NHPC Ltd — Jul 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Operational Full-Year Finish **One-line:** The thesis is strengthening as NHPC nears the finish line for Subansiri Lower (2,000 MW) and Parbati II (800 MW), which together will increase regulated equity by ~75% over the next 24 months.

Dimension	This Quarter (FY23 Annual)	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Beat	FY23 Revenue up 12% YoY; PAF remains robust at 88.8%.	□
Earnings Quality	High (Core driven)	Growth driven by higher generation and operational efficiency; RRA (Rate Regulated Assets) adjustments normalized.	□
Guidance Confidence	Strong	Management maintains firm timelines for Subansiri Lower (Q3 FY25) and Parbati II (Q4 FY24).	□
Management Credibility	Strong	Successfully navigated extreme geological hurdles; CapEx execution hit □6,961 Cr in FY23 (Consolidated).	□
Business Quality Signal	Improving	Transitioning from 7 GW to ~10 GW capacity; diversifying into Solar (1,040 MW under construction).	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Execution Slippage	Fears of further delays in Subansiri Lower/Parbati II and J&K receivable aging.	□
Capital Cycle Stage	Investment	Peak investment phase; CWIP at □25,315 Cr (Standalone) soon to be capitalized.	□
Margin Trajectory	Stable	EBITDA Margin healthy at 57%; Net Profit Margin at 38%.	□
Pricing Power	Stable	Regulated ROE model (15.5% + incentives) protects returns on approved costs.	□
FCF Conversion & Quality	Distorted	Negative FCF due to massive CapEx (□6,961 Cr), but OCF remains strong.	□
Competitive Moat Signals	Widening	Dominant 15% share of India's Hydro; entry barriers are insurmountable for private players in mega-hydro.	□
Balance Sheet Strength	Adequate	D/E at 0.8x (Standalone); Net worth grew to □35,408 Cr.	□
Working Capital Efficiency	Deteriorating	Total Receivables reached □5,887 Cr; J&K PDD remains the primary drag.	□
Mgmt Guidance Track Record	Reliable	Timelines for mega-projects have remained stable over the last 12 months.	□
Key Vulnerability	Geological/ Receivable	Himalayan terrain risks and high concentration of receivables in J&K/UP (60% of top debtors).	□
Management Tone	N/A	PPT_ONLY: No commentary.	□

Key Takeaways (Positives & Negatives): * **Positives:** NHPC is on the cusp of a "Step-Up" in earnings. Regulated Equity is projected to jump from □12,899 Cr in FY23 to □22,613 Cr in FY25. This is the primary driver for a projected ~60-70% increase in PAT over the next two years as these projects earn a guaranteed 15.5%

ROE. Dividend payout remains disciplined at 48%, yielding ~4.3% at the current price level. * **Negatives:** Receivables continue to bloat, rising to □5,887 Cr from □4,621 Cr YoY (+27%). J&K PDD and UPPCL combined owe □3,398 Cr, creating a significant working capital drag. Furthermore, the Subansiri completion cost has escalated to □21,248 Cr (from the Dec '02 estimate of □6,285 Cr), though this higher cost will eventually enter the regulated equity base once approved. * **Watchpoint:** The commissioning of the first 250 MW unit at Subansiri Lower in Q3 FY25. Any further delay in this "Nation Building" project will lead to significant earnings misses for FY25.

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2. BUSINESS PERFORMANCE

2B. KEY METRICS *Concall not available — commentary absent.*

Metric	Current Qtr (FY23)	YoY Change	vs Prior Qtr (Q1 FY23)	Trend	Mgmt Commentary
Revenue (□Cr)	10,151	↑ 8.7%	↑ (Full Year)	↑	Growth driven by 12.1% rise in Ops Revenue.
EBITDA (□Cr)	5,743	↑ 11.2%	↑ (Full Year)	↑	PAF efficiency and lower employee costs.
EBITDA Margin %	57.0%	↑ 120 bps	↓ 100 bps	→	Stable operational overheads.
PAT (□Cr)	3,834	↑ 8.4%	↑ (Full Year)	↑	ROE-based growth; high interest capitalization.
ROCE (%)	10.8% (ROE)	↑ 20 bps	↑ 776 bps	↑	Improving as older projects stay efficient.
Net Debt / Equity (x)	0.8x	→ Stable	↓ 0.02x	→	Managed despite heavy CapEx.
Installed Capacity (GW)	7.07	→ Stable	→ Stable	→	No new hydro capacity added in FY23.
Regulated Equity (□ Cr)	12,899	↑ 1.2%	↑ 2.4%	→	Waiting for Subansiri/Parbati II capitalization.
Plant Availability (PAF)	88.8%	↑ 60 bps	↓ 978 bps	→	Strong operational performance across fleet.
Receivables (□Cr)	5,887	↓ 27.4%	↓ 7.3%	↓	Unbilled debtors represent □2,757 Cr.

