

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	NHPC IN
Equity Shares (m)	10,045
M.Cap.(INRb)/(USDb)	263.2 / 3.5
52-Week Range (INR)	28 / 20
1, 6, 12 Rel. Per (%)	-4/-3/-20
12M Avg Val (INR M)	184

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	90.7	99.2	114.3
EBITDA	49.5	56.5	70.0
Adj. PAT	30.0	30.8	35.8
EBITDA Margin (%)	54.5	56.9	61.3
Cons. Adj. EPS (INR)	3.0	3.1	3.6
EPS Gr. (%)	4.5	2.7	16.0
BV/Sh. (INR)	32.9	34.5	36.4
Ratios			
Net D:E	0.6	0.7	0.7
RoE (%)	9.3	9.1	10.0
RoCE (%)	6.0	6.5	7.2
Payout (%)	53.5	48.9	46.3
Valuations			
P/E (x)	8.8	8.5	7.4
P/BV (x)	0.8	0.8	0.7
EV/EBITDA(x)	10.2	9.3	7.8
Div. Yield (%)	6.1	5.7	6.3
FCF Yield (%)	11.7	0.2	1.9

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	71.0	71.0	71.0
DII	15.2	14.9	14.2
FII	4.3	4.0	4.5
Others	9.6	10.1	10.4
FII Includes depository receipts			

CMP: INR26 TP: INR28 (+7%) Neutral

In-line as higher other income offsets lower generation

Capex run-rate on the rise; maintain Neutral

- NHPC's 1Q result highlights the impact of lower generation, offset by higher other income and revenue from the TLDP-IV order. S/A adj. PAT was flat YoY at INR9.1b.
- The capex run-rate is expected to increase on account of investments in new projects. However, much of the commissioning remains 3-4 years away, implying FCF/RoE getting dragged over the near term. Maintain **Neutral**, with TP of INR28/sh.

Profits in-line as higher other income offsets generation decline

- NHPC's 1QFY22 standalone reported PAT was up 26% YoY to INR9.1b (in line with our estimate of INR9.6b). 1QFY21 had a one-time rebate impact of INR1.85b. Adjusted for this, PAT would be largely flat on a YoY basis.
- S/A other income more than doubled to INR2b (v/s INR0.9b in 1QFY21) on higher dividends from subsidiaries and higher late payment surcharge income.
- The order for the TLDP-IV project boosted profitability by INR0.25b on a YoY basis.
- Revenue declined 14% YoY to INR21.7b on the back of lower generation and lower trading of power. Generation at NHPC's standalone plants declined ~11% YoY to 7.2BU in 1QFY22.
- Incentives were down 5% YoY to INR1.7b on account of lower PAF incentives. PAF incentives for the quarter declined 9% YoY to INR1.35b, while deviation income was up 9% YoY to INR0.38b.
- Depreciation was 15% YoY lower at INR2.8b on account of the completion of 12 years for certain projects. Interest costs were down 9% YoY to INR1.3b.
- Trade receivables at the parent level rose to INR40.6b v/s INR32.1b at end-4QFY21. Of these, overdues (over 45 days) now stand at INR24.3b (v/s INR18b at end-FY21). Major receivables are from the states of J&K, West Bengal, Uttar Pradesh, and Punjab.

Management commentary

- The co. expects capex of INR91b for FY22. This includes INR32b towards solar projects. NHPC's management expects overall capex to be ~INR80b for FY23.
- It has maintained its commissioning timelines for Subansiri and expects it to be completed by Aug'23. The first two units of the plant are expected by Aug'22. The co. expects the Parbati project to be commissioned by 3QFY23.

New projects to increase capex run-rate; Maintain Neutral

- The resumption and continuation of works at Lower Subansiri are a positive development, but progress on the same needs to be watched. The expected commissioning for Parbati-II has once again been pushed out to 3QFY23 (v/s the previous guidance of 2QFY23).
- The capex run-rate is expected to increase as the company is investing in / exploring new projects - which would reduce FCF and drag RoE over the near term. Furthermore, frequent delays in commissioning timelines and cost over-runs are a cause for concern. We maintain Neutral with DCF-based TP of INR28/sh.

