NHPC Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**NHPC is transitioning from a construction-heavy phase to an operational utility model, evidenced by the commissioning of 2,100 MW—the largest capacity addition in its history.**	□
2	Revenue grew 11.9% YoY to □11,615 Cr, supported by new capacity including the 300 MW Karnisar solar project, which helps diversify the pure-hydro risk profile.	□
3	***Operating margins (OPM) compressed significantly from 52% to 45%, driven by a 91.3% surge in other expenses and the total operational shutdown of the Teesta-V asset.***	□
4	Reported PAT of □4,220 Cr was optically supported by a negative 8% effective tax rate and the recognition of non-cash MAT credits rather than core operational growth.	□
5	***Leverage has escalated with total debt increasing by 12,770 Cr to fund massive capex, resulting in a D/E ratio of 1.26x and a request to hike borrowing limits to 70,000 Cr.***	□
6	***Cash flow generation is under severe stress with a CFO/PAT ratio of 0.78, indicating that earnings are not translating into liquidity due to high regulatory accruals.***	□
7	***Free Cash Flow (FCF) remains deeply negative at - 8,274 Cr as the 11,572 Cr annual capex outlay continues to exceed internal accruals.***	□
8	***Capital allocation efficiency is concerning, with ROCE moderating to 6.0%, a level currently sitting below the company's incremental cost of debt.***	□
9	**Working capital management provided a rare bright spot, with debtor days nearly halving from 169 to 83 days, reflecting improved collections from DISCOMs.**	□
10	***Governance risks have intensified as board independence fell to 14.28%, representing a significant breach of the 50% regulatory requirement.***	□
11	***The balance sheet carries 8,416 Cr in Regulatory Deferral Assets, creating a material valuation risk should CERC disallow these costs during the truing-up process.***	□
12	Stance: WATCH; monitor for a CFO/PAT recovery above 1.0x, the resumption of Teesta-V, and a resolution of the board independence deficit.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Execution Breakthrough vs. Operational Fragility:** The commissioning of **2,100 MW** (Subansiri Lower - 1,000 MW, Parbati-II - 800 MW, and Karnisar Solar - 300 MW) marks a fundamental shift in the business. While this adds earning assets, the **Plant Availability Factor (PAF) dropped to 69.50% (vs. 73.94% YoY)**. This decline, despite new capacity, highlights the ongoing impact of the **Teesta-V shutdown** (zero generation for the entire year) and hydrological volatility.

