

## 1QFY25: In-line; it's business as usual

NHPC reported consolidated net revenue of INR 27bn (-2% YoY, -3% JMFe) due to 3% YoY less generation (low water level in reservoirs). EBITDA stood at INR 14.6bn (-3% YoY, +12% JMFe), Adj PAT at INR 10bn (-1% YoY, +0% JMFe). INR 1.4bn and INR 1.02bn of expenses on account of interest on arbitration award and other income due to write back of past provisions were one-offs during 1QFY25. All adjustment in respect of flash floods in river Teesta (Oct'23) were completed during 4QFY24. With significant hydro capacity addition expected by FY26/FY27 (800 MW Parbati-II, 2000MW Subansiri Lower, 120MW Rangit-IV, 624MW Kiru) and 1000MW+ Solar, the installed capacity with regulated return is set to grow almost 50% by FY27. We estimate Revenue/EBITDA/PAT CAGR of 27%/38%/29% over FY24-27E. With a dividend yield of 2%, and nation's priority to enhance hydropower due to its load following ability for grid balancing and pumped hydro storage in place, we continue to maintain our BUY rating on the 'only' large utility with 100% green energy portfolio with a TP of INR 111 (SOTP-based).

- **Project commissioning:** The company expects commissioning of 8X250MW Subansiri Lower by Mar'25 (3 units) and progressive completion by 1QFY27. The company is confident of commissioning 4X200MW Parbati-II in Dec'24. The 3X40MW Rangit-IV is expected to commission by 1QFY26. NHPC makes a splash.
- **Operational highlights:** Generation during the 1QFY25 was 7,921MU (6938MU/ 983MU NHPC/NHDC), -3% YoY on account of less water in reservoirs.
- **Renewables:** NHPC has 1378MW/5000MW of renewable projects under construction as owner/ intermediary out of ownership portfolio it expects to commission 488MW/890 during FY25/FY26. Hydropower - Recalling the forgotten giant of clean electricity. In addition to these, the company has 1500MW/ 7800MW of RE projects under pipeline or tendering as owner/ intermediary.
- **Pumped hydro storage:** The company has signed MoUs for 16,790MW of PSP with various state governments. PFRs for 640MW Indrasagar Omkareswar, 800MW Tekwa-2, 1500MW Satpura-2, 600MW Kengadi, 1800MW Savitri pumped hydro storage project (PSP) are under various stages of approval with CEA/States. The company expects to begin construction of 640MW Indrasagar Omkareswar in early FY26, becoming the first PSP project for company.
- **Capex:** The company has announced a planned Capex of around INR 117bn for FY25, excluding any potential Capex for pumped storage projects. The management during 4QFY24 ConCall guided for similar capex, INR 130-150bn annually for the next 5-6 years.

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We acknowledge the support of **Krishnakant Phafat** in the preparation of this report

#### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	111
Upside/(Downside)	10.4%
Previous Price Target	109
Change	1.8%

#### Key Data – NHPC IN

Current Market Price	INR101
Market cap (bn)	INR1,010.0/US\$12.0
Free Float	28%
Shares in issue (mn)	10,045.0
Diluted share (mn)	10,045.0
3-mon avg daily val (mn)	INR9,996.7/US\$119.1
52-week range	118/48
Sensex/Nifty	79,468/24,298
INR/US\$	84.0

#### Price Performance

%	1M	6M	12M
Absolute	-3.2	-2.1	103.1
Relative*	-2.6	-12.0	68.3

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	91,888	1,06,074	96,322	1,26,014	1,56,248
Sales Growth (%)	-4.8	15.4	-9.2	30.8	24.0
EBITDA	51,874	62,681	48,683	76,785	98,502
EBITDA Margin (%)	56.5	59.1	50.5	60.9	63.0
Adjusted Net Profit	37,743	42,608	40,280	51,301	64,258
Diluted EPS (INR)	3.8	4.2	4.0	5.1	6.4
Diluted EPS Growth (%)	-0.3	12.9	-5.5	27.4	25.3
ROIC (%)	7.7	6.3	4.2	5.9	6.7
ROE (%)	11.1	11.9	10.6	12.8	14.8
P/E (x)	26.9	23.8	25.2	19.8	15.8
P/B (x)	2.9	2.7	2.6	2.4	2.2
EV/EBITDA (x)	25.5	21.2	27.9	19.3	14.7
Dividend Yield (%)	1.8	1.8	1.9	1.9	1.9