Quarterly performance (standalone) – INR m

Y/E March	FY21				FY22E				FY21	FY22E	FY22 1QE	var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	25,189	25,540	15,171	13,415	21,702	30,841	14,156	20,370	79,315	87,069	24,886	-13
YoY Change (%)	4.0	-2.0	-15.5	-29.9	-13.8	20.8	-6.7	51.8	-9.2	9.8	-1.2	
EBITDA	14,207	15,728	7,767	4,333	12,793	18,084	8,396	9,061	42,035	48,334	16,009	-20
Depreciation	3,303	3,332	3,349	2,361	2,792	3,332	3,349	2,872	12,345	12,345	3,303	-15
Interest	1,467	1,462	1,417	2,150	1,341	2,039	1,977	3,704	6,496	9,062	2,046	-34
Other Income	860	4,261	1,643	4,365	2,031	3,828	1,476	2,663	11,128	9,998	849	139
Rate regulated activity	352	361	417	1,141	460	215	249	432	2,271	1,356	210	
PBT before EO expense	10,649	15,556	5,060	5,327	11,151	16,757	4,794	5,579	36,593	38,281	11,720	-5
Extra-Ord expense	-1,850	0	4,392	0	0	0	0	0	2,542	0	0	
PBT	8,799	15,556	9,453	5,327	11,151	16,757	4,794	5,579	39,135	38,281	11,720	-5
Tax	1,574	2,571	1,372	1,285	2,028	3,100	887	1,067	6,801	7,082	2,168	
Rate (%)	18	17	15	24	18	19	19	19	17	19	19	
Reported PAT	7,225	12,985	8,081	4,042	9,123	13,657	3,907	4,512	32,334	31,199	9,552	-4
Adj PAT	9,075	12,985	3,689	4,042	9,123	13,657	3,907	4,512	29,791	31,199	9,552	-4
YoY Change (%)	3.0	-3.1	-8.6	5.6	0.5	5.2	5.9	11.6	-0.9	4.7	5.2	

Source: MOFSL, Company



Conference call takeaways

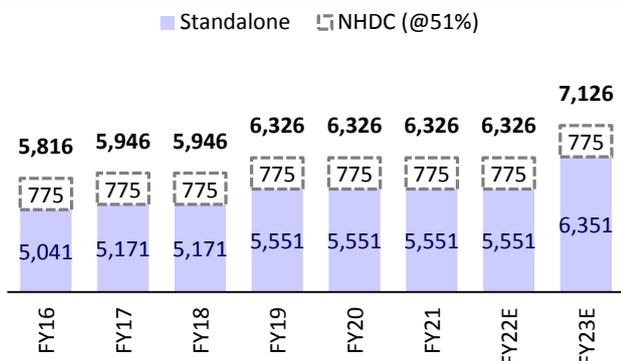
- Incentives were down 5% YoY to INR1.7b on account of lower PAF incentives. PAF incentives for the quarter declined 9% YoY to INR1.35b, while deviation income was up 9% YoY to INR0.38b.
- Trade receivables at the parent level have risen to INR40.6b v/s INR32.1b at end-4QFY21. Of these, overdues (over 45 days) now stand at INR24.3b (v/s INR18b at end-FY21). Major receivables are from the states of J&K, West Bengal, Uttar Pradesh, and Punjab.
- The co. expects capex to be at INR91b for FY22. This includes INR32b towards solar projects. The NHPC management's overall capex would be at ~INR80b for FY23.
- It has maintained its commissioning timelines for Subansiri and expects these to be completed by Aug'23. The first two units of the plant are expected by Aug'22. The co. expects the Parbati project to be commissioned by 3QFY23.
- A huge quantity of water has entered the tunnel and impacted works. 1.3km of tunneling work is pending.

Valuation and view

- The resumption and continuation of works at Lower Subansiri are a positive development, but progress on the same needs to be watched. The expected commissioning for Parbati-II has once again been pushed out to 3QFY23 (v/s the previous guidance of 2QFY23).
- The capex run-rate is expected to increase as the company is investing in / exploring new projects - which would reduce FCF and drag RoE over the near term. Furthermore, frequent delays in commissioning timelines and cost over-runs are a cause for concern. We maintain Neutral with DCF-based TP of INR28/sh.

