NHPC Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline on Operations / Miss on PAT **One-line:** The long-term thesis of a 2x expansion in regulated equity remains intact, but the next 15 months will face an earnings "air pocket" due to the Teesta-V shutdown and the expiration of its insurance coverage.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Operational PAF/Generation was lower due to known Teesta-V outage and high silt; PAT missed due to MAT credit expiration.	□
Earnings Quality	Low (Accounting driven)	PAT impacted by □221 Cr MAT credit utilization and □104 Cr one-off reversal of Bursar provision (in Q1).	□
Guidance Confidence	Neutral	Goalposts for Parbati-II and Subansiri shifted by ~3 months (again), though physical progress is now >94%.	□
Management Credibility	Neutral	Frequent minor delays in "big hydro" commissioning are expected, but the Teesta-V landslide (Aug '24) extends the outage.	□
Business Quality Signal	Stable	Core annuity model remains robust; long-term growth pipeline in Pumped Storage (PSPs) is expanding significantly.	□
Key Q&A Exchange	Q2 + Teesta-V Loss	Management confirmed ~□450 Cr/year fixed cost under-recovery once insurance cover expired in Sept '24.	□
The Street's Primary Anxiety	Teesta-V Outage	Analysts focused on the duration of the shutdown and the lack of insurance cover for the next 12–15 months.	□
Capital Cycle Stage	Investment	NHPC is in the peak of a decade-long CAPEX cycle; harvesting begins in FY26.	□
Margin Trajectory	Stable	EBITDA margins at 63% (H1) remain within the historical range for the utility model.	→
Pricing Power	Stable	Regulated RoE model (15.5-16.5%) ensures pricing power is protected by statute, provided projects commission.	→
FCF Conversion	Weak	Distorted by □11,762 Cr annual CAPEX target; CFO is reinvested, but Dulhasti securitization (□2,348 Cr) boosts liquidity.	□
Competitive Moat	Widening	NHPC is the "sole large-scale hydro" vehicle for India's energy transition; PSP pipeline adds a new storage moat.	□
Balance Sheet Strength	Strong	Debt/Equity at 0.84x (Standalone) provides significant headroom for the □50k Cr Rajasthan MoU and other PSPs.	□
Working Capital	Improving	Net Trade Receivables reduced to □870 Cr (as of Nov '25) from historical highs.	□
Mgmt Guidance Record	Mixed	Accurate on long-term project viability; consistently optimistic (and frequently wrong) on exact commissioning dates.	□
Key Red Flag	Insurance Gap	Zero Business Interruption (BI) insurance cover for Teesta-V from Oct '24 to Dec '25 is a material bottom-line drag.	□
Management Tone	Cautious but Committed	Tone was sober regarding Teesta-V but confident in the "doubling of regulated equity" trajectory.	□

