

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Operationally Stable **One-line:** The long-term thesis of a massive "Regulated Equity" unlock remains intact, though the timeline for Parbati-II has slipped to FY25 due to weather-related force majeure, shifting some growth from the current fiscal year.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	PAT of ₹1,053 Cr matches the prior year's ₹1,050 Cr despite hydrological headwinds.	□
Earnings Quality	High	Growth driven by core revenue and arrears; non-core items (CSR, Impairment) netted out.	□
Guidance Confidence	Neutral	Subansiri Lower (2,000 MW) remains on track for Jan-Feb 24, but Parbati-II (800 MW) pushed to FY25.	□
Management Credibility	Strong	Proactive disclosure on flood impacts at Parbati-II and conservative shift in PAF incentive accounting.	□
Business Quality Signal	Stable	Transition to Pumped Storage (PSP) and selective Solar bidding (12% ROE hurdle) protects margins.	□
Key Q&A Exchange	Q1 + Project Timelines	Mgmt confirmed Subansiri is "all set" but Parbati-II suffered a "setback" from Himachal floods.	□
The Street's Primary Anxiety	Execution Delays	Fear of further slippage in Subansiri/Parbati; mgmt assured Subansiri is in the final stretch.	□
Capital Cycle Stage	Investment	Aggressive Capex phase (₹10,857 Cr target for FY24) to capitalize nearly ₹20,000 Cr of CWIP.	□
Margin / Return Ratio Trajectory	Stable	Regulated ROE model (16.5%) protects downside; water cess being passed through in tariffs.	□
Pricing Power	Stable	Cost-plus regulatory model allows for recovery of increased opex (Water Cess) through tariffs.	□
FCF Conversion & Quality	Weak	Negative FCF expected to continue as Capex outpaces OCF during peak construction.	□
Competitive Moat Signals	Stable	Unmatched hydro engineering expertise allows takeover of stalled private projects (Subansiri Middle/Upper).	□
Balance Sheet Strength	Adequate	Average cost of borrowing at a competitive 7.7%; high liquidity for Capex funding.	□
Working Capital Efficiency	Improving	Net billed receivables >45 days dropped to just ₹230 Cr (down from ₹1,220 Cr YoY).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on Capex targets; delays in Parbati-II are externally driven (floods).	□
Key Vulnerability / Red Flag	Hydrology/ Climate	5% drop in generation due to low water availability; flood risks in Himalayan projects.	□
Management Tone	Confident	Posture was focused on growth (PSPs, Solar) and project completion.	□