- **Revenue Drivers & Mix Shift:** While Hydro remains the core (8,771 MW incl. JV), the "Green Energy" narrative is being backed by physical assets. The **Karnisar Solar project (300 MW)** is the first large-scale evidence of NHPC's ability to execute outside its Himalayan hydro comfort zone. The business is moving toward a hybrid utility model to mitigate the "single-asset" risks inherent in mega-hydro projects.
- **Cost Structure & Operating Leverage:** Employee benefit expenses continue to be a significant fixed cost, rising **11.71%** this year. With the commissioning of mega-projects, the company is entering a period where operating leverage should theoretically kick in, provided that the **Regulatory Deferral Account (RDA)** balances (which moved by -8.25% as income) do not face CERC disallowances during truing-up.
- **The "Debt-Capex" Treadmill:** Management is seeking to increase the borrowing limit from **₹60,000 Cr to ₹70,000 Cr**. This indicates that the commissioning of Subansiri and Parbati-II is not the end of the capex cycle, but the start of a new one focused on **Pumped Storage Projects (PSP)** and Solar. The company remains unable to self-fund growth, relying on a 70:30 debt-equity model.
- **Geographical Presence & Segment Performance:** The Group operates in a single reportable segment: Electricity Generation. Other activities like consultancy and trading do not meet the quantitative thresholds for separate segment reporting. Regional law-and-order and technical challenges in Manipur remain unresolved, leading to the rescheduling of the Loktak R&M to November 2026.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is explicitly positioning **Pumped Storage Projects (PSP)** as the next growth frontier to address the intermittency of solar/wind in the national grid, aiming to transform NHPC from a "base-load" to a "peaking power/grid stabilizer" provider.
- There is a new emphasis on **Artificial Intelligence (AI)**, EV integration, and Green Hydrogen to modernize legacy PSU culture and address cybersecurity risks.
- Management admits to project delivery realism, acknowledging that regional law-and-order issues in Manipur have delayed the Loktak R&M, contrasting with the success at Subansiri.
- The dividend payout remains high at **44.70% of PAT**, satisfying DIPAM guidelines but necessitating a request to increase borrowing limits to **₹70,000 Cr** to fund the PSP and Solar pipeline.
- The "Triple Charge" bottleneck has been broken with the appointment of Shri Mahesh Kumar Sharma as Director (Finance) & CFO, allowing the CMD to focus on strategic alignment between SJVN and NHPC.
- Board diversity has improved with the appointment of **Dr. Bernadette Lyngdoh**, addressing previous governance red flags regarding the lack of women directors.
- Management Tone: The management tone is **"Execution-Confident but Capital-Hungry."** The successful commissioning of long-delayed projects has emboldened leadership to double down on a high-leverage growth strategy. The narrative has moved away from "flood recovery" toward "energy transition leadership." However, the persistent reliance on debt to fund both dividends and new capex suggests a management team that is prioritizing government mandates (DIPAM) and growth over balance sheet deleveraging.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in ₹ Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	11,615.00	10,380.00
Sales Growth %	11.90	7.78
Expenses -	6,379.00	4,957.00
Manufacturing Cost %	7.07	14.35
Employee Cost %	12.90	24.80
Other Cost %	34.96	8.60
Operating Profit	5,236.00	5,423.00
OPM %	45.00	52.00
Other Income -	2,057.00	1,726.00
Exceptional items	0.00	-21.00
Other income normal	2,057.00	1,747.00
Interest	1,423.00	1,189.00
Depreciation	1,976.00	1,193.00
Profit before tax	3,894.00	4,767.00
Tax %	-8.00	28.00
Net Profit -	4,220.00	3,412.00
Minority share	-455.00	-405.00
Exceptional items AT	0.00	64.00
Profit excl Excep	4,220.00	3,348.00
Profit for PE	3,766.00	2,951.00
Profit for EPS	3,766.00	3,007.00
Profit Growth %	28.00	-17.00
EPS in Rs	3.75	2.99
Dividend Payout %	43.00	64.00

Balance Sheet (Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	10,045.00	10,045.00
Reserves	31,392.00	29,623.00
Borrowings -	52,327.00	39,557.00
Long term Borrowings	46,174.00	35,682.00
Short term Borrowings	5,960.00	3,752.00
Lease Liabilities	193.00	123.00
Other Borrowings	0.00	0.00
Other Liabilities -	26,247.00	23,455.00
Non controlling int	6,968.00	5,495.00
Trade Payables	387.00	321.00
Advance from Customers	0.00	30.00
Other liability items	18,892.00	17,609.00
Total Liabilities	120,011.00	102,680.00
Fixed Assets -	50,494.00	22,168.00
Land	0.00	5,747.00
Building	0.00	3,115.00
Plant Machinery	0.00	9,211.00
Equipments	0.00	341.00
Computers	0.00	119.00
Furniture n fittings	0.00	114.00
Railway sidings	0.00	13.00
Vehicles	0.00	44.00
Intangible Assets	213.00	0.00
Other fixed assets	0.00	16,775.00
Gross Block	0.00	35,480.00
Accumulated Depreciation	0.00	13,312.00
CWIP	34,744.00	50,601.00
Investments	440.00	444.00
Other Assets -	34,333.00	29,467.00
Inventories	294.00	263.00
Trade receivables -	2,629.00	4,793.00
Receivables over 6m	0.00	217.00
Receivables under 6m	0.00	4,654.00
Prov for Doubtful	0.00	-78.00
Cash Equivalents	3,651.00	2,751.00
Loans n Advances	10,058.00	837.00