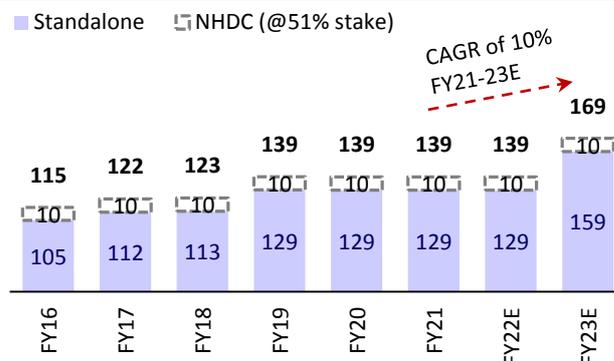
Story in Charts

Exhibit 1: Capacity additions have been muted in recent years



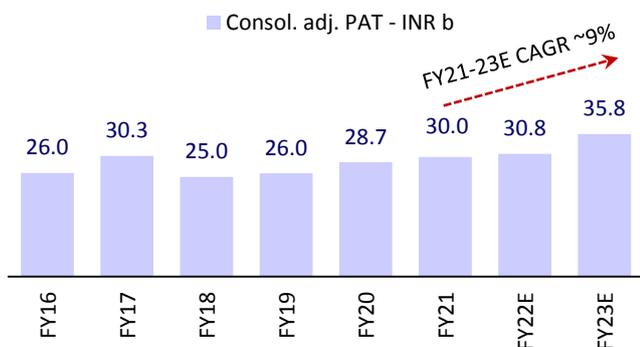
Source: MOFSL, Company

Exhibit 2: Expect regulated equity to rise as Parbati-II gets commissioned



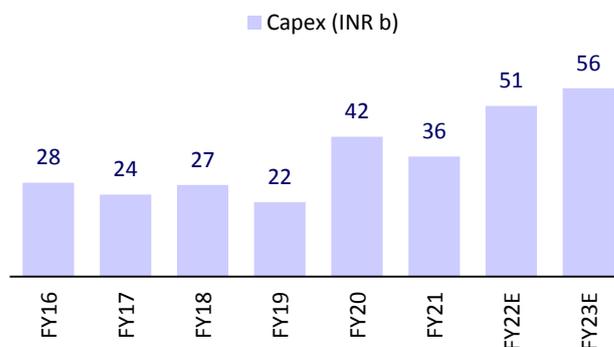
Source: MOFSL, Company

Exhibit 3: Resulting in 9% earnings CAGR



Source: MOFSL, Company

Exhibit 4: However, capex intensity is on the rise



Source: MOFSL, Company

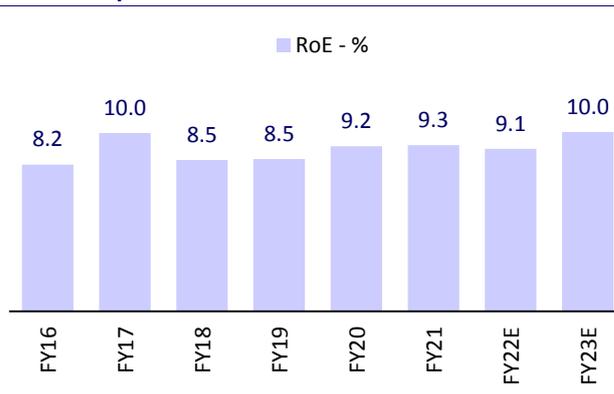
Exhibit 5: Frequent delays in commissioning pose concern

Plant	COD		
	Projected	Actual	Delay yrs
Teesta Low Dam-IV	Aug-11	Aug-16	5
Nimoo Bazgo	Aug-10	Jan-13	2
Parbati III	Nov-10	May-14	3
Parbati II	Mar-13	na	na
Chutak	Feb-11	Jan-13	2
Subansiri Lower	Dec-12	na	na
Kishanganga	Jan-16	Mar-18	2

