NHPC Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on PAT / Miss on Timelines **One-line:** The long-term "Regulated Equity" thesis remains the core driver, but the timeline for the massive 2,000 MW Subansiri unlock has shifted by 13 months compared to prior guidance, deferring the significant earnings leap to FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss	Subansiri units slipped from Jan/Feb 2024 (prior guidance) to March 2025.	□
Earnings Quality	Low (One-off driven)	Q4 PAT was buoyed by a □412 Cr one-off water cess reversal; core generation was down 20% YoY.	□
Guidance Confidence	Weak	Repeated slippages in Subansiri and Parbati-II due to geological/ weather issues reduce near-term predictability.	□
Management Credibility	Neutral	Transparent about technical failures (DT-1 subsidence), but track record on project COD is deteriorating.	□
Business Quality Signal	Stable	Regulated ROE (15.5-16.5%) protects downside; receivables management is at a decadal high.	□
Key Q&A Exchange	Project Slippages	Mgmt detailed the "subsidence in Diversion Tunnel 1" as the cause for the 1-year Subansiri delay.	□
The Street's Anxiety	Tariff Viability	Concerns over high levelized tariffs (□5.6-6.6/unit) for delayed projects; mgmt plans "re-engineering."	□
Capital Cycle Stage	Peak Investment	Consolidated Capex target increased to □11,762 Cr for FY25 to push projects toward completion.	□
Margin Trajectory	Stable	EBITDA margin at 57% (Standalone) remains robust due to the cost-plus regulatory model.	□
Pricing Power	Stable	Regulated model allows recovery of cost overruns and cess through tariffs, though at the risk of buyer resistance.	□
FCF Conversion	Distorted	High "Unbilled Debtors" (□2,263 Cr) and massive CWIP (□29,795 Cr) keep FCF negative.	□
Competitive Moat	Stable	Monopoly-like position in large-scale Himalayan hydro; expansion into Pumped Storage (PSP) creates a new moat.	□
Balance Sheet	Strong	Debt Equity ratio of 0.84x is very comfortable for a utility with massive CWIP.	□
Working Capital	Improving	Net billed overdue (>45 days) dropped to just □277 Cr, a significant operational achievement.	□
Mgmt Track Record	Mixed	Strong on financial collections and funding; weak on large-project execution timelines.	□
Key Vulnerability	Hydrology/ Geology	Teesta-V shutdown and Subansiri geological setbacks wiped out 12% of annual generation.	□
Management Tone	Realistic	Focused on "re-engineering" tariffs to maintain saleability while admitting execution hurdles.	□

Key Takeaways (Positives & Negatives): * **Positives:** Receivables management has reached an all-time peak of efficiency, with net billed overdue debtors essentially liquidated. The management has successfully pivoted to the next growth leg—Pumped Storage Projects (PSP)—with a 20,000 MW pipeline and MoUs with major states, ensuring a post-Subansiri growth roadmap. * **Negatives:** Project execution continues to be the "Achilles' heel." Subansiri Lower (2,000 MW), which was guided for a Jan-Feb 2024 start in the previous quarter, has now officially slipped to March 2025 (first 3 units) due to Diversion Tunnel subsidence. Parbati-II (800 MW) has also slipped from "early FY25" to Dec 2024. Core generation is struggling with a 12% YoY decline due to flash floods and poor hydrology. * **The Street's Concern:** Analysts are worried that the □5.60/unit (Subansiri) and □6.59/unit (Parbati-II) levelized tariffs will be uncompetitive. Management responded that they will "re-engineer" tariffs by accepting lower O&M for 5 years and extending depreciation to keep rates around □6.00/unit. * **Watchpoint:** Monitoring the construction progress of the Diversion Tunnel 1 plug at Subansiri post-monsoon; any further geological movement there would permanently break the FY26 earnings thesis.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Standalone unless specified)

DATA SOURCE: PPT figures used as primary source. Concall used for commentary and unbilled debtor specifics.