2B. SEGMENT BREAKDOWN | Segment | Revenue (□Cr) | YoY Growth | Margin | Trend | vs Company Avg | Key Development | | :--- | :--- | :--- | :--- | :--- | :--- | :--- | | Hydro Standalone | 9,316 | 12.1% | 57.0% | ↑ | Core | Uri-II gave best generation (140% of DE). | | NHDC (Subsidiary) | 1,318 | 53.6% | 58.7% | ↑ | Above Avg | Generation rose to 5,444 MU vs 2,645 MU. | | Wind/Solar | ~45 | *Not Stated* | *Not Stated* | → | *Below Avg* | *100 MW total; small contributor currently.* | | *Consultancy* | *Not Stated* | *Not Stated* | *High* | → | *Above Avg* | *Ongoing advisory for state/central projects.* | *Estimated based on 167 MU total RE generation.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity Addition	2,800 MW Hydro to be added by Q3 FY25.	Requires Subansiri (2,000) and Parbati II (800) to meet tight 18-month window.	Projects delayed by 15+ years historically.	High (Geology)
Guidance	Regulated Equity	Reach ₹22,613 Cr (Consolidated) by FY25.	Needs ₹9,714 Cr of capitalization from current CWIP.	On track with physical progress.	Execution
Guidance	CapEx Plan	₹10,857 Cr for FY 2023-24 (Consolidated).	Requires ₹2,714 Cr spend per quarter; FY23 was ₹1,740 Cr/qtr.	Delivered ₹6,961 Cr in FY23.	Funding (Debt)
Strategy	Renewable Pivot	10,000 MW Solar Park in Rajasthan (MOU).	Early stage; requires massive PPA tie-ups and land.	New territory for NHPC.	PPA/Tariff
Strategy	Pumping	Development of Pumped Storage Projects (PSP).	Not yet quantified in capacity terms for FY24.	Strategic priority.	Policy/Cost
Macro	Receivables	Monetization/Realization of J&K and UP dues.	Needs recovery of ~₹1,500 Cr from J&K PDD.	Historically slow.	Working Cap

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

Comparison of FY23 Annual results vs Q1 FY23 (Prior Context).

What Changed	Prior Quarter (Q1 FY23)	This Quarter (FY23 Annual)	Direction
Total Receivables	₹5,488 Cr	₹5,887 Cr	↓ Deteriorating
Unbilled Debtors	₹2,139 Cr	₹2,757 Cr	↓ Increasing
CWIP Balance	₹21,294 Cr	₹25,315 Cr	↑ Increasing (Investment)
Regulated Equity (Cons)	₹13,060 Cr	₹12,899 (Standalone)	→ Base Stable
Solar Projects	Tender Stage	1,040 MW Under Construction	↑ Execution Moving
Debt-Equity Ratio	0.82x	0.80x	↑ De-leveraging slightly
CapEx Target (Next FY)	₹5,862 Cr (Standalone)	₹10,857 Cr (Consolidated)	↑ Ambitious Ramp-up

Investor Notes: * **Earnings Quality:** CFO Divergence. Trade receivables grew by ₹1,266 Cr during FY23. This implies that while PAT was ₹3,834 Cr, operating cash flows were likely penalized by this ~₹1.2k Cr working capital build-up, mostly tied to J&K PDD (₹1,855 Cr outstanding). * **The Thesis Pillar:** The "Step-up" is real. NHPC has spent ₹28,498 Cr on Subansiri and Parbati II as of March '23. This "dormant" capital begins earning a 15.5% ROE the moment it is commissioned. * **Forensic Trigger:** Subansiri cost escalation from ₹19,992 Cr (prior guidance) to ₹21,248 Cr (current anticipated cost). While this increases the future ROE base, it requires CERC approval for cost-overruns to ensure the full ROE is earned without "disallowances." * **Diversification:**

The shift toward Solar (Letter of Intent for 200 MW in Khavda, 10,000 MW MOU in Rajasthan) reduces the company's "Pure Hydro" geological risk profile but will likely come at lower equity IRRs compared to regulated hydro projects.