Note: Parbati II and Subansiri Lower are yet to commission

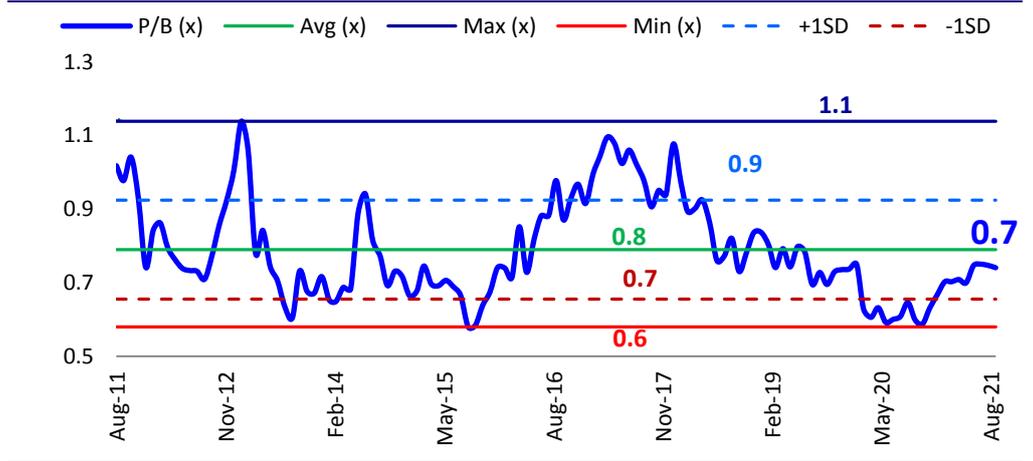
Source: MOFSL, Company

Exhibit 6: Expect RoEs to remain subdued over near term



Source: MOFSL, Company

Exhibit 7: Valuations are near 10-year average; maintain Neutral



Source: MOFSL, Bloomberg

Financials and Valuations

Income statement							(INR m)
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Net Sales	77,512	89,829	1,00,081	90,728	99,224	1,14,300	1,25,179
Change (%)	-10.1	15.9	11.4	-9.3	9.4	15.2	9.5
Total Expenses	35,494	39,830	45,139	41,267	42,722	44,251	46,042
EBITDA	42,018	49,999	54,941	49,461	56,501	70,050	79,137
% of Net Sales	54.2	55.7	54.9	54.5	56.9	61.3	63.2
Deprn. & Amortization	14,791	16,580	16,140	12,983	12,983	17,170	17,170
EBIT	27,227	33,420	38,801	36,478	43,518	52,880	61,967
Net Interest	9,226	8,951	7,960	6,500	9,066	11,625	17,305
Other income	11,014	8,639	7,686	10,192	8,297	7,723	7,134
Rate regulated	7,362	8,434	-2,405	2,174	1,259	1,259	1,259
PBT before EO	36,376	41,542	36,122	42,344	44,008	50,237	53,055
EO expense	0	0	0	-2,542	0	0	0
PBT after EO	36,376	41,542	36,122	44,886	44,008	50,237	53,055
Tax	8,629	13,236	2,905	9,010	9,565	10,864	11,460
Rate (%)	23.7	31.9	8.0	20.1	21.7	21.6	21.6
Reported PAT	27,748	28,306	33,217	35,876	34,443	39,373	41,595
Minority, JV & Asso.	-2,709	-2,349	-4,471	-3,306	-3,604	-3,588	-3,432
Adjusted PAT	25,039	25,956	28,746	30,028	30,840	35,785	38,163
Change (%)	-17.3	3.7	10.7	4.5	2.7	16.0	6.6

Balance sheet							(INR m)
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Share Capital	1,02,593	1,00,450	1,00,450	1,00,450	1,00,450	1,00,450	1,00,450
Reserves	1,97,586	2,07,528	2,13,256	2,30,453	2,46,225	2,65,436	2,83,307
Net Worth	3,00,179	3,07,978	3,13,706	3,30,903	3,46,675	3,65,886	3,83,758
Minority Interest	29,349	28,685	27,639	28,284	28,534	28,297	27,905
Total Loans	1,86,021	1,90,658	2,32,231	2,34,320	2,56,586	2,75,737	2,94,522
Deferred Tax Liability	17,109	47,207	42,291	38,520	38,520	38,520	38,520
Capital Employed	5,32,658	5,74,528	6,15,867	6,32,027	6,70,315	7,08,441	7,44,705
Gross Block	2,55,977	3,10,216	3,20,779	3,09,521	3,09,521	4,09,492	4,09,492
Less: Accum. Deprn.	44,204	60,450	76,760	89,743	1,02,726	1,19,896	1,37,067
Net Fixed Assets	2,11,772	2,49,766	2,44,019	2,19,778	2,06,795	2,89,595	2,72,425
Capital WIP	1,90,871	1,50,368	1,71,804	1,90,681	2,41,424	1,97,430	2,52,883
Goodwill	0	0	0	0	0	0	0
Investments	11,248	12,829	13,977	18,422	18,368	18,313	18,258
Curr. Assets	1,89,985	2,54,292	2,78,906	2,95,113	2,95,695	2,95,069	2,93,106
Inventories	1,047	1,252	1,266	1,337	1,337	1,337	1,337
Account Receivables	13,460	28,380	38,164	34,099	30,953	30,312	33,285
Cash and Bank Balance	33,191	22,453	16,933	22,568	24,940	23,598	17,306
Others	1,42,287	2,02,207	2,22,543	2,37,109	2,38,466	2,39,822	2,41,178
Curr. Liability & Prov.	71,219	92,727	92,839	91,967	91,967	91,967	91,967
Account Payables	1,838	1,963	3,167	2,134	2,134	2,134	2,134
Provisions & Others	69,381	90,764	89,672	89,833	89,833	89,833	89,833
Net Curr. Assets	1,18,767	1,61,565	1,86,068	2,03,146	2,03,729	2,03,102	2,01,139
Appl. of Funds	5,32,658	5,74,528	6,15,867	6,32,027	6,70,315	7,08,441	7,44,705

