masks declining core revenues.
Capital Allocation	CWIP at 36.4% of Assets	CWIP at 43.1% of Assets	Capital lock-up has intensified, shifting the balance sheet further toward non-earning assets and increasing execution risk.
Management Tone	Expansionary transition focus	Defensively aggressive / Litigious	Management has pivoted toward defensive litigation against state governments to protect the regulated ROE model.
Funding Strategy	Reliance on new borrowings	Asset monetization (□2,046 Cr)	The company is now forced to sell operational assets to bridge the widening gap between capex requirements and operating cash.

7.2 Persistent patterns

- **Heavy reliance on interest capitalization** (₹1,668 Cr in FY24 vs ₹1,318 Cr in FY23) continues to artificially inflate accounting profits by deferring the P&L impact of debt.
- **Chronic CWIP stagnation** remains the dominant risk, with over 50% of construction capital consistently locked in projects delayed for more than three years.
- **High dependency on Regulatory Deferral Assets** (₹7,061 Cr) persists, making a significant portion of the company's net worth vulnerable to future CERC disallowances.
- **Sustained high dividend payouts** (50%+ ratio) are maintained despite negative free cash flow (pre-borrowing), necessitating a continuous cycle of debt-funded distributions.
- **Leadership bottlenecks** remain a recurring governance theme, characterized by board-level vacancies and KMPs holding multiple critical charges simultaneously.
- **Concentration of credit risk with state entities**, specifically the ₹375 Cr unsecured loan to the Govt. of Arunachal Pradesh, remains an unaddressed non-core exposure.
- **Low Asset Turnover** (0.10–0.12) reflects a structural inability to generate incremental revenue from a rapidly bloating balance sheet. No material persistent pattern identified.