Line Item	Mar 2026	Mar 2025
Other asset items	17,701.00	20,822.00
Total Assets	120,011.00	102,680.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	3,294.00	5,026.00
Profit from operations	5,974.00	6,266.00
Receivables	-65.00	-328.00
Inventory	-37.00	-67.00
Payables	0.00	0.00
Loans Advances	-1,901.00	0.00
Other WC items	219.00	33.00
Working capital changes	-1,784.00	-362.00
Direct taxes	-896.00	-877.00
Cash from Investing Activity -	-11,139.00	-7,550.00
Fixed assets purchased	-11,572.00	-8,851.00
Fixed assets sold	5.00	2.00
Investments purchased	0.00	0.00
Investments sold	0.00	12.00
Interest received	369.00	457.00
Dividends received	18.00	9.00
Investment in group cos	0.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	42.00	821.00
Cash from Financing Activity -	8,928.00	1,904.00
Proceeds from shares	0.00	0.00
Proceeds from borrowings	16,122.00	10,347.00
Repayment of borrowings	-3,403.00	-3,189.00
Interest paid fin	-2,888.00	-3,248.00
Dividends paid	-2,355.00	-2,310.00
Financial liabilities	-2.00	-5.00
Other financing items	1,453.00	309.00
Net Cash Flow	1,082.00	-620.00
Free Cash Flow	-8,274.00	-3,823.00
CFO/OP	80.00	109.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	83.00	169.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	83.00	169.00
Working Capital Days	-97.00	-58.00
ROCE %	6.00	7.00

3.2 Financial Analysis Summary

- **Revenue from Operations** grew by **11.90%** to **₹11,615.00 Cr**, primarily governed by CERC cost-of-service regulations; however, this growth did not translate to the **Operating Profit**, which declined by **3.45%** to **₹5,236.00 Cr** as **Other Expenses** surged by **91.30%** to **₹4,060.30 Cr**, leading to an **OPM** compression from **52.00%** to **45.00%**.
- The **Net Profit** increased by **28.00%** to **₹4,220.00 Cr**, significantly aided by a negative **Tax** rate of **-8.00%** (compared to 28.00% in FY25) due to the recognition of **MAT credit entitlement** as a **Deferred Tax** asset and the creation of corresponding regulatory deferral liabilities.
- **Depreciation** spiked by **65.61%** to **₹1,975.85 Cr**, a direct consequence of the massive capitalization of **Fixed Assets** which rose to **₹50,494.00 Cr** as projects moved from **CWIP** (which decreased from **₹50,601.00 Cr** to **₹34,744.00 Cr**) to operational status.
- **Finance Cost** charged to the P&L rose to **₹1,423.00 Cr**, but the actual interest burden is higher as **₹1,771.67 Cr** was capitalized as Expenditure Attributable to Construction (**EAC**), reflecting the heavy reliance on **Total Debt** which increased by **₹12,770.00 Cr** YoY.
- **Trade Receivables** showed a sharp decline to **₹2,629.00 Cr** from **₹4,793.00 Cr**, improving **Debtor Days** from **169** to **83**; however, this is offset by a buildup in **Other Current Financial Assets** to **₹6,066.75 Cr**, representing unbilled revenue and regulatory receivables not yet converted to trade debt.
- **Cash from Operating Activity (CFO)** fell to **₹3,294.00 Cr** from **₹5,026.00 Cr**, resulting in a poor **CFO/PAT** ratio of **0.78**, largely due to a **₹1,784.00 Cr** drag from **Working Capital** changes and the non-cash nature of **₹983.36 Cr** in regulatory deferral movements.
- The company reported a deeply negative **Free Cash Flow (FCF)** of **-₹8,274.00 Cr** as **Capex** reached **₹11,572.00 Cr**, necessitating **₹16,122.00 Cr** in new **Proceeds from borrowings** to fund expansion.
- **Total Debt** reached **₹52,327.00 Cr**, resulting in a **Debt/Equity** ratio of **1.26x**, while **Interest Coverage** remains adequate at **3.68x** but is under pressure due to the **19.69%** increase in P&L-charged interest and the **58.8%** jump in **Short term Borrowings** to **₹5,960.42 Cr**.
- **ROCE** moderated to **6.00%** from **7.00%** as the **16.8%** expansion in **Total Assets** (to **₹120,011.00 Cr**) outpaced the growth in operating earnings.
- **Other Income** of **₹2,057.00 Cr** accounts for **52.8%** of **Profit before tax**, indicating that a substantial portion of the bottom line is driven by non-generation activities such as interest income and late payment surcharges.
- **Regulatory Deferral Account** debit balances grew to **₹8,416.47 Cr**, representing **7.0%** of **Total Assets**; while these ensure future cost recovery, they represent "accrued but unbilled" income that inflates **Net Worth** without providing immediate liquidity.
- **Other Expenses** (₹4,060.30 Cr) saw a **91.3%** jump, suggesting significant one-off operational costs or provisions related to newly commissioned units, which was the primary driver of margin compression.

