NHPC Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Execution) / Inline (Financials) **One-line:** The thesis of "CWIP-to-Regulated Equity" has moved from a promise to a physical reality with the commissioning of the first 500 MW of Subansiri Lower and the full contribution of Parbati-II.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Execution)	2 units of Subansiri Lower (500 MW) commissioned ahead of Street skepticism; 9M Revenue up 10%.	□
Earnings Quality	High (Core driven)	Adjusted for a one-off □500 Cr base effect, revenue growth is robust; 80% conservative revenue recognition on new units provides a future upside "kicker."	□
Guidance Confidence	Strong	Reaffirmed 2100 MW capacity addition for FY26; CAPEX run-rate of □8,844 Cr (9M) on track for □13,300 Cr target.	□
Management Credibility	Strong	Finally breaking the "delayed hydro" curse; Parbati-II fully operational and Subansiri units firing.	□
Business Quality Signal	Improving	Transitioning to a storage giant; assignment of 3.1 GW Etalin project and 19.4 GW PSP pipeline widens the moat.	□
Key Q&A Exchange	Q2 (Subansiri Revenue)	Management confirmed they are only booking 80% of revenue for Parbati-II/Subansiri until final CERC orders, masking true profitability.	□
The Street's Primary Anxiety	Subansiri Tariff	Fear of □7.50/unit tariff rejection; Mgmt clarified delays were "beyond control," making cost-overrun pass-through legally robust.	□
Capital Cycle Stage	Harvesting (Initial)	Moving from decade-long investment to the "Harvesting" of Subansiri and Parbati-II.	□
Margin / Return Ratio Trajectory	Stable	Consol. EBITDA Margin at 50% for 9M; RoNW (5.68%) set to expand as mega-assets capitalize.	→
Pricing Power	Stable	Regulated RoE model (15.5%) ensures protection against cost inflation.	→
FCF Conversion & Quality	Distorted	Massive CWIP (□32,994 Cr) continues to consume OCF, but conversion to cash-generating assets has begun.	□
Competitive Moat Signals	Widening	Exclusive assignment of Etalin (largest hydro) and massive PSP pipeline creates a multi-decade growth runway.	□
Balance Sheet Strength	Adequate	Consol. D/E at 1.17x (up from 1.05x in FY25) as debt is drawn for peak construction; well-supported by □41k Cr net worth.	□
Working Capital Efficiency	Improving	9M profit per employee up to □49 lakhs (vs □46 lakhs YoY) due to capacity expansion on a stable employee base.	□
Mgmt Guidance Track Record	Reliable	Meeting recent project COD (Commercial Operation Date) targets for the first time in years.	□
Key Vulnerability / Red Flag	Regulatory Lag	The 20% gap in revenue recognition until final CERC orders (likely 6-12 months) creates a temporary earnings overhang.	□
Management Tone	Confident	Extremely bullish on the construction starts for FY27 (Etalin, Kamala, Sawalkot).	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** The execution logjam has cleared. Commissioning 2 units of Subansiri Lower (500 MW) and 300 MW of Karnisar Solar proves NHPC can handle mega-projects and renewables simultaneously. The assignment of the 3097 MW Etalin project (from SJVN) and a 19.4 GW Pumped Storage (PSP) pipeline secures growth through 2035. Earnings quality is bolstered by conservative accounting (booking only 80% of estimated tariff for new units). * **Negatives:** The "Sticker Shock" of the Subansiri tariff (~□7.50/unit) remains a point of friction with Discoms, although legally protected. Leverage is peaking (D/E 1.17x) and will remain high until the full □28k Cr Subansiri cost is capitalized. * **Watchpoint:** Final CERC tariff notification for Parbati-II and Subansiri units. A favorable order will trigger a massive one-time revenue/PAT catch-up and a fundamental re-rating of the stock's earnings power.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary and granular secondary energy/incentive data.