Key Takeaways (Positives & Negatives): * **Positives:** The operational core remains resilient with Plant Availability Factor (PAF) at 94.13% despite poor hydrology. Receivables management has reached a multi-year high in efficiency, with net overdue billed debtors significantly reduced. The strategic pivot toward Pumped Storage (7,000 MW MoUs in Maharashtra) provides a long-term growth runway beyond the current hydro-heavy pipeline. * **Negatives:** Parbati-II commissioning is now delayed to early FY25 due to unprecedented floods in Himachal Pradesh, which will delay the capitalization of that specific asset. Generation expenses spiked by ₹248 Cr due to the new Water Cess in hill states, which creates a temporary margin drag until tariff adjustments are finalized. * **The Street's Concern:** Analysts are hyper-focused on whether Subansiri Lower (2,000 MW) will finally hit its Jan/Feb 2024 target. Management confirmed physical progress is complete and only the monsoon pause remains. * **Watchpoint:** Monitoring the restart of Subansiri construction in November 2023; any delay in mobilization post-monsoon would be a major thesis-breaker for FY24.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	2,571	↑ 3.2%	↓ 8.5%	↑	Growth driven by ₹70 Cr interest from beneficiaries & ₹80 Cr tariff arrears.
PAT (₹Cr)	1,053	↑ 0.3%	↓ 18.0%	→	Flat YoY due to Water Cess impact offsetting revenue gains.
Generation (Million Units)	7,787	↓ 4.6%	↑ 49.3%	↓	Lower due to water availability in Kishanganga/Loktak.
Machine Availability (PAF %)	94.13%	↓ 450 bps	↑ 1,737 bps	↓	Impacted by temporary shutdowns during floods (Kishanganga/Loktak).
Capex (Consolidated - ₹Cr)	1,906	↑ 64.2%	↓ 49.8%	↑	Aggressive spend on Subansiri Lower and subsidiary projects.
Trade Receivables (₹Cr)	6,736	↑ 22.7%	↑ 14.4%	↓	Unbilled debtors (₹3,059 Cr) rose due to regulatory billing cycles.
Billed Debtors >45 Days (₹Cr)	230	↓ 81.1%	↓ 85.0%	↑	Massive recovery progress; total billed net debtors at ₹1,728 Cr.
Cost of Borrowing (%)	7.7%	→ Stable	→ Stable	→	Remains highly competitive vs industry peers.
Generation Expense (₹Cr)	518	↑ 91.8%	↑ 35.6%	↓	Driven by ₹248 Cr impact from new Water Cess.
PAF Incentive (₹Cr)	0	↓ 100%	↓ 100%	↓	Accounting shift to recognize incentives only after full capacity charge recovery.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Hydro Generation (Core)	2,571	3.2%	Not Stated	→	Core	Impacted by low water availability but offset by arrears.
Solar (Pipeline)	N/A	N/A	N/A	↑	Growth	1,000 MW CPSU scheme; 200 MW Gujarat award; targeting 12% ROE.
Pumped Storage (PSP)	0	N/A	N/A	↑	Emerging	7,000 MW MoUs in Maharashtra; 16.5% ROE model confirmed.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity Addition	2,000 MW (Subansiri) in FY24; 800 MW (Parbati II) in early FY25.	Must commission 2 units of Subansiri in Q4 (Jan-Feb).	Parbati II slipped from prior FY24 guidance due to floods.	High (Weather)
Guidance	Capex Plan	₹10,857 Cr (Consolidated) for FY24.	Needs ₹2,983 Cr/qtr for remaining 3 quarters. Achieved ₹1,906 Cr in Q1.	Historically met; Q1 run-rate is slightly behind but accelerates post-monsoon.	Low
Strategy	Solar Bidding	10 GW intermediary bidding; selective capex only if ROE > 12%.	Intermediary role requires zero capex; purely commission/service based.	3 GW already tendered; 7 GW in pipeline.	Low
Strategy	PSP Entry	7,000 MW in Maharashtra; FY29 first commissioning target.	4-5 years construction + 1.5 years investigation/clearance.	New business vertical; MoUs signed with 4 states.	Moderate
Balance	Receivables	Continued reduction in billed overdues.	Current >45 days at ₹230 Cr is exceptionally low; focus on unbilled conversion.	Massive improvement in realization (₹1,647 Cr collected in Q1).	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Mohit Kumar, ICICI Securities	Project Timelines	Capex and Allocation	Status of Subansiri and Parbati-II following Himachal floods.	Management confirmed Subansiri remains on track for Jan/Feb 24, while Parbati-II has slipped to early FY25 (April) due to severe flood damage to access routes. This confirms a delay in the capitalization of ~800 MW, pushing back the ROE realization by one quarter.	None	5.0	Specific timeline given
2	4.0	Mohit Kumar, ICICI Securities	Accounting Policy	Financials	Logic behind the change in PAF-based incentive recognition.	Mgmt explained they are now back-ending recognition to avoid reversals seen in prior years when NAPAF wasn't met by year-end. This improves the "conservatism" of quarterly reporting but will make Q3/Q4 earnings more volatile.	None	4.5	Conservatism shift
3	3.5	Mohit Kumar, ICICI Securities	Regulatory Impact	Management Commentary	Impact of the new IEGC code applicable from Oct 1, 2023.	Management stated they are still assessing the impact and cannot comment definitively yet. This creates a minor short-term uncertainty regarding	Exact impact quantification	3.0	Assessing status

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						DSM (Deviation Settlement Mechanism) revenue.			
4	3.0	Prashant Kshirsagar, Unived	Capacity Reconciliation	Business Overview	Discrepancy in Subansiri Middle/ Upper capacities vs Annual Report.	Mgmt clarified that capacities were revised upward (Upper: 2000MW, Middle: 1800MW) based on new potential assessments post-takeover. This increases the total pipeline potential by ~600 MW over older estimates.	None	4.0	Upward revision
5	4.5	Rohit Natarajan, Antique	Regulated Equity	Financials	Guidance on Regulated Equity additions given the Parbati-II slippage.	Mgmt noted that additions in FY24 will now primarily come from Subansiri Lower; the jump to ₹2,600 Cr is now firmly slated for end of FY25. This resets investor expectations for the "peak" earnings year from FY24 to FY25.	None	4.5	Target res
6	4.0	Rohit Natarajan, Antique	Subsidiary IPO	Strategy	Any plans for an IPO of the clean energy arm.	Mgmt stated there is "no plan at present" as IPOs would only be triggered if massive resource	None	5.0	No IPO near-term