- **Other Financial Assets** (Current + Non-Current) total □**14,677 Cr** (12.2% of total assets), comprised of regulatory assets and unbilled items, indicating a long cash conversion cycle.
- The dominant financial theme of the year is a massive transition from **CWIP** to operational **Fixed Assets** funded almost entirely by external **Total Debt**, resulting in a temporary disconnect where **Revenue** and **Depreciation** are scaling up, but **CFO** health is lagging due to regulatory accruals and high reinvestment needs.

3.3 Contingent Liabilities & Commitments

- **Litigation/Arbitration:** Significant claims from contractors involving arbitration and judicial forums are pending. Management judgment is used to estimate outflows, posing a risk of material unprovided liabilities.
- **Tax Disputes:** The Group recognized MAT credit entitlement as a deferred tax asset; however, a corresponding Regulatory Deferral Liability is created as this benefit must be passed to beneficiaries under CERC norms.
- **Guarantees & Commitments:** While specific capital commitment figures were not disclosed in the snippets, the auditor highlighted litigations as a Key Audit Matter due to the high degree of judgment required for potential outflows.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □926.84 Cr gap driven by non-cash regulatory deferral movements.	□	PAT □4,220 Cr vs CFO □3,294 Cr; CFO/OP fell from 109% to 80%.	Note 1.0(e): Non-cash movement in Regulatory Deferral Account Balances of □983.36 Cr explains the divergence.
2	Receivables & channel-stuffing signal	Revenue ↑ — receivables fell 45% despite 11.9% sales growth, improving cash conversion.	□	Receivables □2,629 Cr (FY26) vs □4,793 Cr (FY25); Sales □11,615 Cr.	Note 1.0(h): CERC regulations allow Late Payment Surcharge (LPS), incentivizing timely recovery from DISCOMs.
3	Revenue timing (unbilled / contract assets)	Revenue ↑ — unbilled revenue accruals increase risk; regulatory assets grew by □1,210 Cr.	□	Other Current Financial Assets rose from □4,212 Cr to □6,066 Cr.	Note 1.0(n): Contract assets recognized for CERC truing-up orders not yet billed; introduces estimation risk.
4	Revenue from related parties %	Neutral — significant subsidiary contribution; NHDC Ltd contributes 22% of consolidated net profit.	□	NHDC Ltd profit contribution: □935.72 Cr out of □4,220 Cr total.	Note 1.0(E): Group includes 7 subsidiaries and 1 JV; NHDC is the most significant contributor.
5	Inventory vs revenue growth	Profit ↑ — lean inventory management; 11.7% inventory growth aligns with 11.9% sales growth.	□	Inventory □294 Cr (FY26) vs □263 Cr (FY25); Sales growth 11.9%.	Note 10.0: Spares >□10 Lakh with life >1 year are capitalized as PPE, keeping inventory lean.
6	Inventory valuation method change	Neutral — consistent valuation policy; stores and spares valued at lower of cost or NRV.	□	Inventory remains a minor asset at □294 Cr (0.24% of total).	Note 1.0: No change in valuation methodology; weighted average cost used for stores and spares.
7	Exceptional items in operating profit	Neutral — clean operating profit; no exceptional items reported in the current fiscal year.	□	Exceptional items: □0 (FY26) vs -□21 Cr (FY25) in P&L.	P&L Statement: Operating profit of □5,236 Cr is free of one-off exceptional adjustments.
8	Depreciation rate vs useful life policy	Profit ↓ — massive capitalization spike; depreciation rose 65.6% as CWIP converted to PPE.	□	Depreciation □1,976 Cr (FY26) vs □1,193 Cr (FY25); PPE rose □27,963 Cr.	Note 18.0: Depreciation aligned with CERC tariff rates rather than standard Schedule II useful lives.
9	Provision reversals boosting PAT	Profit ↑ — lack of bad debt provisions; □0 provision for doubtful debts reported.	□	Provision for Doubtful: □0 (FY26) vs -□78 Cr (FY25).	Note 1.0(h): Group does not envisage impairment due to regulatory protection and LPS recovery mechanisms.
10	Tax rate consistency	Profit ↑ — negative effective tax rate; MAT credit recognition creates non-cash tax benefit.	□	Tax rate -8% (FY26) vs 28% (FY25); P&L Tax -□326 Cr.	KAM 4: Auditor verified MAT credit entitlement recognized as DTA based on future profit forecasts.
11	CWIP age and stalling projects	Neutral — successful project commissioning; CWIP decreased by □15,857 Cr as assets operationalized.	□	CWIP □34,744 Cr (FY26) vs □50,601 Cr (FY25); PPE increased significantly.	Note 18.0: Massive shift from CWIP to PPE indicates completion of major hydro-electric projects.
12	Deferred tax asset recognition adequacy	Profit ↑ — DTA recognition supports PAT; MAT credit utilization depends on future taxable profits.	□	Net Profit □4,220 Cr includes tax credit; DTA recognized for MAT.	Note 1.0(iv): MAT credit recognized as DTA; corresponding regulatory

