NHPC Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Financials) / Marginal Operational Delay **One-line:** The thesis remains centered on the massive "Regulated Equity" step-up in FY24, which remains intact despite a minor 3-month slippage in Subansiri Lower's initial unit commissioning due to monsoon flooding.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	H1 PAT □2,483 Cr (+12% YoY); PAF maintained at high levels (99.23%).	□
Earnings Quality	Moderate	PAT boosted by MAT credit (□127 Cr impact); offset by fair value losses (□124 Cr) and impairment.	□
Guidance Confidence	Neutral	Subansiri first units moved from March '23 to June '23; Parbati II maintained for Dec '23.	□
Management Credibility	Strong	Proactive disclosure of geological/flood impacts; successful securitization of J&K overdues.	□
Business Quality Signal	Improving	Transitioning to a hybrid Hydro-Solar major with 10GW RE park MoU and Pumped Storage exploration.	□
Key Q&A Exchange	Q5 - NHDC Beat	NHDC generation up 138% YoY; highest ever quarterly generation.	□
The Street's Primary Anxiety	Project Delays	Geological surprises in Parbati II tunneling and monsoon impact on Subansiri access.	□
Capital Cycle Stage	Investment	Peak Capex (Target □8,061 Cr FY23); CWIP at □22,217 Cr represents 63% of Net Worth.	□
Margin Trajectory	Stable	EBITDA Margin consistent at 61% (H1 Standalone).	□
Pricing Power	Stable	Regulated ROE model ensures tariff increases to cover cost escalations in Subansiri (□5.00/unit).	□
FCF Conversion & Quality	Weak	Negative FCF due to heavy Capex and □1,233 Cr build-up in Trade Receivables H1 YoY.	□
Competitive Moat Signals	Stable	Dominant hydro portfolio; MOUs for 1,200 MW in Nepal expand geographic footprint.	□
Balance Sheet Strength	Adequate	Debt-Equity at 0.78x (Standalone); Interest Coverage robust despite □22.8k Cr debt.	□
Working Capital Efficiency	Deteriorating	Trade Receivables rose to □5,854 Cr; however, securitization deals are liquidating old dues.	□
Mgmt Guidance Track Record	Reliable	Timelines for FY24 commissioning have held steady for four quarters.	□
Key Vulnerability	Geological Risk	HRT tunneling at Parbati II (560m left) remains the single biggest execution risk.	□
Management Tone	Confident	Chairman emphasized that restoration works are well-planned and funding is secured.	□

Key Takeaways (Positives & Negatives): * **Positives:** NHPC is on the cusp of its largest capacity expansion in a decade. Plant Availability (PAF) of 99.23% drove a □74 Cr increase in YoY incentives. The "PFC/REC Scheme" for liquidating state discom overdues is working, with J&K paying ₹50 Cr/month. Subsidiary NHDC delivered a massive operational beat with generation up 138% YoY, contributing significantly to consolidated performance. * **Negatives:** Subansiri Lower (2,000 MW) hit by floods, delaying initial units by 3 months. Parbati II (800 MW) tunneling speed remains low (2-3m/day) due to poor geology, leaving 560m of high-risk excavation. Trade Receivables increased ₹1,233 Cr since March '22, largely driven by unbilled revenue. * **Watchpoint:** Completion of the final 560m HRT excavation at Parbati II. Any further geological "cavity formation" could push the Dec '23 deadline into FY25, delaying the anticipated ROE step-up.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures are primary. Concall used for commentary.*

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	2,888	↑ 5.2%	↑ 2.7%	→	Growth driven by higher generation and ₹111 Cr increase in trading business.
EBITDA (₹Cr)	1,757	↑ 5.8%	↓ 1.1%	→	Inline with revenue growth; margins stable.
EBITDA Margin %	60.8%	↑ 30 bps	↓ 240 bps	→	Stable; offset by higher water cess in UK/Sikkim.
PAT (₹Cr)	1,433	↑ 9.8%	↑ 36.5%	↑	Boosted by ₹123 Cr MAT credit recognition.
ROCE (%)	7.00%*	↑ 4 bps	↓	→	*Standalone H1 annualized; stable on existing block.
Generation (MU)	9,980	↑ 0.7%	↑ 23.7%	→	Marginal increase in Standalone; NHDC saw massive 537% surge.
Plant Availability (%)	99.87%	↑ 87 bps	↑ 129 bps	↑	High water availability and efficient O&M.
Installed Capacity (MW)	7,071	→ 0.0%	→ 0.0%	→	No new hydro capacity added this quarter.
Under-construction (MW)	6,434	→ 0.0%	→ 0.0%	→	Peak execution phase across Standalone/ Subsidiaries.
Net Debt (₹Cr)	22,101	↑ 0.3%	↓ 0.1%	→	Stable debt levels despite heavy Capex.
Trade Receivables (₹Cr)	5,854	↑ 28.3%	↑ 6.7%	↓	Unbilled debtors rose to ₹2,751 Cr (vs ₹1,961 Cr Mar-22).

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Hydro Generation	2,888	5.2%	60.8%	→	Core	Salal Station provided highest PAF incentive (₹51 Cr).
NHDC (Subsidiary)	416 (PAT)	↑ 191%	N/A	↑	Above	2,715 MUs generated vs 426 MUs YoY (highest ever).
Solar Pipeline	0	N/A	N/A	↑	N/A	1,040 MW Standalone Solar under construction.