Source: Company data, JM Financial. Note: Valuations as of 08/Jul/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## 1QFY25 Summary

## Exhibit 1. 1QFY25 consolidated earnings (INR mn)

Particulars (INR mn)	1QFY25	1QFY24	YoY %	4QFY24	QoQ %	JMFe	% Var
<b>Net sales</b>	<b>26,942</b>	<b>27,573</b>	<b>-2%</b>	<b>18,881</b>	<b>43%</b>	<b>27,848</b>	<b>-3%</b>
Expenditure	12,316	12,527	-2%	10,027	23%	14,758	-17%
Generation expense	2,831	5,181	-45%	(2,463)		2,804	
Employee	3,425	3,225		4,039		3,503	
Other expenditure	6,060	4,122	47%	8,451		8,451	
<b>EBITDA</b>	<b>14,626</b>	<b>15,045</b>	<b>-3%</b>	<b>8,854</b>	<b>65%</b>	<b>13,091</b>	<b>12%</b>
EBITDA margins	54.3%	54.6%		46.9%		47.0%	
Other income	3,437	2,530	36%	4,320		4,700	
Depreciation	2,963	2,936		2,995		2,960	
Interest	902	1,090		915		1,006	
Regulated Inc./Exp.	868	393		1,864		(1,000)	
<b>PBT</b>	<b>15,073</b>	<b>13,942</b>	<b>8%</b>	<b>11,166</b>	<b>35%</b>	<b>12,824</b>	<b>18%</b>
Tax (current + def.)	3,989	2,988		5,057		2,582	
<b>PAT</b>	<b>11,085</b>	<b>10,954</b>	<b>1%</b>	<b>6,109</b>	<b>81%</b>	<b>10,242</b>	<b>8%</b>
<b>Adjusted PAT</b>	<b>10,286</b>	<b>10,369</b>	<b>-1%</b>	<b>5,498</b>	<b>87%</b>	<b>10,242</b>	<b>0%</b>
EPS	1.10	1.09		0.61		1.02	

Source: Company, JM Financial

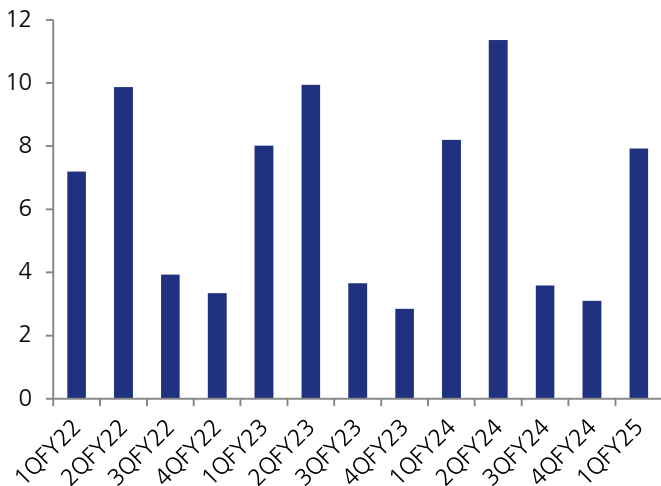
## Exhibit 2. Power Generation (total)

Generation (MU)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
NHPC	8010	9938	3653	2851	7737	8962	2642	2432	6938
NHDC	473	2715	1257	999	459	2399	949	666	983
<b>Total</b>	<b>8483</b>	<b>12653</b>	<b>4910</b>	<b>3850</b>	<b>8196</b>	<b>11361</b>	<b>3591</b>	<b>3098</b>	<b>7921</b>