#	Check	Impact	Status	Evidence	Notes Detail
					liability created per CERC norms.
13	RPT quantum and trend	Neutral — government company exemptions; standard disclosures provided for inter-group funding and advances.	□	No funds advanced to intermediaries; clean-chit disclosure on round-tripping.	Note 1.0(iv): Management represents no funds advanced to intermediaries for the benefit of ultimate beneficiaries.
14	Dividend paid vs FCF adequacy	Profit ↓ — dividend funded by debt; □2,355 Cr paid despite negative FCF of -□8,274 Cr.	□	FCF -□8,274 Cr; Dividends paid □2,355 Cr; Borrowings increased by □12,770 Cr.	Cash Flow: Heavy capex and dividends are being financed through new long-term debt issuances.
15	Regulatory Deferral Reliance	Profit ↑ — Aggressive use of Ind AS 114 to smooth earnings via regulatory assets.	□	Regulatory Assets □8,416.47 Cr; 7% of Total Assets.	Note 1.0(e): Accrued but unbilled income inflates Net Worth without providing immediate liquidity.
16	Other Income Dependency	Profit ↑ — High reliance on non-operating income for bottom-line support.	□	Other Income (□1,070.80 Cr) is 25.4% of PBT.	Note 34.0: Significant portion of profit driven by interest income and late payment surcharges.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit opinion type:** Unqualified / Unmodified. * **KAM 1: Revenue Recognition:** Auditor concern regarding the accrual of revenue based on provisional tariffs and management's "highly probable" estimates for CERC truing-up orders. Risk involves significant estimation uncertainty where final orders are pending. * **KAM 2: Impairment of PPE/CWIP:** Evaluation of "Value in Use" models for power stations. Risk stems from subjective assumptions regarding future cash flows, discount rates, and production volumes in volatile Himalayan terrains. * **KAM 3: Contingent Liabilities:** Significant claims from contractors involving arbitration and judicial forums. Management judgment is used to estimate outflows, posing a risk of material unprovided liabilities. * **KAM 4: MAT Credit & Regulatory Balances:** Recognition of MAT credit as a Deferred Tax Asset (DTA) based on future profit projections. Auditor verified the probability of utilization given the materiality of the balance.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |-------|--------------|--------|----------------|---------| | **NHDC Limited** | Subsidiary | Profit Contribution | 935.72 Cr | **Significant contributor to consolidated PAT (22.17%)** | | **APGENCO NHPC Green Energy** | Joint Venture | Investment/Operations | Not disclosed | Neutral | | **Chenab Valley Power Projects** | Subsidiary | Project Execution | Not disclosed | Neutral |

RPT Verdict: Monitor □(High profit dependency on NHDC Ltd and PSU governance exemptions).

C. Shareholding | Category | Mar 2025 (%) | Mar 2024 (%) | |:---|---:|---:| | **Promoters** | 67.40 | 67.40 | | **FIIs** | 8.93 | 8.93 | | **DIIs** | 13.91 | 13.91 | | **Public** | 9.76 | 9.76 | * **Pledged Shares:** 0.00% of promoter holding.

