NHPC Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline on Operations / Miss on PAT (due to tax/one-offs) **One-line:** The core "Regulated Equity" growth thesis is entering its execution phase with the commissioning of Parbati-II (800 MW), but the Subansiri Lower timeline has shifted another 3 months, and the Teesta-V revenue hole will persist throughout FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	PAT impacted by MAT credit expiration and pay anomaly provisions; Subansiri 3-unit start moved from Mar-25 to Jun-25.	□
Earnings Quality	Low (Accounting driven)	PAT drop (17% YoY) driven by □916 Cr tax (vs □552 Cr) and lack of □529 Cr MAT credit found in the base year.	□
Guidance Confidence	Neutral	Parbati-II is finally commissioned (April '25), removing a decade-long overhang; Subansiri Lower physical progress is at 96%.	□
Management Credibility	Neutral	Management delivered Parbati-II within 2 months of their "Feb '25" revised target, but Subansiri targets continue to slide.	□
Business Quality Signal	Stable	Regulated RoE model is intact; Trade Receivables (net) are healthy at □616 Cr, showing high collection efficiency.	□
Key Q&A Exchange	Q20 + Indus Water Treaty	CMD confirms accelerated focus on J&K projects (Sawalkot, Uri-I St-II) amid IWT "suspension" scenario.	□
The Street's Primary Anxiety	Subansiri Timing	Fear of further geological surprises; Mgmt emphasized "dry commissioning" of units 1 & 2 is complete.	□
Capital Cycle Stage	Investment	Peak CAPEX stage; Transitioning to harvesting as □12,000 Cr+ (Parbati-II) hits the rate base.	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone RoNW fell to 8.04% (FY25) from 9.98% (FY24) due to lower PAT and Teesta-V shutdown.	□
Pricing Power	Stable	Statutory RoE model (15.5-16.5%) protects pricing, though new solar bids are capped by DISCOM resistance >□2.65.	→
FCF Conversion & Quality	Weak	Distorted by □11,596 Cr CAPEX; dividend payout remains high (62%) supported by strong realizations.	□
Competitive Moat Signals	Widening	NHPC is becoming the primary vehicle for India's 19 GW Pumped Storage (PSP) pipeline.	□
Balance Sheet Strength	Strong	Debt/Equity (Standalone) at 0.99x; significant headroom for the □13,052 Cr FY26 CAPEX plan.	□
Working Capital Efficiency	Improving	Overdue amount >45 days is only □220 Cr; most "debtors" are unbilled regulatory assets.	□
Mgmt Guidance Track Record	Mixed	Accurate on finality but consistently optimistic on exact months for hydro project starts.	□
Key Vulnerability / Red Flag	Teesta-V Insurance	Zero Business Interruption (BI) insurance cover for Teesta-V until restart in Jan '26; ~□450 Cr/yr PAT drag.	□
Management Tone	Confident / Relieved	Management sounded relieved to finally commission Parbati-II after "surmounting geological challenges."	□