Source: Company, JM Financial

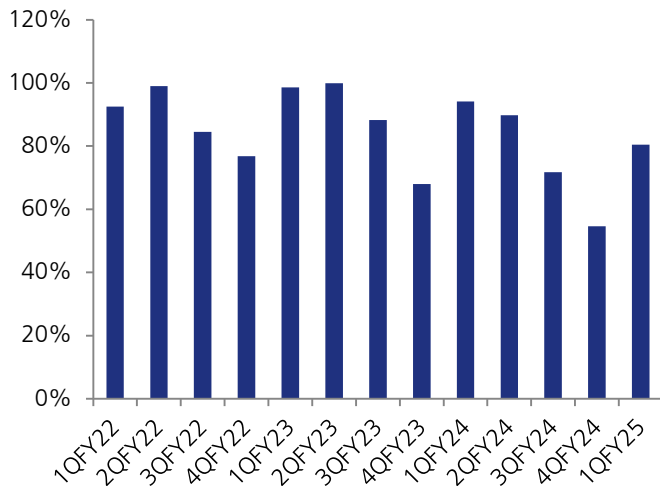
## Key Charts

**Exhibit 3. Generation (BU)**



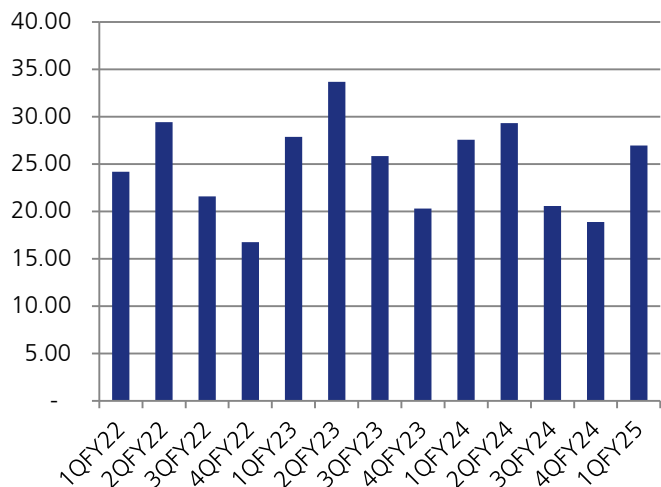
Source: Company, JM Financial

**Exhibit 4. Plant Availability Factor (%)**



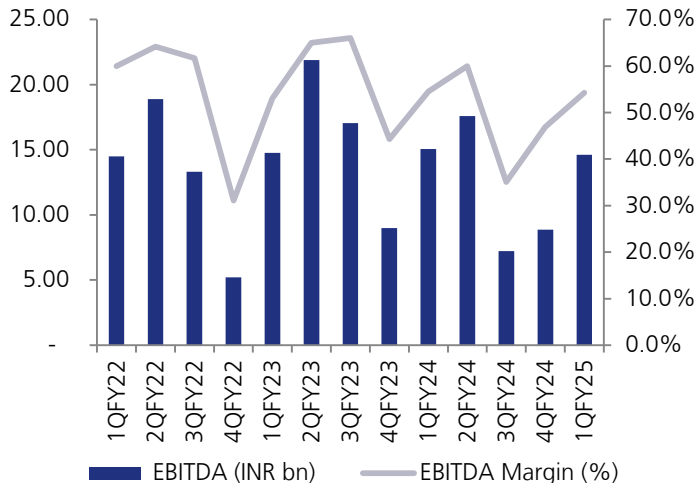
Source: Company, JM Financial

**Exhibit 5. Revenue (INR bn)**



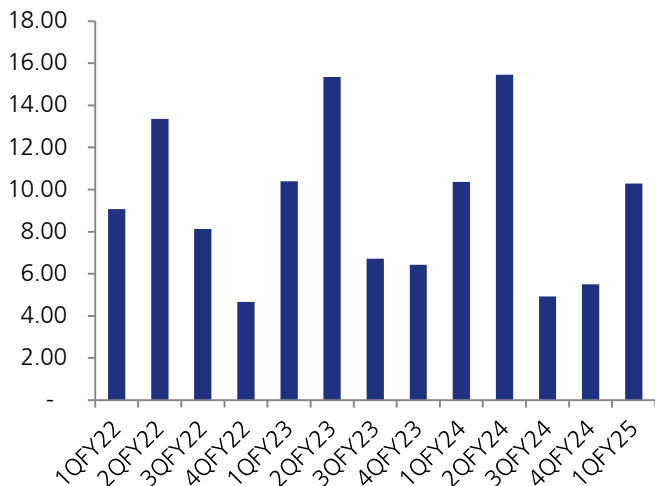
Source: Company, JM Financial

**Exhibit 6. EBITDA and EBITDA margin**



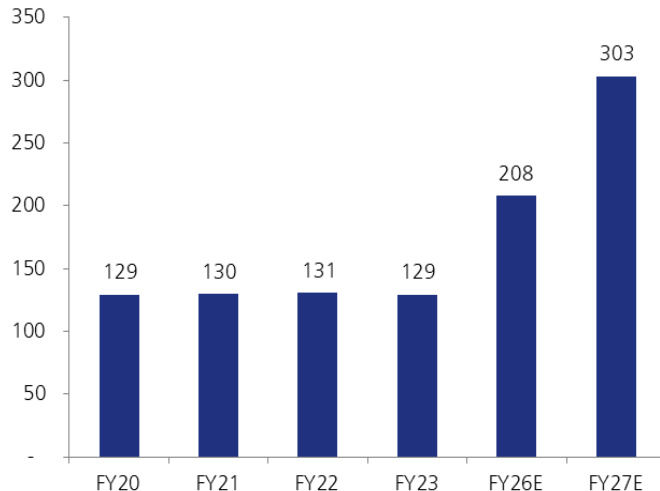
Source: Company, JM Financial

**Exhibit 7. Adj PAT (INR bn)**



Source: Company, JM Financial

**Exhibit 8. Regulated equity (INR bn)**



Source: Company, JM Financial, \* Company Guidance

**Exhibit 9. DCF of Hydro Projects**

Particulars	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
FCFE	6,177	11,239	(92,079)	88,822	1,05,574	46,241	68,526	85,933
Discount Factor		1.00	0.91	0.82	0.74	0.67	0.61	0.55
PV of FCFE		11,239	(83,412)	72,889	78,482	31,139	41,803	47,488
COE	10.4%							
Terminal Growth Rate %	5%							
<b>Particulars</b>	<b>(INR mn)</b>							
PV of Cash Flows (FY24-30)	199,628							
PV of Terminal Growth	850,148							
<b>Total Value of Equity (Hydro)</b>	<b>1,049,776</b>							

Source: JM Financial

**Exhibit 10. SOTP Valuation**

Particulars	Basis	Multiple (x)	Equity Value (INR mn)	Value per share (INR)
Hydro Projects	DCF	-	1,049,776	105
Renewables	EV/EBITDA	12	65,236	6
<b>SOTP based TP</b>			<b>1,115,012</b>	<b>111</b>