D. Board Composition + KMP Compensation * **Total Directors:** 7. **Independent %:** 14.28% (1 out of 7). **Women Directors:** 1. * ***Governance Breach:*** The board lacks the required 50% independent representation for a company with an executive Chairman. * **KMP Compensation:** Individual KMP remuneration (Bhupender Gupta, Mahesh Kumar Sharma, Sanjay Kumar Singh) is not detailed in the provided notes. EBITDA (Operating Profit) was □5,236.00 Cr (YoY growth -3.45%).

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | |-------|-------------------|-----------------|----------|--------| | **Dividends Paid** | 2,355.00 Cr | 2,310.00 Cr | 71.49% | **Stable** | | ***Capex (Fixed Assets)*** | 11,572.00 Cr | 8,851.00 Cr | 351.31% | ***Concern*** | | ***Net Debt Change*** | 12,719.00 Cr | 7,158.00 Cr | 386.13% | ***Concern*** |

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex:** Ratio is **0.28**. NHPC is unable to self-fund its capex, relying heavily on debt markets. * **Nature of Capex:** Growth-oriented. **PPE increased by 27,963.75 Cr** as Subansiri Lower and Parbati-II moved toward commissioning. * **Capex Deployment Efficiency:** Revenue grew 11.9% while Gross Block surged significantly; the lag suggests execution delays. * **Key Takeaways:** **□1,771.67 Cr of interest was capitalized** this year, masking the true P&L impact of the debt.

H. Risks * ***Hydrological / GLOF:*** **Teesta-V shutdown since Oct 2023**; zero generation from a major asset. (High Impact) * ***Regulatory Disallowance:*** **□8,416.47 Cr in Regulatory Assets** could be written down if CERC disallows costs. (High Impact) * ***Project Execution:*** Delays in mega-projects like Subansiri Lower lead to cost overruns and prolonged interest capitalization (□1,771.67 Cr). (High Impact) * ***Leverage Risk:*** Total Borrowings reached **□52,327 Cr**, reducing FCF to **-□8,274 Cr**. (High Impact)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	PAF 69.5%, 2100MW added	Stable utility model but high hydrological and execution risk.
Financial Health	2	↓	D/E 1.26x, CFO < PAT	High leverage and inability to self-fund massive capex.
Earnings Quality	2	↓	CFO/PAT 0.78, Tax -8%	PAT inflated by non-cash MAT credit and regulatory accruals.
Management & Governance	2	↓	14% Independent Board	Significant board independence breach despite leadership fix.
Capital Allocation & Earnings Visibility	2	↓	ROCE 6% < Cost of Debt	Massive debt-funded capex yet to yield returns above cost of capital.

BUSINESS POSITIVES (for this company this year) * □**Capacity Addition:** Successfully commissioned **2,100 MW** (Subansiri, Parbati-II, Karnisar Solar), the largest in company history. * □**Receivables Management: Debtor Days** improved significantly from **169 to 83**, with receivables falling 45%. * □**Strategic Diversification:** First large-scale solar project (**300 MW Karnisar**) operationalized, reducing pure-hydro risk. * □**Liquidity Buffer:** Maintained **□12,086.30 Cr** in undrawn credit lines to support ongoing operations.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Cash Flow Stress: CFO/PAT** fell to **0.78**; **FCF** is deeply negative at **-□8,274 Cr**. * □**Operational Shutdown: Teesta-V** remained completely shut down for the entire year due to GLOF impact. * □**Margin Compression: OPM** fell from **52% to 45%** as **Other Expenses** surged **91.3%**. * □**Governance Breach:** Board independence stands at only **14.28%**, well below the 50% regulatory requirement. * □**Leverage Escalation: Total Debt** increased by **□12,770 Cr** to fund capex and dividends.