Sentiment: □Neutral **Key Takeaways:** * **Positives:** The long-term trajectory is clear—Regulated Equity is projected to grow from □13,000 Cr to □28,500 Cr by FY28, effectively doubling the earnings power of the core business. Balance sheet remains under-leveraged (0.84x D/E), and the company successfully securitized □2,348 Cr from Dulhasti to fund future growth. * **Negatives:** Teesta-V (510 MW) is a significant near-term headwind; a second landslide in Aug '24 pushed the restart to Q3 FY26. Crucially, the 12-month insurance indemnity period for Business Interruption expired in Sept '24, leaving a ~□450 Cr/annum revenue hole that will flow straight to the bottom line until restoration. * **Street Concern:** Analysts are wary of the "shifting goalposts" for Parbati-II (now Feb '25) and Subansiri Lower (phased from March '25). Management's response emphasized that >94% physical progress is achieved, making these dates more "final" than previous estimates. * **Watchpoint:** Execution at Subansiri Lower. Any further delay beyond Q1 FY26 would defer the recognition of massive regulated equity, impacting the FY26 dividend and earnings outlook.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,551	↑ 2.6%	↑ 4.2%	→	Growth driven by □170 Cr prior-period sales and □169 Cr unbilled insurance/security, offsetting lower generation.
EBITDA (□Cr)	1,749	↑ 0.1%	↑ 4.3%	→	Stable EBITDA despite generation drop due to lower water cess liabilities in HP and Sikkim.
EBITDA Margin %	68.6%	↓ 170bps	→	→	Margin held up due to cost controls and accounting for water cess as a contingent liability.
PAT (□Cr)	905	↓ 37.5%	↓ 11.6%	↓	Sharp drop due to MAT credit absence (□519 Cr benefit in base year) and MAT utilization (□141 Cr) this qtr.
Generation (MU)	8,034	↓ 11%	↑ 15%	↓	Impacted by Teesta-V shutdown and high silt in other basins.
Plant Availability (PAF) %	84.87%	↓ 5%	↑ 4.4%	↓	Impacted by Teesta-V outage and lower water inflows.
Installed Capacity (MW)	7,233	→	→	→	Includes Standalone + Subsidiaries. No new commissions this quarter.
Net Debt (□Cr)	28,094	—	—	First entry	Net Debt (Standalone) is well within leverage limits.
CAPEX (□Cr) - H1	4,812	—	—	First entry	Consolidated H1 CAPEX vs □11,762 Cr full-year target.
Working Capital (DSO)	45 days	—	—	↑	Net receivables (excluding installments) only □499 Cr > 45 days.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	H1 YoY Growth	Margin (H1)	Trend	vs Co. Avg	Key Development
Standalone Hydro	4,969	↓ 2%	63%	→	Baseline	Impacted by Teesta-V outage (~1.9 BU loss).
NHDC (Subsidiary)	794	↑ 21.4%	~62%	↑	Above Avg	Commissioned 88 MW Floating Solar; strong generation growth.
Renewables (Solar/Wind)	200.2 MW (Cap)	—	—	↑	Growth	121 MW (Omkareshwar) + 200 MW (Khavda) under execution.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	AFC of Teesta-V (₹450 Cr) loss.	N/A	Missed restart date.	**High:** No insurance cover.
Guidance	Volume / Capacity	Parbati-II (800 MW) by Feb '25.	Completion of 159m HRT overt lining.	Delayed from Dec '24.	**Medium:** Hydro geology risks.
Guidance	Volume / Capacity	Subansiri (3 units) by March '25.	Commissioning 250 MW x 3.	94% progress; high confidence.	**Low:** Physical progress near end.
Guidance	Capex Plan	₹11,762 Cr (Consolidated) FY25.	₹6,950 Cr needed in H2 (₹1,158 Cr/month).	H1 run-rate is ₹802 Cr/month.	**High:** Historical H2 back-ending needed.
Strategy	Capital Allocation	Regulated Equity to hit ₹28,590 Cr by FY28.	Doubling from ₹13k Cr base.	First entry.	**Low:** Tied to under-construction assets.
Strategy	Growth	MoU for ₹50,000 Cr in Rajasthan.	Multi-year PSP/Solar ramp-up.	First entry.	**Medium:** Requires state approvals.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Ragini / Elara	Financials	"What is the under recovery in Teesta-V Hydro Plant?"	Management confirmed an annual AFC loss of ~₹450 Cr, with insurance only covering ₹410 Cr for the period ending Sept '24. This confirms a significant earnings headwind from Q3 FY25 onwards until the Dec '25 restart.	None	5.0	Clear and quantified
2	4.0	Ragini / Elara	Business Overview	"Is there any issue in signing the PSA for Renewable Projects?"	Management noted difficulty signing PSAs when tariffs exceed ₹2.60-2.65/ unit but clarified NHPC bears no CAPEX risk as an intermediary. Fee income of 7 paise/ unit is protected for the 7 GW already tied up.	None	4.0	Directional evidence
3	5.0	Rupesh / Elara	Capex & Allocation	"How are we placed in terms of cash flows to meet this equity CAPEX?"	NHPC relies on internal accruals and low leverage (0.84x D/E) to fund the doubling of regulated equity to ₹28,500 Cr by FY28. The company is well-positioned to fund growth without equity dilution.	None	5.0	Specific timeline
4	4.5	Anuj / Investec	Financials	"Confirming under recovery would cross closer to around ₹450 – 500-odd Cr for Teesta-V?"	Management confirmed that for the next 15 months (until Dec '25), there is no insurance cover for the fixed cost of Teesta-V. This will result in a direct quarterly PAT drag of ~₹110 Cr.	None	5.0	Clear and quantified
5	3.5	Kaushal / Antique	Financials	"Can you share the Adjusted PAT number for this quarter?"	Operating profit is stable; the PAT dip is primarily due to the non-availability of MAT credits compared to the	None	4.0	Directional evidence

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					base year. This suggests core power generation economics remain sound despite the tax-induced PAT volatility.			
6	4.0	Kaushal / Antique	Capex & Allocation	"What is the Parbati-II commissioning phasing?"	All four units will be commissioned in a single stroke in February 2025 as the reservoir fills. This provides a clear trigger for earnings re-rating in Q4 FY25.	None	4.5	Specific timeline
7	4.5	Nikhil / UTI MF	Capex & Allocation	"Regarding the monetization and securitization of ROE for Dulhasti?"	NHPC successfully realized ₹2,348 Cr by securitizing 8 years of Dulhasti's ROE. This provides immediate liquidity to accelerate the PSP and solar pipeline.	None	5.0	Specific and verified

PATTERN FLAGS & SENTIMENT * **The "Teesta-V Hole":** Analysts are laser-focused on the ₹450 Cr/annum under-recovery. Management's posture was transparent but confirmed the worst-case scenario: zero insurance cover for the remaining 15 months of outage. This concern will remain a live overhang on quarterly earnings until Q3 FY26. * **Commissioning Goalposts:** There is a fatigue among analysts regarding the shifting dates for Subansiri and Parbati-II. Management countered this by emphasizing 94-98% physical progress, effectively signaling that the "geological risk" phase is largely behind them.

Analyst Sentiment Verdict: Analysts appear skeptical of near-term PAT growth given the Teesta/Tax headwinds but remain convinced of the long-term utility-rate-base growth. The Dulhasti securitization was a positive surprise that bolstered credibility on capital allocation. The primary risk remains further geological surprises at Subansiri.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Teesta-V Restart | Q1 FY26 (Implicit) | Q3 FY26 (Dec '25) | 6-month delay due to Aug '24 landslide. | **Medium:** Prolonged earnings drag. | | Parbati-II | Dec '24 | Feb '25 | 2-month delay for gate testing/lining. | **Low:** High physical completion. |

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.