Source: JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	91,888	1,06,074	96,322	1,26,014	1,56,248	
Sales Growth	-4.8%	15.4%	-9.2%	30.8%	24.0%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>91,888</b>	<b>1,06,074</b>	<b>96,322</b>	<b>1,26,014</b>	<b>1,56,248</b>	
Cost of Goods Sold/Op. Exp	8,887	9,396	8,162	11,593	14,375	
Personnel Cost	15,548	14,353	14,181	14,323	14,466	
Other Expenses	15,580	19,645	25,296	23,313	28,906	
<b>EBITDA</b>	<b>51,874</b>	<b>62,681</b>	<b>48,683</b>	<b>76,785</b>	<b>98,502</b>	
EBITDA Margin	56.5%	59.1%	50.5%	60.9%	63.0%	
EBITDA Growth	-3.5%	20.8%	-22.3%	57.7%	28.3%	
Depn. & Amort.	11,903	12,147	11,841	15,805	21,599	
EBIT	39,971	50,534	36,842	60,980	76,903	
Other Income	9,641	6,775	13,618	12,120	13,332	
Finance Cost	5,323	4,743	4,024	6,512	7,548	
PBT before Excep. & Forex	44,288	52,567	46,435	66,587	82,687	
Excep. & Forex Inc./Loss(-)	-12,101	-145	3,955	-1,915	-1,817	
PBT	32,187	52,422	50,390	64,673	80,870	
Taxes	-5,570	9,762	10,154	13,415	16,657	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	2,494	3,524	4,080	4,080	4,080	
Reported Net Profit	35,236	39,033	36,244	47,266	60,222	
<b>Adjusted Net Profit</b>	<b>37,743</b>	<b>42,608</b>	<b>40,280</b>	<b>51,301</b>	<b>64,258</b>	
Net Margin	41.1%	40.2%	41.8%	40.7%	41.1%	
Diluted Share Cap. (mn)	10,045.0	10,045.0	10,045.0	10,045.0	10,045.0	
<b>Diluted EPS (INR)</b>	<b>3.8</b>	<b>4.2</b>	<b>4.0</b>	<b>5.1</b>	<b>6.4</b>	
Diluted EPS Growth	-0.3%	12.9%	-5.5%	27.4%	25.3%	
Total Dividend + Tax	18,182	18,583	18,955	19,334	19,721	
Dividend Per Share (INR)	1.8	1.9	1.9	1.9	2.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	3,49,210	3,69,607	3,87,024	4,14,956	4,55,457	
Share Capital	1,00,450	1,00,450	1,00,450	1,00,450	1,00,450	
Reserves & Surplus	2,48,760	2,69,156	2,86,574	3,14,506	3,55,007	
Preference Share Capital	0	0	0	0	0	
Minority Interest	28,629	48,739	51,900	51,900	51,900	
Total Loans	2,97,720	2,95,398	3,25,608	3,97,993	4,50,630	
Def. Tax Liab. / Assets (-)	-27,896	-28,525	-32,493	-32,493	-32,493	
<b>Total - Equity &amp; Liab.</b>	<b>6,47,663</b>	<b>6,85,219</b>	<b>7,32,039</b>	<b>8,32,356</b>	<b>9,25,493</b>	
Net Fixed Assets	4,43,475	5,34,941	6,13,053	8,16,736	8,25,916	
Gross Fixed Assets	4,07,755	4,23,025	4,28,231	6,25,445	8,14,460	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	1,89,504	2,01,651	2,13,492	2,29,297	2,50,896	
Capital WIP	2,25,224	3,13,567	3,98,314	4,20,588	2,62,352	
Investments	23,865	3,472	4,666	-30,334	-30,334	
Current Assets	2,33,018	2,55,661	2,44,617	2,16,218	3,15,845	
Inventories	1,404	1,612	1,901	1,915	2,374	
Sundry Debtors	51,758	66,341	44,529	71,907	84,879	
Cash & Bank Balances	19,584	26,937	36,224	-19,567	66,629	
Loans & Advances	610	11,790	12,977	12,977	12,977	
Other Current Assets	1,59,661	1,48,982	1,48,986	1,48,986	1,48,986	
Current Liab. & Prov.	52,695	1,08,856	1,30,297	1,70,264	1,85,934	
Current Liabilities	32,520	59,989	67,364	87,332	1,03,001	
Provisions & Others	20,175	48,867	62,933	82,933	82,933	
Net Current Assets	1,80,323	1,46,805	1,14,320	45,954	1,29,911	
<b>Total - Assets</b>	<b>6,47,663</b>	<b>6,85,219</b>	<b>7,32,039</b>	<b>8,32,356</b>	<b>9,25,493</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	44,274	52,516	46,479	66,631	82,731	
Depn. & Amort.	11,903	12,147	11,841	15,805	21,599	
Net Interest Exp. / Inc. (-)	0	0	0	-5,607	-5,784	
Inc (-) / Dec in WCap.	16,907	-7,833	19,756	-7,424	-12,762	
Others	0	0	0	-5,951	-5,853	
Taxes Paid	-8,367	-9,783	-8,701	-13,415	-16,657	
<b>Operating Cash Flow</b>	<b>64,718</b>	<b>47,046</b>	<b>69,375</b>	<b>50,040</b>	<b>63,274</b>	
Capex	-50,117	-49,741	-69,950	-2,19,488	-30,779	
Free Cash Flow	14,601	-2,695	-575	-1,69,448	32,495	
Inc (-) / Dec in Investments	-4,337	4,874	2,459	35,000	0	
Others	4,793	2,953	7,809	32,120	28,332	
<b>Investing Cash Flow</b>	<b>-49,660</b>	<b>-41,914</b>	<b>-59,682</b>	<b>-1,52,369</b>	<b>-2,447</b>	
Inc / Dec (-) in Capital	594	2,001	3,819	0	0	
Dividend + Tax thereon	-19,478	-22,629	-23,259	-19,334	-19,721	
Inc / Dec (-) in Loans	27,726	12,682	13,626	72,385	52,637	
Others	-15,225	0	0	-6,512	-7,548	
<b>Financing Cash Flow</b>	<b>-6,383</b>	<b>-7,946</b>	<b>-5,815</b>	<b>46,538</b>	<b>25,368</b>	
<b>Inc / Dec (-) in Cash</b>	<b>8,674</b>	<b>-2,814</b>	<b>3,879</b>	<b>-55,790</b>	<b>86,195</b>	
Opening Cash Balance	10,910	29,750	32,345	36,224	-19,567	
Closing Cash Balance	19,584	26,937	36,224	-19,567	66,629	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24A	FY25E	FY26E
Y/E March						
Net Margin		41.1%	40.2%	41.8%	40.7%	41.1%
Asset Turnover (x)		0.1	0.1	0.1	0.1	0.1
Leverage Factor (x)		2.2	2.2	2.3	2.5	2.6
RoE		11.1%	11.9%	10.6%	12.8%	14.8%