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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 units of Subansiri (500 MW) by June 2023.	Requires restoration of diversion tunnel access immediately.	Pushed back from March '23.	Medium
Guidance	Parbati II	Commissioning by December 2023.	Tunneling must average ~60m/month for next 9 months.	Currently 60-70m/ month; tight schedule.	High
Guidance	Capex Plan	₹8,061 Cr for FY23 (Consolidated).	Requires ₹5,415 Cr in H2 (Historical H2 spend usually higher).	H1 actual ₹2,646 Cr (33% of target).	Low
Strategy	Nepal Expansion	Develop 1,200 MW across West Seti & SR-6.	Pre-feasibility stage; requires bilateral treaty clearances.	MOU signed Aug 2022.	Regulatory
Macro	Receivables	Liquidate J&K/TN dues via PFC/REC scheme.	J&K paying ₹50 Cr/month over 28 installments.	Successfully receiving installments.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Apoorva Bahadur / Investec	Subansiri Progress	Capex and Allocation	Percentage of dam concrete completed and monthly run rate.	Management confirmed 89% of concrete (18.32 lakh cubic meters) is done with a non-monsoon target of 40,000 cubic meters/month. This visibility confirms the dam structure is near completion, shifting risk purely to mechanical/ diversion works.	None	5.0	Specific and quantified
2	5.0	Apoorva Bahadur / Investec	Parbati II Tunneling	Capex and Allocation	Balance tunneling distance and excavation speed in HRT.	There are 560 meters left in the HRT, with a current progress of 2-3 meters/ day (60-70m/ month). At this rate, tunneling completes by Q1FY24, leaving just enough time for lining by the Dec '23 deadline.	None	4.5	Specific timeline given
3	4.0	Apoorva Bahadur / Investec	Receivables	Financials	Installment schedule for J&K and Tamil Nadu dues.	J&K is paying □1,250 Cr in 28 installments (□50 Cr/ month) via PFC/REC, while TN has a 40-installment plan for a smaller amount. This securitization significantly reduces the	None	5.0	Quantified recovery

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						"liquidity risk" associated with state discom defaults.			
4	3.5	Aniket Mittal / SBI MF	Manpower Cost	Financials	Trajectory of employee costs as new projects commission.	Management stated they have reached an "ideal" staffing level and will hire through open ads for new projects, but see no "alarming" cost spike. Lower employee costs YoY (-4%) indicate NHPC is successfully managing the transition of staff from completed to new projects.	None	4.0	Directional evidence
5	4.5	Mohit Kumar / DAM Capital	NHDC Performance	Financials	Drivers for consolidated profit beat and NHDC specifics.	NHDC saw a massive generation spike (2,715 MU vs 426 MU YoY), leading to a PAT of 305 Cr for the quarter. This explains the consolidated beat and highlights NHDC as a key ROE-accretive engine during high hydrology quarters.	None	5.0	Clear and quantified
6	4.0	Mohit Kumar /	New Tenders	Management Commentary	Award timelines for Sawalkot	Sawalkot bids are being processed but	None	3.5	Specific timeline given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		DAM Capital			and Dugar projects.	decision expected in FY24; Dugar (500 MW) could be awarded by March '23. This provides a multi-year growth runway beyond the FY24 commissioning cliff.			

PATTERN FLAGS & SENTIMENT Analysts were primarily focused on the **geological and environmental "tail risks"** associated with the two main projects (Subansiri and Parbati II). The tone from analysts was cautious but not hostile, reflecting relief over the successful securitization of J&K receivables which had been a multi-year overhang. Management was highly specific on technical metrics (concrete volumes, tunneling meters), which improved credibility.

The **J&K receivable concern** has shifted from "Will we get paid?" to "How fast is the liquidation?", which is a significant sentiment improvement. However, the **Parbati II tunneling** remains a live friction point, as 2-3 meters/day is a precarious speed in Himalayan geology.

Analyst Sentiment Verdict: Analysts appear satisfied with the operational performance but remain on "execution watch." Management's ability to securitize overdues has earned them a credibility buffer, but any further slippage in Parbati II timelines next quarter will likely lead to skepticism regarding the FY24 ROE step-up thesis.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY23)	This Quarter (Q2 FY23)	Direction
Subansiri Timeline	March 2023 (First Units)	June 2023 (First Units)	↓ Deteriorating (Delay)
J&K Dues Strategy	Awaiting clearances/ LPS	Securitized; ₹50 Cr/mo installments started	↑ Improving
NHDC Operational	Normal generation	Highest ever quarterly generation	↑ Improving
Solar Milestone	Tender Stage	Kalpi Solar partially synced; BSUL PPA signed	↑ Improving
Receivables	₹5,488 Cr	₹5,854 Cr	↓ Deteriorating
LPS Income	₹234 Cr (H1 FY22)	₹108 Cr (H1 FY23)	↑ Improving (Lower LPS = Better Collection)

- **Earnings Quality:** CFO-to-PAT remains distorted. H1 Standalone PAT is ₹2,483 Cr, but the ₹1,233 Cr increase in Trade Receivables (vs March-22) implies that nearly 50% of earnings are stuck in working capital build-up.
- **Forensic Trigger:** Unbilled Debtors rose to ₹2,751 Cr from ₹1,961 Cr in March-22. This 40% jump in unbilled revenue suggests a lag in regulatory tariff approvals for new Capex, which long-term investors must monitor to ensure ROE realization.
- **Thesis Change:** No fundamental change. The "Regulated Equity" expansion is merely pushed by 3 months. The securitization of J&K dues actually *strengthens* the cash-flow floor of the thesis.