Sentiment: □Neutral

Key Takeaways * **Positives:** The 800 MW Parbati-II project is finally commissioned (April '25), which will add ~□4,000 Cr to the Regulated Equity base and ~□2,000 Cr to annual revenue. The long-term roadmap to double Regulated Equity to □28,500 Cr by FY28 remains credible with Subansiri Lower at 96% progress. Realization remains strong, with net overdue receivables kept at negligible levels (□220 Cr). * **Negatives:** The Teesta-V (510 MW) shutdown remains a massive earnings drag. With the insurance indemnity period expired as of Sept '24, NHPC will bear the full ~□450 Cr annual fixed-cost under-recovery until January 2026. FY25 PAT was further suppressed by the utilization of MAT credits and a one-time pay anomaly provision of □354 Cr. * **Street Concern:** Analysts are hyper-focused on the Subansiri Lower start. Management confirmed that while 3 units are expected in Q1 FY26 (June '25), the full 2000 MW commissioning has moved to May 2026. * **Watchpoint:** The filing of the Parbati-II tariff petition with CERC. NHPC expects to recognize 90% of revenue on a provisional basis, which will be the primary driver for earnings recovery in H1 FY26.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4 FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,059	↑ 25%	↓ 19%	→	Growth driven by reversal of water cess (base effect) and □83 Cr increase in capacity charges.
EBITDA (□Cr)	1,219	↑ 34%	↓ 30%	→	Margin expanded YoY due to water cess reversal in the base period.
EBITDA Margin %	59.2%	↑ 400bps	↓ 900bps	→	Seasonal drop in Q4; FY25 Standalone Margin ended at 58%.
PAT (□Cr)	894	↑ 29%	↓ 1%	→	Q4 beat driven by lower interest costs (reversal of □110 Cr arbitration interest).
Net Debt (Standalone)	34,786	↑ 24%	↑ 11%	↓	Increased to fund CAPEX; Standalone D/E at 0.99x (up from 0.89x).
Installed Capacity (MW)	8,140	↑ 6%	↑ 11%	↑	Includes full Parbati-II (800 MW) and partial Bikaner Solar (107 MW).
Plant Availability (PAF) %	58.59%	↑ 7%	↓ 25%	→	Higher YoY due to better water availability in some basins; QoQ drop is seasonal (winter).
Generation (MU)	2,170	↓ 6%	↓ 45%	↓	Impacted by Teesta-V shutdown and seasonal low winter inflows.
Regulated Equity (Consol)	14,161	↑ 1%	→	→	Base for FY25. Parbati-II adds ~□4,000 Cr in FY26.
CAPEX (Consol □ Cr)	11,596	↑ 34%	—	↑	FY25 actual vs □8,652 Cr in FY24.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (PAT)	Trend	vs Co. Avg	Key Development
NHPC Standalone (Hydro)	8,994 (FY)	↑ 7%	34%	→	Baseline	Parbati-II commissioned; Teesta-V remains out (Jan '26 restart).
NHDC Ltd (Subsidiary)	1,401 (FY)	↑ 10.4%	59.7%	↑	Above Avg	PAT of ₹837 Cr; commissioned 88 MW Floating Solar in Oct '24.
Solar Portfolio	Not Stated	N/A	N/A	↑	Growth	1,383 MW under construction; 107 MW Bikaner commissioned.
Intermediary Procurer	Fee income	N/A	N/A	→	Low Risk	14,780 MW solar/hybrid in pipeline; protected 7p/unit margin.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	Subansiri Lower (2000 MW): 3 units by Jun-25, full by May-26.	Needs completion of balance 4% physical progress.	**Delayed:** Moved from Mar-25 (prior context) to Jun-25.	**Medium:** NDSA fill-plan review.
Guidance	Capex Plan	FY26 Consolidated Target: ₹13,052 Cr.	Requires ₹1,087 Cr/ month run-rate.	**Delivered:** FY25 actual ₹11,596 Cr vs ₹11,762 Cr target.	**Low:** Proven execution capability.
Strategy	Growth	Regulated Equity to hit ₹18,075 Cr in FY26.	Tied to Parbati-II capitalization (₹12k Cr total cost).	**High:** Parbati-II already commissioned April '25.	**Low:** Asset is physical/ complete.
Guidance	Revenue	Teesta-V Restoration by January 2026.	Restoration of GIS building/TRT following landslide.	**Mixed:** Jan-26 date unchanged from prior quarter.	**High:** No insurance cover for H1 FY26.
Strategy	Competitive Positioning	19 GW Pumped Storage (PSP) pipeline across 10+ states.	Needs DPR clearances for Savitri (2.4 GW) and Angel JV projects.	**New:** Rapidly expanding MOUs (Rajasthan, Maharashtra).	**Medium:** State govt/Local resistance.

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Mohit Kumar / ICICI Sec	Financials	"Last year, I think we did 36 billion of profit on consol basis. It has declined to 30 billion. What explains the decline?"	Management attributed the drop to the absence of MAT credit, a □100 Cr pay anomaly impact, and lower energy charges from Teesta-V. This confirms the PAT drop is tax/ accounting driven rather than a structural deterioration of the hydro model.	None	4.0	Clear and quantified
2	5.0	Mohit Kumar / ICICI Sec	Capex & Allocation	"Can you please help us with the capitalization of Parbati-II in the books?"	Management confirmed 3 units capitalized on April 1, 2025, and the 4th on April 15, 2025, with total capitalization exceeding □12,000 Cr. This is the primary trigger for RoE and PAT growth in FY26.	None	5.0	Specific timeline
3	4.0	Ragini Pande / Elara	Financials	"What is the impact of insurance cover, which is not there at Teesta-V now? What was the under recovery?"	Management quantified the loss at □400 Cr at the PBT level across the Teesta basin projects (Teesta-V, TLDP-III/IV) due to floods. This confirms a significant earnings "valley" until the Jan '26 restoration.	None	5.0	Specific and quantified
4	5.0	Ragini Pande / Elara	Capex & Allocation	"What is the expected commissioning timeline for Subansiri and incremental revenue?"	Management expects 3 units by June '25 and full commissioning by May '26, projecting incremental annual revenue of □4,500 Cr once fully operational. This defines the next massive re-rating milestone.	None	4.5	Specific timeline
5	3.5	Prashant Sagar / Anvil	Business Overview	"Progress of other projects in the Subansiri basin, especially Middle and Upper?"	Management noted Kamala (1,720 MW) and Upper Subansiri (1,605 MW) are awaiting PIB/ Investment approval with 26% state government participation. These represent the FY27-FY30 growth pipeline.	None	4.0	Directional evidence
6	4.5	Mohit Kumar / ICICI Sec	Management Commentary	"Are we expecting more projects due to the abolition (suspension) of the Indus Water Treaty?"	Management confirmed rapid progress on Sawalkot (1.8 GW), Uri-I St-II, and Dulhasti-II with tenders being floated this month. Geopolitical	None	5.0	Specific tailwind