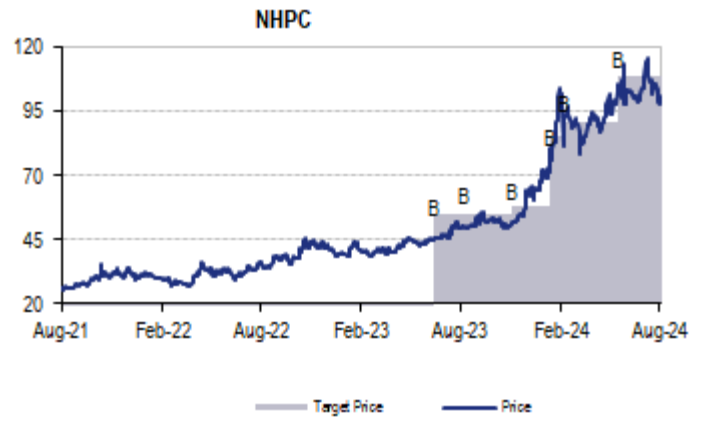
Key Ratios		FY22A	FY23A	FY24A	FY25E	FY26E
Y/E March						
BV/Share (INR)		34.8	36.8	38.5	41.3	45.3
ROIC		7.7%	6.3%	4.2%	5.9%	6.7%
ROE		11.1%	11.9%	10.6%	12.8%	14.8%
Net Debt/Equity (x)		0.8	0.7	0.7	1.0	0.8
P/E (x)		26.9	23.8	25.2	19.8	15.8
P/B (x)		2.9	2.7	2.6	2.4	2.2
EV/EBITDA (x)		25.5	21.2	27.9	19.3	14.7
EV/Sales (x)		14.4	12.6	14.1	11.8	9.3
Debtor days		206	228	169	208	198
Inventory days		6	6	7	6	6
Creditor days		20	20	22	21	22

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
19-Jun-23	Buy	55	
14-Aug-23	Buy	55	0.6
9-Nov-23	Buy	58	5.0
17-Jan-24	Buy	85	47.1
13-Feb-24	Buy	91	6.9
21-May-24	Buy	109	19.9

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

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Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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