Financials and Valuations

Ratios

	2018	2019	2020	2021	2022E	2023E	2024E
Basic (INR)							
EPS	2.4	2.6	2.9	3.0	3.1	3.6	3.8
growth	-17.3	5.9	10.7	4.5	2.7	16.0	6.6
Cash EPS	3.9	4.2	4.5	4.3	4.4	5.3	5.5
BV/Share	29.3	30.7	31.2	32.9	34.5	36.4	38.2
DPS	1.4	1.5	1.5	1.6	1.5	1.7	2.0
Payout (%)	55.1	44.3	77.8	53.5	48.9	46.3	53.2
Valuation (x)							
P/E	10.7	10.1	9.2	8.8	8.5	7.4	6.9
Cash P/E	6.7	6.2	5.9	6.1	6.0	5.0	4.8
P/BV	0.9	0.9	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	10.7	9.2	9.2	10.2	9.3	7.8	7.2
Dividend Yield (%)	5.3	5.6	5.7	6.1	5.7	6.3	7.6
Return Ratios (%)							
EBITDA Margins (%)	54.2	55.7	54.9	54.5	56.9	61.3	63.2
Net Profit Margins (%)	32.3	28.9	28.7	33.1	31.1	31.3	30.5
RoE	8.5	8.5	9.2	9.3	9.1	10.0	10.2
RoCE (post-tax)	5.6	5.2	7.3	6.0	6.5	7.2	7.9
RoIC (post-tax)	6.8	6.6	8.9	7.2	8.7	9.7	10.5
Working Capital Ratios							
Fixed Asset Turnover (x)	0.4	0.4	0.4	0.4	0.5	0.4	0.5
Asset Turnover (x)	0.1	0.2	0.2	0.1	0.1	0.2	0.2
Inventory (Days)	5	5	5	5	5	4	4
Debtor (Days)	63	115	139	137	114	97	97
Payables (Days)	9	8	12	9	8	7	6

Cash flow statement

Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
							(INR m)
EBITDA	42,018	49,999	54,941	49,461	56,501	70,050	79,137
WC	6,409	-12,044	-20,394	1,919	3,146	640	-2,973
Others	10,852	6,279	5,911	6,601	1,259	1,259	1,259
Direct taxes (net)	-8,301	-8,772	-7,939	-7,253	-9,565	-10,864	-11,460
CF from Op. Activity	50,978	35,463	32,519	50,728	51,342	61,085	65,964
Capex	-15,673	-10,853	-36,312	-19,820	-50,744	-55,977	-55,453
Interest income	4,167	3,125	2,671	8,710	8,297	7,723	7,134
Investments							
Others	-2,377	-12,325	1,177	-4,192	-1,356	-1,356	-1,356
CF from Inv. Activity	-13,883	-20,053	-32,464	-15,302	-43,803	-49,610	-49,675
Share capital	0	-6,062	0	0	0	0	0
Borrowings	43,550	25,880	60,157	23,270	22,265	19,152	18,785
Finance cost	-11,440	-12,151	-13,326	-14,959	-9,066	-11,625	-17,305
Dividend	-22,310	-15,267	-28,974	-18,488	-18,366	-20,344	-24,061
Others	-48,429	-18,547	-23,431	-19,614	0	0	0
CF from Fin. Activity	-38,629	-26,148	-5,574	-29,791	-5,167	-12,817	-22,581
(Inc)/Dec in Cash	-1,534	-10,738	-5,520	5,636	2,372	-1,342	-6,292
Opening balance	34,725	33,191	22,453	16,933	22,568	24,940	23,598
Closing balance	33,191	22,453	16,933	22,568	24,940	23,598	17,306

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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