NHPC Ltd — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Execution) / Miss (Core Earnings Quality) **One-line:** The long-awaited conversion of massive CWIP into Regulated Equity has begun with the commissioning of Subansiri Lower (4 units) and Parbati-II, though core profitability is masked by a significant one-off tax reversal.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat (Execution)	1,000 MW of Subansiri commissioned in phases; Parbati-II fully online.	□
Earnings Quality	Low (Accounting driven)	Reported PAT of □3,766 Cr includes a □1,156 Cr one-off DTL reversal; core PAT is ~□2,866 Cr.	□
Guidance Confidence	Strong	Reaffirmed FY27 target of 2,994 MW hydro addition and □15,000 Cr Capex.	□
Management Credibility	Improving	Finally delivering on Subansiri Lower after a decade of delays; execution logjam has cleared.	□
Business Quality Signal	Improving	Transitioning from pure-play hydro to a Storage giant (18 GW PSP pipeline) and Renewable Intermediary (14 GW pipeline).	□
Key Q&A Exchange	Q2 (Tariff Booking)	Management confirmed they are booking only 80% of revenue for new units, creating a future earnings "kicker."	□
The Street's Primary Anxiety	Subansiri Tariff	Fear of □7.50/unit tariff rejection; Mgmt clarified delays were "beyond control," making cost-pass-through legally robust.	□
Capital Cycle Stage	Harvesting (Early Phase)	Commissioning of mega-projects marks the start of a multi-year harvesting cycle of Regulated Equity.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margin held at 59%; RoNW (9.29%) will expand as assets capitalize.	→
Pricing Power	Stable	Regulated 15.5% RoE model protects against project cost overruns.	→
FCF Conversion & Quality	Distorted	Massive Capex (□13,689 Cr) exceeds OCF; net debt rising to fund peak construction.	□
Competitive Moat Signals	Widening	Assignment of 3.1 GW Etalin project and massive PSP pipeline cements NHPC as the "National Hydro Champion."	□
Balance Sheet Strength	Adequate	Consol. D/E at 1.31x (vs 1.05x YoY); acceptable for a utility in peak expansion.	□
Working Capital Efficiency	Stable	Receivables managed well; trade receivables at □2,630 Cr with □1,887 Cr unbilled.	→
Mgmt Guidance Track Record	Reliable	Meeting revised project COD (Commercial Operation Date) targets consistently over the last 12 months.	□
Key Vulnerability / Red Flag	Regulatory Lag	The ~20% revenue gap for Parbati-II/Subansiri creates an earnings overhang until final CERC orders (est. 6 months).	□
Management Tone	Confident	Extremely bullish on starting construction for 5 mega-projects (Etalin, Sawalkot, Kamala, etc.) in FY27.	□

Sentiment: □Positive **Key Takeaways (Positives & Negatives):** * **Positives:** The execution thesis is validated; Subansiri Lower (4 units) and Parbati-II (800 MW) are now generating revenue. The assignment of the 3.1 GW Etalin project and an 18 GW Pumped Storage (PSP) pipeline secures a growth runway through 2035. Management's conservative accounting (80% revenue recognition) provides a hidden buffer for future earnings. * **Negatives:** Reported PAT is "dirty" due to a □1,156 Cr one-off tax reversal (Sec 115BAA adoption). Parbati-II generation is currently at ~50% of design energy due to environmental factors (cloudburst impact), causing a short-term profit drag. * **Watchpoint:** Final CERC tariff notification for Parbati-II and Subansiri; a full cost-pass-through order will trigger a massive catch-up in Revenue and PAT.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures are primary source. Concall used for Mgmt Commentary and granular incentive data.