OVERALL SCORECARD SUMMARY NHPC is at a critical juncture, transitioning from a construction-heavy phase to an operational one, yet its financial strength is currently weakened by high leverage (D/E 1.26x) and poor cash conversion (CFO < PAT). Earnings quality is low, propped up by a negative effective tax rate and significant regulatory accruals that do not provide immediate liquidity. While the business is scaling, it remains on a stable-to-weakening trajectory until the new capacity translates into meaningful FCF and the governance gaps on the board are addressed.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unmodified opinion (p.12)
2	Promoter pledge = 0?	□	0.00% pledged
3	KMP pay < 5% of PAT?	□	Aggregate KMP pay not disclosed but historically low in PSUs
4	RPT quantum < 5% of revenue?	□	NHDC Ltd contributes 22% of PAT; aggregate RPT % not clear
5	Board > 50% independent?	□	Only 14.28% independent (1 of 7)
6	At least 1 woman director?	□	Dr. Bernadette Lyngdoh appointed
7	No statutory dues outstanding?	□	No major defaults reported
8	No fraud reported?	□	Clean chit in auditor report
9	Audit trail enabled?	□	Confirmed in auditor report
10	Frequent Auditor change	□	Joint statutory auditors stable
Final line: "Total: 7/10 □— Governance Rating: 2"			

Part C: Investor Verdict

THESIS: NHPC is a regulated utility undergoing a massive capacity expansion that is currently straining the balance sheet and cash flows.

OVERALL STANCE: WATCH

RATIONALE: While execution has improved, the disconnect between PAT and CFO, combined with high leverage and governance breaches, warrants caution. RE-EVALUATE WHEN: CFO/PAT ratio > 1.0x and Teesta-V resumes generation. BULL CASE: Successful truing-up of Subansiri Lower costs by CERC leading to a □2,000 Cr+ cash windfall. BEAR CASE: CERC disallowance of regulatory assets (□8,416 Cr) leading to a massive net worth write-down. KEY MONITORABLE: Plant Availability Factor (PAF): 69.5% → 75.0%

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation (CWIP to PPE)	CWIP at ₹50,601 Cr (49.3% of assets) during peak construction.	CWIP fell to ₹34,744 Cr as ₹27,963 Cr in assets were operationalized.	The company has successfully transitioned from a high-risk construction phase to an operational phase, though asset turnover remains critically low.
Margin Trajectory (OPM)	Strong Operating Profit Margin of 52%.	OPM compressed to 45% due to a 91.3% surge in other expenses.	The commissioning of new units has introduced significant operational cost overheads that are currently diluting the company's core profitability.
Working Capital (Receivables)	High Debtor Days (169) with ₹4,793 Cr outstanding.	Debtor Days halved to 83 with receivables falling to ₹2,629 Cr.	Management has significantly improved cash collection efficiency from DISCOMs, likely through the enforcement of Late Payment Surcharge mechanisms.
Earnings Quality (Taxation)	Effective tax rate of 28%.	Negative effective tax rate of -8% due to MAT credit recognition.	Current year bottom-line growth is heavily distorted by non-cash tax accounting benefits rather than pure operational outperformance.
Governance (Leadership & Board)	Triple charge bottleneck (CMD/CFO/DF) and zero women directors.	Dedicated CFO appointed and one woman director added; board independence fell to 14%.	While functional leadership has been professionalized, the board has moved into a state of regulatory non-compliance regarding independent oversight.

7.2 Persistent Patterns

- **Deeply Negative Free Cash Flow** persists (-₹3,823 Cr to -₹8,274 Cr), as operating cash remains insufficient to cover the massive, debt-heavy capex cycle.
- **Aggressive Interest Capitalization** continues (₹1,771 Cr capitalized this year), which artificially inflates PAT by deferring the recognition of borrowing costs.
- **High Reliance on Regulatory Deferral Assets** (~₹8,416 Cr) remains a structural risk, leaving a significant portion of Net Worth vulnerable to future CERC disallowances.
- **Debt-Funded Dividend Payouts** continue as a recurring theme, with the company borrowing heavily to maintain shareholder distributions despite a lack of free cash.
- **Operational Paralysis at Teesta-V** remains a stagnant risk, with the major asset contributing zero generation across both reporting periods due to flood damage.
- **ROCE remains structurally suppressed** (6% to 7%), consistently staying below the likely cost of incremental debt, indicating value destruction on a capital-employed basis.
- **Heavy Reliance on Other Income** (52.8% of PBT) persists, showing that the company's bottom line is increasingly dependent on non-generation activities like interest and surcharges.