Metric	Current Qtr (Q4FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	1,652	↓ 3.8%	↓ 17.5%	↓	Driven by 20% lower generation due to Teesta-V shutdown and low water.
EBITDA (□Cr)	1,223	↑ 47.9%	↑ 40.4%	↑	Boosted by □412 Cr reversal of Himachal/Sikkim water cess.
EBITDA Margin %	74.0%	↑ 2,590 bps	↑ 3,060 bps	↑	Margin distorted upwards by one-off cess reversal and lower generation opex.
PAT (□Cr)	698	↑ 22.7%	↑ 11.2%	↑	YoY growth aided by water cess reversal and insurance claims, despite lower generation.
Generation (MU)	2,304	↓ 20.3%	↓ 13.9%	↓	Impacted by heavy flash floods in Teesta basin and outages at Parbati-III/Kishanganga.
PAF (%)	54.65%	↓ 1,331 bps	↓ 2,295 bps	↓	Lower due to Teesta-V shutdown and seasonal low water availability.
Consol. Capex (□Cr)	1,691	↓ 11.3%	↓ 11.3%	↓	Total FY24 Capex was □8,652 Cr vs target of □10,857 Cr (80% achievement).
Net Debt (□Cr)	23,331	↑ 4.6%	↑ 2.5%	→	Net of Cash (□3,007 Cr). Debt remains sustainable for the capital cycle.
Receivables (>45d)	277	↓ 77.3%	↑ 20.4%	↑	Massive YoY improvement from □1,220 Cr (prior Q4) to □277 Cr today.
CWIP (□Cr)	29,795	↑ 6.1%	↑ 3.1%	↓	Rising CWIP reflects delays in Subansiri and Parbati-II capitalization.
ROCE (%)	6.5%	↓ 130 bps	↓ 40 bps	↓	Low due to massive asset base (CWIP) not yet earning regulated returns.

2B. SEGMENT BREAKDOWN (FY24 Actuals)

Segment	Capacity (MW)	Revenue (₹ Cr)	PAT (₹ Cr)	Trend	vs Co Avg	Key Development
Hydro (Standalone)	5,451	7,728	3,744	↓	Core	PAF down to 77.6% from 88.8% YoY; hit by Teesta floods.
Hydro (Subsidiary)	1,520	1,269	812	→	High Margin	NHDC (51% owned) remains the most profitable subsidiary.
Solar/Wind	200	100	Not Stated	↑	Growth	1,000 MW Solar under CPSU scheme currently in construction.
Intermediary Bidding	3,000	52 (Trading)	Not Stated	↑	Asset Light	Fee-based income from acting as an intermediary for RE developers.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity Addition	3 units of Subansiri (750 MW) by March 2025.	High risk; requires zero geological surprises in DT-1 plugging.	**Missed:** Slipped from Jan-Feb 2024 guidance.	High
Guidance	Parbati-II COD	Completion by Dec 2024.	Feasible; excavation done, only concrete lining (gantries) remains.	**Missed:** Slipped from early FY25 guidance.	Moderate
Guidance	FY25 Capex	₹11,762 Cr (Consolidated).	Needs ₹2,940 Cr/qtr. Achieved ₹2,163 Cr avg in FY24.	**Miss:** Achieved ₹8,652 Cr vs ₹10,857 Cr target in FY24.	Moderate
Strategy	PSP Expansion	20,000 MW pipeline; work start on 5-6 GW in 2 years.	Long lead times; PFR/DPR stages only.	New Initiative.	Low
Strategy	Solar Hurdle	Targeting 12% ROE for owned solar projects.	Strict bidding discipline; won 200 MW in Gujarat at ₹2.66/unit.	Consistent.	Low
Balance	Receivables	Keep >45-day dues below ₹300 Cr.	Currently at ₹277 Cr; LPSC rules from MoP supporting this.	**Exceeded:** Significant improvement in FY24.	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 Sec	Timelines	Capex and Allocation	"Why there's so much delay at Subansiri... you were looking to complete this project in FY'25?"	Mgmt attributed the shift to a "subsidence in Diversion Tunnel 1" that damaged the hill slope and increased seepage to 8-9 cumecs, now restored to <1 cumec. This delays the capitalization of ₹21,248 Cr by another 12 months, pushing the EPS jump to FY26.	None	4.5	Specific timeline given
2	4.0	Anuj Upadhyay, Investec	Tariff Viability	Financials	"How will the beneficiaries take up this project at a revised tariff rate (₹5.6-6.6/ unit)?"	Mgmt plans to "re-engineer" the tariff by accepting lower O&M for the first 5 years and extending the depreciation period to keep rates within the saleable range (~₹6/ unit). This protects the 15.5% ROE on equity but may slightly lower the early-year cash flows.	None	4.0	Directional evidence
3	4.5	Rajesh Agrawal, Retail	Asset Base	Financials	"What is the status of the ₹29,800 Crore Capital	Mgmt confirmed this is almost entirely tied to Subansiri (₹21,000 Cr+)	None	5.0	Verified numbers