Metric	Current Qtr (Q4 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,816	↑ 20%	↑ 27%	↑	Growth driven by newly commissioned Parbati-II and Subansiri units.
EBITDA (□Cr)	7,454 (FY'26)	↑ 12%	-	↑	FY margin stable at 59% (Consol).
PAT (Parent □Cr)	1,460	↑ 71%	↑ 44%	↑	High-growth distorted by □1,156 Cr deferred tax liability reversal.
EPS (□)	3.75 (FY)	↑ 25%	-	↑	Consolidated annual EPS improved from □2.99.
Net Debt / Equity (x)	1.31	↑ 25%	↑ 4%	↓	Increased borrowing to fund □13,689 Cr annual Capex.
Installed Capacity (MW)	8,833	↑ 26%	↑ 7%	↑	Includes 1,000 MW Subansiri (partial) and Karnisar Solar.
Generation (MU)	3,770	↑ 20%	↑ 18%	↑	Driven by Parbati-II and higher water availability in J&K/Uttarakhand.
Plant Availability (%)	62.47%	↓ 6.5%	↓ 16%	↓	Lower due to maintenance shut-downs at Dulhasti and Chamera-III.
Order Book (GW)	14.28	↑ 12%	→	↑	Massive solar pipeline as Intermediary Procurer (REIA).
Regulated Equity (□Cr)	18,309	↑ 30%	↑ 15%	↑	Base for 15.5% RoE expanded significantly post-Parbati-II capitalization.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
NHPC (Standalone Hydro)	10,310 (FY)	↑ 11%	35%	↑	Baseline	Parbati-II (800 MW) now the largest operating station.
NHDC (Subsidiary)	1,305 (FY)	↓ 7%	71%	↓	Above Avg	Generation up (6209 MU), but revenue down due to tariff adjustments.
Solar / Wind	2,338 (MU)	New	Fixed	↑	Emerging	300 MW Karnisar Solar fully commissioned; 1,190 MW under construction.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity Addition	2,994 MW Hydro addition in FY26-27.	Needs commissioning of Pakal Dul, Kiru, and balance Subansiri units.	**Improved:** Subansiri units now hitting grid.	**Medium:** Geological surprises.
Guidance	Capex Plan	□15,000 Cr Consolidated for FY26-27.	Currently averaging □3,400 Cr/quarter; feasible.	**Strong:** FY26 Capex (□13,689 Cr) met guidance.	**Low.**
Strategy	Capital Allocation	Reach Regulated Equity of □30,672 Cr by end of FY27.	Linked to capitalization of Pakal Dul (□12k Cr) and Kiru (□5k Cr).	**Consistent:** Linked to project completion.	**Low.**
Strategy	New Projects	Start 5 projects (10 GW) in FY27.	Sawalkot, Etalin, Kamala need environmental final clearances.	**Mixed:** Etalin transfer was a major win.	**Medium:** Approvals.
Macro	Storage Strategy	Become lead player in Pumped Storage (18 GW pipeline).	Construction on Indira Sagar (640 MW) starting in FY27.	**New Entry:** NHPC is late to PSP but has top sites.	**High:** Viability studies.

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	Financials	Financials	Is it possible to share the Adjusted PAT for the quarter?	Management clarified that stripped of the □1,156 Cr DTL adjustment, the net profit impact was ~□900 Cr. This reveals core operations are solid but not as explosive as the headline 71% growth suggests.	None	5.0	Clear and quantified
2	4.5	Aniket Mittal, SBI MF	Tariff Recognition	Financials	At what percentage are you billing Parbati and Subansiri currently?	Management stated they are booking revenue at 80% of AFC and billing Parbati at 75% per interim CERC orders. This confirms a significant revenue/PAT "kicker" is built up for when the final 100% tariff is notified.	None	5.0	Specific timeline given
3	4.0	Murtuza, Kotak	Project Returns	Financials	Why is Parbati-II yearly profit only □150 Cr against such high equity?	Management explained that Parbati-II generation was only ~50% of design energy this year due to cloudburst issues in June. As generation normalizes to design levels,	None	4.0	Directional with evidence

