NHPC Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Operational Beat **One-line:** The thesis is strengthening as NHPC moves into the final year of its decade-long "investment phase," with visible timelines for a 68% jump in regulated equity by FY24 and a massive pivot into solar (5.6 GW pipeline).

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY22 PAT at 3,538 Cr exceeds implied run-rates; PAF improved to 88.19% YoY.	□
Earnings Quality	High (Core driven)	Growth driven by operational efficiency; Profit per MW increased from 58 Lakhs to 64 Lakhs YoY.	□
Guidance Confidence	Strong	Management re-confirmed Q4 FY23 for Parbati II and Q2 FY24 for Subansiri Lower.	□
Management Credibility	Strong	Massive reduction in overdue receivables (>45 days) from 1,804 Cr to 1,024 Cr YoY.	□
Business Quality Signal	Improving	Transition from pure-play hydro to a diversified RE major is now quantified (5.6 GW solar pipeline).	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Execution Delays	Addressed via clear progressive capacity addition charts and updated CCEA cost levels.	□
Capital Cycle Stage	Investment	Nearing the end of the "Investment" cycle; FY24 marks the shift to "Harvesting."	□
Margin / Return Ratio Trajectory	Improving	Return on Net Worth improved to 10.56% (FY22) from 10.27% (FY21).	□
Pricing Power	Stable	Regulated RoE model (Cost-plus) remains the bedrock of cash flow.	□
FCF Conversion & Quality	Distorted	OCF continues to be consumed by 20,574 Cr CWIP; CFO-to-PAT remains low due to unbilled revenue.	□
Competitive Moat Signals	Widening	Allocation of 12.7 GW in Siang/Subansiri basins solidifies long-term hydro dominance.	□
Balance Sheet Strength	Adequate	Debt-Equity ratio at 0.84x; significant capacity to leverage for Solar Capex.	□
Working Capital Efficiency	Improving	Legacy receivables aging is being aggressively addressed; overdues down 43% YoY.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on pre-investment clearances for new J&K projects.	□
Key Vulnerability / Red Flag	Project Concentration	100% of major upcoming hydro capacity (5.9 GW) is in high-risk terrains (J&K, NE India).	□
Management Tone	Confident	PPT emphasizes "Progressive Regulated Equity" and aggressive solar bidding.	□

Key Takeaways (Positives & Negatives): * **Positives:** Structural improvement in operational efficiency (PAF) directly boosting incentive income; the regulated equity base is set to jump from 13,060 Cr (FY22) to 22,027 Cr

(FY24), providing a locked-in earnings CAGR. Trade receivables > 45 days have plummeted 43% YoY, solving the primary liquidity concern. * **Negatives:** NHDC (Subsidiary) saw a significant drop in generation (2,645 MU vs 4,236 MU YoY) and PAT (₹513 Cr vs ₹671 Cr), likely due to hydrology factors. Unbilled debtors rose to ₹1,961 Cr, indicating some lag in regulatory order implementations. * **The Street's Focus:** The transition of ₹20,574 Cr in CWIP into the earning asset base. This will trigger a re-rating as NHPC shifts from a project-management story to a cash-cow utility. * **Forward Watchpoint:** Monitoring the commissioning of the 800 MW Parbati II in Q4 FY23; any slippage here will be seen as a proxy for Subansiri Lower's execution.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column will be sparse or absent.

Metric	Current Qtr (FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Total Income)	₹9,380 Cr	-1.37%	First entry	→	High generation at Uri-II (147% of DE) offset lower generation at NHDC.
EBITDA	₹5,588 Cr	First entry	First entry	→	Margin remains robust at 60% due to cost-plus structure.
EBITDA Margin %	60%	First entry	First entry	→	Stable; core operational profitability maintained.
PAT	₹3,538 Cr	+9.03%	First entry	↑	Driven by higher PAF incentives and efficiency.
Net Debt / Equity (x)	0.84x	+5.0%	First entry	→	Leverage increasing slightly to fund heavy capex cycle.
Order Book (Solar)	5.6 GW	First entry	First entry	↑	Includes 1000 MW IREDA win and 3000 MW Jaisalmer tender.
Installed Capacity (MW)	7,071 MW	0%	0%	→	5,451 MW Standalone + 1,520 MW NHDC.
Machine Availability (PAF)	88.19%	+2.8%	First entry	↑	Efficiency gains in J&K and Himachal plants.
PLF / CUF (%)	N/A	N/A	N/A	N/A	PPT focuses on PAF and Generation MU.
Regulated Equity	₹13,060 Cr	First entry	First entry	↑	Asset base growing as pre-investment capex capitalizes.
Working Capital (DSO)	179 Days	-1.1%	First entry	→	Trade receivables at ₹4,621 Cr (including ₹1,961 Cr unbilled).