Q#	Rel.	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					pressure is accelerating project approvals in the J&K region, benefiting NHPC's long-term pipeline.			
7	4.0	Mohit Kumar / ICICI Sec	Capex & Allocation	"Any comment on any PSP projects which you think you will award in FY26?"	Management identified Indira Sagar Omkareshwar (640 MW) as the first likely award within 2-3 months after DPR clearance. This marks NHPC's formal entry into the high-value energy storage segment.	None	4.5	Specific timeline

PATTERN FLAGS & SENTIMENT * **The Subansiri Sliding Goalpost:** Analysts remain skeptical about Subansiri dates. Management's tone was defensive but firm, pointing to 96% physical progress and NDSA filling plans as proof that the project is in the final "non-geological" stage. * **The Teesta-V Earnings Valley:** There is a clear consensus that FY26 will be a transition year. The loss of Teesta-V revenue (uninsured) is a known negative, but the Parbati-II commissioning is the offsetting positive. * **The Indus Treaty Catalyst:** A new theme emerged regarding the acceleration of J&K projects. Analysts view the suspension of the treaty's normal operations as a catalyst for NHPC to "fast-track" massive projects like Sawalkot.

Analyst Sentiment Verdict: Analysts are **Cautiously Optimistic**. Credibility improved significantly because Parbati-II was actually delivered (unlike the multi-year delays of the past). However, the tax volatility and Teesta-V revenue hole prevent a full-blown "bullish" consensus until Subansiri starts.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Context) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Parbati-II | Commissioning by Feb '25. | Fully commissioned April 15, '25. | 2-month delay. | **Low:** Asset is now earning. | | Subansiri (3 units)| Commissioning by March '25. | Commissioning by June '25. | 3-month delay. | **Medium:** Defers regulated equity. | | Teesta-V Restart | Q4 FY25 (original) | January 2026. | 9-12 month total delay. | **High:** Revenue loss is uninsured. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (FY25 Year-End)	Direction
Parbati-II Status	Under Construction (94%)	**Commissioned** (800 MW)	↑ Improving
Regulated Equity	□14,161 Cr	□18,075 Cr (Est. for FY26)	↑ Improving
Subansiri Timeline	3 units by March 2025	3 units by June 2025	↓ Deteriorating
Teesta-V Outlook	Restoration by Jan '26	Jan '26 date firm (landslide risk noted)	→ Stable
Dividend Payout	□1.40 (Interim)	□1.91 (Total for FY25)	↑ Improving
Indus Basin Focus	Routine S&I	Accelerated (Sawalkot/Uri/Dulhasti)	↑ Improving
Solar Progress	300 MW (Bikaner) U/C	107 MW Commissioned	↑ Improving
D/E Ratio	0.84x (Standalone)	0.99x (Standalone)	↓ Deteriorating

Investor Notes: * **CFO-to-PAT Divergence:** FY25 PAT was □3,084 Cr, while "Realization against Sale of Energy" was □8,349 Cr. The high realization rate (nearly 100% of current billed revenue) and the □2,348 Cr securitization of Dulhasti (mentioned in prior context as "securitizing ROE") have kept the balance sheet liquid despite the PAT drop. * **Thesis Monitor:** The "Golden Cross" for NHPC occurs in FY26 as the Parbati-II revenue hits the P&L, potentially offsetting the Teesta-V loss. Any further slide in Subansiri Lower (beyond June '25 for the first 3 units) would be a significant negative for the FY26 dividend outlook.