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						needs arise for solar/wind transfers. This removes any near-term "sum-of-the-parts" re-rating trigger from a subsidiary listing.			
7	4.5	Rohit Natarajan, Antique	PSP Strategy	Strategy	Timeline and cost assumptions for Pumped Storage Projects.	First PSP commissioning is targeted for FY29 with costs ranging from ₹6.5 Cr/MW (off-stream) to ₹9 Cr/MW (on-stream). This confirms PSPs are a long-term capital sink with regulated 16.5% ROE but no near-term cash flow.	None	4.0	Long-term roadmap
8	3.0	Aniket Mittal, SBI MF	Capex Breakdown	Capex and Allocation	Breakup of the ₹10,857 Cr FY24 capex target.	Standalone capex is ₹5,700 Cr; major spends are Solar (₹2,517 Cr), Subansiri (₹787 Cr), and Pakal Dul (₹1,215 Cr). This provides a clear tracker for monitoring quarterly project progress.	None	5.0	Clear breakdown
9	3.5	Aniket Mittal, SBI MF	Project Engineering	Business Overview	Specifics of remaining work at Parbati-II.	Only 65 meters of tunnel excavation remains, but 3km of lining	None	4.5	Technical clarity

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						is pending. The lining is the critical path; floods delayed the start of this activity.			
10	3.5	Riya Mehta, Equitas	PSP Business Model	Strategy	How will PSPs be monetized (ancillary vs generation).	PSPs will be used for round-the-clock (RTC) power conversion, grid stability, and ancillary services on a cost-plus 16.5% ROE basis. This mitigates the risk of PSPs being "stranded assets" in a high-solar grid.	None	4.0	ROE protected
11	3.0	Nikhil Abhyankar, ICICI Sec	Solar Bidding	Strategy	Status of the 10 GW solar bidding mandate.	3 GW is already under tendering; NHPC acts as an intermediary with no capex risk. This generates fee-based income without straining the balance sheet.	None	5.0	Capital ligh

PATTERN FLAGS & SENTIMENT * Theme: Project Slippage Anxiety. Analysts repeatedly probed the impact of Himachal floods on Parbati-II. Management was transparent about the "setback" but pivoted quickly to the "no uncertainty" status of Subansiri. The posture was realistic—acknowledging force majeure while defending the core commissioning timeline of the larger (2,000 MW) asset. * **Theme: Strategic Diversification.** Analysts were curious about the Pumped Storage (PSP) and Solar bidding roles. Management projected high confidence here, emphasizing the 16.5% ROE for PSPs and a strict "12% ROE or no-bid" policy for Solar. This signaled to the market that NHPC will not pursue growth at the cost of return ratios.

Analyst Sentiment Verdict: The overall sentiment was cautiously optimistic. While the Parbati-II delay was a disappointment, the massive improvement in billed receivables and the firm Jan/Feb 2024 timeline for Subansiri units satisfied the core of the bull case. Management's move toward PSPs was viewed as a logical evolution for

a hydro major, though the FY29 timeline makes it a distant value driver. Credibility remains high as management admitted flood impacts directly rather than masking them.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Parbati-II Timeline	FY 2023-24	Early FY 2024-25 (April)	↓ Deteriorating
Billed Debtors (>45 Days)	₹1,220 Cr	₹230 Cr	↑ Improving
PAF Incentive Accounting	Recognized Quarterly	Back-ended (post-cost recovery)	☐ Conservative
New Business Vertical	Hydro Focus	Large-scale PSP entry (7GW)	↑ Improving
Generation Expenses	Normal	Elevated (₹248 Cr Water Cess)	↓ Deteriorating
Regulated Equity Peak	Projected end of FY24	Reset to end of FY25	☐ Delayed Unlock

Investor Notes: * **Earnings Quality:** CFO-to-PAT ratio is expected to be lower this quarter despite strong realizations because total trade receivables (billed + unbilled) rose by ₹849 Cr. This is primarily due to unbilled regulatory accruals rather than payment delays from DISCOMs. * **Water Cess Pass-Through:** While generation expenses spiked ₹248 Cr due to the new cess in HP and Uttarakhand, NHPC's regulated model allows for a full pass-through in future tariff orders. This is a timing mismatch, not a permanent loss of margin. * **The Thesis Pillar:** The stock remains a "waiting game" for the capitalization of the ₹19,992 Cr Subansiri project. With physical work on Subansiri units effectively done, the risk has shifted from "technical/geological" to purely "monsoon/mobilization" risk. STOP HERE.