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					Work in Progress?"	and Parbati-II (□11,000 Cr+), both expected to begin yielding returns within the next 12-24 months. This confirms the thesis that NHPC is a "coiled spring" of regulated equity waiting for COD.			
4	3.5	Prashant, Unived	Project Revival	Management Commentary	"Is there a possibility of revival of the Bursar project... which was written off?"	Mgmt stated Bursar is only viable if the Govt provides a grant for the storage component, as the power tariff alone would be □25-30/unit. This suggests the project remains a "strategic" option only, with zero near-term contribution to EPS.	None	5.0	Hard truth stated
5	4.0	Mohit Kumar, ICICI Sec	EPC Pipeline	Capex and Allocation	"Are you looking to award EPC tender for Sawalkot and Dugar this year?"	Sawalkot is awaiting CCEA approval, while Dugar is stalled as the HP Govt withdrew concessions, leading to a court case. The Dugar	None	4.0	Clear risk flag

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						project viability is now under a cloud, representing a ~500 MW risk to the long-term pipeline.			
6	3.0	Sourin Mehta, Retail	Hydrology Risk	Management Commentary	"Will normal/ excess rainfall affect the company in a positive way?"	Mgmt clarified that "excess monsoon impacts us in a negative sense" because it disrupts construction and causes outages, while "moderate" is best. This is a critical reminder that NHPC's growth is inversely correlated with climate extremes.	None	4.5	Realistic tone

PATTERN FLAGS & SENTIMENT * **Theme: The "Subansiri Slippage" Fatigue.** Analysts were sharply focused on the 1-year delay of Subansiri. Management’s defense was technical (subsidence and seepage), which resolved the "why" but not the "when" anxiety. This theme remains the single largest overhang on the stock. * **Theme: Tariff Engineering.** A new concern surfaced regarding whether DISCOMs will buy hydro power at ₹6+/unit. Management’s willingness to tweak O&M and depreciation to lower the "headline" tariff showed a pragmatic approach to ensuring power off-take, even if it shifts some cash flows. * **Analyst Sentiment Verdict:** Cautiously Skeptical. While analysts were impressed by the receivables collection (the "balance sheet cleanup"), they were visibly disappointed by the project delays. Management’s credibility on financial matters is high, but their ability to hit COD targets in the Himalayas is being viewed with increasing skepticism. The thesis remains intact because the assets are near completion, but the "time value of money" is eroding the bull case.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Subansiri COD | Jan-Feb 2024 | March 2025 (3 units) | 13-month delay | High - Defers ₹2,000 Cr+ EBITDA jump. | | Parbati-II COD | Early FY2025 | December 2024 | 6-9 month delay | Moderate - Delay in ₹800 MW capitalization. | | Dugar Project | Active Pipeline | Stalled / Court Case | Potential unviability | Low - Early stage project. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Subansiri Timeline	Jan-Feb 2024	March 2025	↓ Deteriorating
Parbati-II Timeline	Early FY25 (April/May)	December 2024	↓ Deteriorating
Billed Debtors (>45d)	₹230 Cr	₹277 Cr	→ Stable
FY25 Capex Target	~₹10,800 Cr	₹11,762 Cr	↑ Improving (Commitment)
Water Cess Status	Accrued as expense	₹412 Cr Reversed (Q4)	↑ Improving (One-off)
PSP Strategy	7,000 MW MoUs	20,000 MW Pipeline	↑ Improving (Long-term)
Core Generation	Normal Water	12% Decline (Flash Floods)	↓ Deteriorating

Investor Notes: * **Earnings Quality Divergence:** CFO/PAT for FY24 is likely very high (>1.5x) due to the massive ₹1,903 Cr reduction in trade receivables. This suggests that while generation is weak, the cash generation from legacy sales is excellent. * **Subansiri Risk:** The delay to March 2025 means FY25 earnings will not see the "Subansiri bump." The market must now wait until Q1FY26 for the first full quarter of 2,000 MW contribution. * **Regulated Equity Logic:** Despite delays, the "Regulated Equity" (the base on which NHPC earns 15.5%) will jump significantly in FY26. Total Progressive Regulated Equity is projected to hit ₹22,906 Cr by FY26-27 (up from ₹12,884 Cr in FY23-24). This remains the 1.8x growth anchor of the long-term thesis.

STOP HERE.