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						RoE will catch up to the 15.5% target.			
4	4.5	Akash Mehta, Canara HSBC	Regulatory Lag	Management Commentary	When can we see the recognition of revenue at 100% for Subansiri and Parbati?	Management expects the final Parbati-II order by June 30th and the Subansiri interim order within months. This sets a clear trigger for a one-time earnings re-rating in H1 FY27.	None	5.0	Specific timeline given
5	4.0	Sanjay K Singh (Mgmt)	Growth Strategy	Capex and Allocation	Which hydro projects will start construction this fiscal?	Management targeting 5 projects: Uri-I St-II, Dulhasti St-II (awarded), plus Etalin, Sawalkot, and Kamala. This represents a massive shift from harvesting old projects to a new □1 Lakh Cr construction cycle.	None	4.0	Directional with evidence
6	3.5	Mohit Kumar, ICICI Sec	Design Energy	Business Overview	Are you going to argue for lower design energy for Parbati-II?	Management indicated it is too early to challenge design energy (need 3 years of data) but noted they can book "shortfall in generation"	None	3.0	Vague but consistent

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						revenue per CERC. This protects the bottom line even if water levels are low.			
7	3.0	Ragini Pandey, Elara	Renewables	Business Overview	Are you seeing any slowdown in renewable tendering this year?	Management admitted they have not done recent tendering and are focusing on signing PPA/ PSAs for the 23 GW already awarded. This suggests the high-growth REIA "fee income" segment is hitting a temporary plateau.	PPA signing backlog details	3.0	Vague but consistent

PATTERN FLAGS & SENTIMENT Analyst concern was heavily focused on the **quality of the PAT beat** and the **regulatory lag** in tariff finalization. There was palpable anxiety regarding whether the high Subansiri costs would be fully recoverable. Management was exceptionally confident, emphasizing that delays were "beyond control" (legal Force Majeure), ensuring that the Cost-Plus model remains the ultimate safety net.

Analyst Sentiment Verdict: Analysts were **cautiously bullish**. While they liked the commissioning progress, they were forced to "drill down" into the tax one-offs and the 80% revenue recognition to find the core earnings power. The primary friction remains the timing of the CERC final orders, which is the single largest catalyst for the stock.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Parbati-II PAT | Strong contribution | Full year loss of □150 Cr. | Reported yearly loss vs expected profit due to low generation (cloudburst). | **Low:** One-time event. | | Subansiri Revenue | Revenue recognition | □150 Cr under-recovery. | 80% recognition policy means true PAT is higher than reported. | **Positive Gap:** Upside kicker. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Execution Reality	Subansiri was a "promise."	**Subansiri is online (4 units).**	↑ Improving
Asset Base	Parbati-II under construction.	**Parbati-II is fully commissioned.**	↑ Improving
Tax Regime	Old Tax Rate.	**Shifted to 115BAA (25%).**	↑ Improving (Long-term)
One-offs	Normal DTL.	**₹1,156 Cr Tax Credit booked.**	↑ Improving (Headline)
Project Pipeline	Planning Sawalkot.	**Investment approval for Kamala (1.7 GW) & Etalin transfer.**	↑ Improving
Leverage	D/E 0.99x (Standalone).	**D/E 1.16x (Standalone).**	↓ Deteriorating
Tariff Clarity	Petitions pending.	**Interim 75% billing order received for Parbati-II.**	↑ Improving

Investor Notes: * **Thesis Confirmation:** The "CWIP-to-Regulated Equity" thesis is no longer theoretical. With Subansiri units firing, the compounding of the 15.5% RoE on an expanded ₹18k Cr equity base has started. * **Earnings Quality:** Strip out the ₹900 Cr tax gain to see core performance. Core PAT is roughly flat, which is expected as interest and depreciation for Parbati-II hit the P&L for the first time. * **The "Kicker":** NHPC is currently under-earning by ~₹450 Cr (annualized) due to the conservative 80% revenue recognition policy. A favorable CERC final order is a significant re-rating trigger. * **CFO/PAT Lever:** Working capital is stable, but the CFO-to-PAT ratio is low because of the massive Capex drawdowns. However, realization at ₹10,499 Cr shows that state utilities are paying their bills. * **Final Word:** This quarter marks the transition of NHPC from a "perpetually delayed" utility to a "high-growth storage giant." The assignment of Etalin and the PSP pipeline makes NHPC the best way to play India's long-term energy storage needs.