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY22 Cr)	YoY Growth	Margin (PAT)	Trend	vs Company Avg	Key Development
Hydro (Standalone)	9,380*	-1.4%	38%	→	Baseline	Core portfolio; Uri-II and Salal over-performing.
Hydro (NHDC-Subs)	858	-25.9%	60%	↓	Above Avg	Significant generation drop (2,645 MU vs 4,236 MU).
Renewable (Solar/ Wind)	621 (Gross Block)	First entry	N/A	↑	N/A	Bagged 1000 MW Solar project; 513 MW construction stage.
**Total Income (including Other Income).*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity Addition	Reach 13,311 MW (Cuml) by FY24.	Needs 6,240 MW addition in 24 months.	Historically slow; 2,800 MW is now 80%+ complete.	Moderate
Guidance	Regulated Equity	Reach ₹22,027 Cr by FY24.	Requires capitalization of ~₹8,967 Cr of CWIP.	On track; CWIP currently sits at ₹20,574 Cr.	Low
Guidance	Capex Plan	FY22-23 (BE) at ₹5,862 Cr.	Implies ~₹1,465 Cr per quarter.	FY22 actual was ₹5,166 Cr; execution is accelerating.	Low
Strategy	Solar Pivot	Establish 5.6 GW Solar pipeline.	Needs aggressive PPA signing for 3,430 MW tender stage.	Transitioning well; 1,000 MW CPSU win is a major milestone.	Moderate
Strategy	J&K Expansion	Execute Ratle, Pakal Dul, Kiru.	JVs incorporated; contracts awarded to Megha Engg.	Improving; PM laid foundation for Kwar (540 MW).	High
Balance	Debt Target	Debt-Equity of 0.84x.	Needs careful management as Solar capex scales.	Historically conservative utility balance sheet.	Low

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (9M FY22)	This Quarter (FY22)	Direction
PAF Trend	91.4% (9M Avg)	88.19% (Full Year)	↓
Receivables Overdue	₹1,304 Cr (>45 days)	₹1,024 Cr (>45 days)	↑
Regulated Equity Est	₹21,972 Cr (by FY24)	₹22,027 Cr (by FY24)	↑
Solar Pipeline	~7.2 GW (incl intermediary)	5.6 GW (Direct/JV focus)	→
CWIP Base	₹19,687 Cr	₹20,574 Cr	↑
PAT per MW	₹54 Lakhs (9M)	₹64 Lakhs (FY22)	↑

Investor Notes: * **Earnings Inflection Point:** The core thesis is a massive step-up in PAT as Subansiri Lower (2000 MW) and Parbati II (800 MW) capitalize. These two projects represent ₹25,103 Cr of the current CWIP, and their commissioning will transform the balance sheet from non-earning assets to regulated RoE engines. * **Working Capital Transformation:** The drastic reduction in J&K PDD overdues is a major credibility win. While total trade receivables look high (₹4,621 Cr), 42% of this is "Unbilled," suggesting accounting lags rather than collection failures. * **The Solar Pivot:** NHPC is no longer a "Hydro laggard." The 1000 MW IREDA win at ₹2.45/unit tariff proves they can compete with private solar IPPs while leveraging their lower cost of capital. * **Dividend Floor:** A 5.58% dividend yield at current prices provides a significant margin of safety while waiting for the FY24 capacity triggers. * **Forensic Trigger:** NHDC generation fell 37% YoY. While hydro is seasonal, this volatility in the most profitable subsidiary (60% PAT margin) needs monitoring to ensure it's purely hydrological and not operational. * **CFO-to-PAT Divergence:** PAT of ₹3,538 Cr vs Net Worth growth of ~₹1,883 Cr (after dividends) indicates high earnings retention but OCF is being entirely recycled into the ₹5,166 Cr annual capex. True FCF will only emerge post-FY24.