Metric	Current Qtr (Q3 FY26)	YoY Change (vs Q3 FY25)	Trend	Mgmt Commentary
Revenue from Ops (□Cr)	2,221	↓ 3%	↓	Decrease due to □500 Cr one-off in base year (pay anomaly/arbitration); core revenue is up due to Parbati-II.
9M Total Income (□Cr)	9,566	↑ 10% (est)	↑	Growth driven by 15% increase in generation (25,849 MUs).
EBITDA (□Cr)	4,810 (9M)	Not Stated	→	Margin steady at 50% (Consol).
PAT (Parent Co. □ Cr)	2,306 (9M)	↑ 7%	↑	Driven by higher generation, offset by higher depreciation/ interest as projects capitalize.
Installed Capacity (MW)	8,832.90	↑ 1,688 MW	↑	Includes Parbati-II (800 MW), Karnisar Solar (300 MW), and Subansiri units (500 MW).
Regulated Equity (□Cr)	14,161	→	→	Base for FY25. Target □18,075 Cr for FY26 after full capitalization.
Generation (MU)	25,849 (9M)	↑ 15%	↑	Boosted by water availability and new capacity.
Plant Availability (%)	79.27% (9M)	↓ 3%	↓	Shutdowns at Dulhasti, Salal, Chamera-I/III during monsoon (beyond control).
CAPEX (Consol □ Cr)	8,844 (9M)	↑ 19.4%	↑	Needs □4,456 Cr in Q4 to hit □13,300 Cr target. Feasible given current trajectory.
Secondary Energy (□Cr)	461 (9M)	↑ 9.2%	↑	NHDC (subsidiary) performed exceptionally well (178% of design energy at Indrasagar).
Net Debt / Equity (x)	1.17	↑ 11.4%	↓	Increase due to funding of □13k Cr annual CAPEX.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Hydro (Standalone)	5,667 (H1)	—	35% (PAT)	↑	Baseline	Parbati-II (800 MW) is now the largest operating station.
NHDC (Subsidiary)	1,228 (9M)	↑ 10.3%	61% (PAT)	↑	Above Avg	Indrasagar achieved 238% of annual design energy.
Solar / Wind	Not Stated	—	—	↑	Developing	300 MW Karnisar Solar fully commissioned; 1,190 MW under construction.
REIA (Intermediary)	Fee Based	—	Fixed	→	Below Avg	14,280 MW in PPA/PSA pipeline; facing some delays in Discom signing.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	2100 MW capacity addition by March 2026.	2 units of Subansiri (500 MW) already added in Q3/Q4; needs 2 more by March.	**On Track:** Meeting COD timelines recently.	**Low:** Proven.
Guidance	Capex Plan	□13,300 Cr for FY26 (Consolidated).	Needs □4,456 Cr in Q4; 9M actual was □8,844 Cr.	**Consistent:** Usually meets 95%+ of budget.	**Low:** Funded.
Strategy	Growth	Start 5-6 hydro projects (10,000 MW) in 2026.	Needs clearances for Etalin, Kamala, and Sawalkot.	**Improving:** Sawalkot EC/FC received.	**Medium:** Approvals.
Strategy	Storage	Start 2 PSP projects (2000 MW) in 2026.	DPRs for Omkareshwar and Savitri are in advanced stages.	**New Entry:** This is a major pivot for the company.	**Medium:** Viability.
Guidance	Financials	Regulated Equity to hit □33,838 Cr by FY31.	Tied to capitalization of Subansiri (□28k Cr) and Dibang (□31k Cr).	**Reliable:** Linked to project COD.	**Low:** CERC model.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Ragini Pande, Elara	Capex & Growth	Capex and Allocation	What is the total capacity addition and CAPEX guidance for FY27/28?	Management targetted ₹13,300 Cr for FY26 and ₹15,000 Cr for FY27 with 2744 MW hydro addition next year. This ensures the regulated equity compounding remains at a 15%+ CAGR through FY28.	None	5.0	Quantified
2	5.0	Murtuza Arsiwalla, Kotak	Financials	Financials	Are revenues for Parbati-II and Subansiri being booked at revised costs or is there an under-recovery?	Management confirmed they are booking only 80% of estimated revenue until final CERC orders, resulting in a temporary profit drag. Once orders are notified (likely 6 months), a large one-time revenue/ PAT catch-up will occur.	None	5.0	Clear signal
2a	4.5	Murtuza Arsiwalla, Kotak	Financials	Financials	What is the impact of Power Grid transmission charges on Subansiri?	A ₹781 Cr charge was booked up to Dec '25 for assets commissioned by PGCIL; this amount will decrease as NHPC units come online. This cost is a recoverable pass-through but creates	None	4.0	Directional

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						short-term margin noise.			
3	4.5	Prashant Kshirsagar	Subansiri Tariff	Management Commentary	Will states absorb the □7.50/unit levelized tariff for Subansiri or will CERC force concessions?	Management insisted that since delays were "beyond control," CERC regulations mandate full cost pass-through. If accepted, this protects the 15.5% ROE but risks Discom friction during off-peak hours.	None	4.0	Confident
4	4.0	Prashant Kshirsagar	Project Specifics	Capex and Allocation	When will dam contracts for Dibang be awarded?	Management opened price bids today and will award the contract this month, finalizing all major packages for the 2.8 GW project. This de-risks the start of the massive construction cycle for India's largest storage project.	None	5.0	Verifiable
5	5.0	Prashant Kshirsagar	Etalin Transfer	Governance	Why was the 3.1 GW Etalin project transferred from SJVN and who pays for the sunk costs?	Management explained NHPC's existing presence in the Dibang basin makes them the better operator; NHPC will reimburse	None	4.0	Strategic shift

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						SJVN for land costs. This adds a massive, high-margin asset to NHPC's balance sheet without significant competition.			
6	3.5	Rupesh Sankhe, Elara	Solar PPA	Business Overview	Why are PPA/PSAs for the 14 GW solar pipeline delayed?	Management noted Discoms are shifting away from standalone solar toward RTC (Round the Clock) or Hybrid power due to grid stability. This delay in solar "fee income" is minor compared to the hydro growth but shows industry headwinds.	None	3.0	Industry trend

PATTERN FLAGS & SENTIMENT Analyst questioning focused heavily on the **Quality of Earnings** (the 80% vs 100% revenue recognition) and the **Subansiri Tariff**. Analysts were clearly looking for the "earnings kicker" that will come when CERC finalizes the tariffs. Management remained extremely confident, almost defiant, regarding the tariff pass-through for Subansiri, citing that the 9-year delay was a legal "Force Majeure."

Analyst Sentiment Verdict: Skeptical on timelines but Bullish on the "Regulated Equity" roadmap. The friction point remains the □7.50 tariff, but management's transparency on the 80% recognition policy provided analysts with a clear "Buy" trigger for when the final orders arrive. The assignment of Etalin was seen as a major win for NHPC's dominant position.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Parbati-II Profits | Generating revenue | Only 80% of revenue is being booked. | Financials understate true earnings by ~□225 Cr for 9M. | **Positive Gap:** Upside potential once order arrives. | | Solar PPAs | 14 GW pipeline | Demand for standalone solar has "dried down." | PPA signing for ~8,000 MW is stalled by Discoms. | **Minor:** This is fee-income, not asset-heavy hydro. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (H1 FY26)	This Quarter (Q3 FY26)	Direction
Subansiri Progress	Construction stage	**First 500 MW (2 units) commissioned.**	↑ Improving
Project Pipeline	19.4 GW PSP pipeline	**Added 3097 MW Etalin Project** (assigned from SJVN).	↑ Improving
Solar Execution	Bikaner Solar pending	**300 MW Karnisar Solar fully operational.**	↑ Improving
Tariff Clarity	Awaiting petitions	**Petitions filed**; 80% interim revenue booking started.	↑ Improving
Leverage	D/E 1.14x	**D/E 1.17x** (Consol).	↓ Deteriorating
Regulatory Clearances	Sawalkot pending	**Sawalkot (1.8 GW) EC and FC-I received.**	↑ Improving
Growth Strategy	Planning PSPs	**Construction to start on 2000 MW PSPs in 2026.**	↑ Improving

Investor Notes: * **Thesis Change:** This quarter **confirms** the thesis. The multi-decade "Subansiri Overhang" has finally lifted with the first power hitting the grid. * **The Etalin Gift:** The transfer of Etalin to NHPC is a major governance signal; the Government is centralizing high-priority hydro assets under NHPC, reinforcing its status as the national champion. * **Earnings Quality:** The CFO-to-PAT ratio remains distorted by the □8,844 Cr CAPEX drawdowns, but the core EBITDA of 50% remains the highest in the utility sector. * **Working Capital Lever:** The primary lever to watch is the □781 Cr receivable/liability for transmission charges; it's a pass-through that inflates both revenue and costs, distorting "Net Income" margins until settled. * **The Trigger:** Buy on any dips related to "missed" PAT, as the 20% revenue gap for Parbati/Subansiri is a guaranteed future cash inflow once the regulator signs off.