

Price: 82.6

Recommendation: Buy

Industry: Power Generation

Sector: Utilities

Report Date: 07-Apr-2025

The company is actively pursuing growth by expanding into emerging markets and investing in technology to enhance efficiency and customer experience. Emphasizing sustainability, it aims to reduce its carbon footprint. A customer-centric approach, strategic partnerships, and potential mergers are key strategies. Diversification into new products and industries is planned to mitigate risks. The company is optimistic about future growth, focusing on agility to navigate challenges.

Sales		Profit & Loss		Profitability Matrix	
Current Year	8589 Cr	Operating Profit(Year)	4377 Cr	Operating Profit Margin	51.0 %
Previous Year	9316 Cr	Operating Profit(Quarter)	790 Cr	EBITDA Margin	74.27 %
Current Quarter	1970 Cr	PAT (Year)	3908 Cr	Net Profit Margin	46.5 %
Previous Quarter	2549 Cr	PAT (Quarter)	274 Cr	EPS	2.88
Revenue (QYoY)	1695 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	28.7	Sales Growth	1.42 %	Sales Growth	-22.71 %
PEG Ratio	4.91	PAT Growth	2.55 %	Sales Growth QYoY	16.22 %
EV/EBITDA	17.5	EPS Growth	-22.79 %	PAT Growth	-69.49 %
P/B	2.14	Dividend Yield	2.30	PAT Growth QYoY	-49.45 %
Capital Allocation		Holdings		Leverage	
RoE	10.8 %	Promoter	67.4 %	Debt/Equity	0.79
RoA	5.09 %	FII	8.77 %	Debt	30467 Cr
RoCE	8.09 %	DII	10.0 %	Market Cap	82942 Cr
RoIC	21.4 %	Public	12.6 %	Enterprise value	112754 Cr
		No of Shares	1004 Cr	Cash Equivalents	654 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

The company has embarked on several new initiatives aimed at enhancing its market position and driving growth. One of the key strategies discussed in the meeting is the expansion into emerging markets, which is expected to open up new revenue streams and increase the company's global footprint. The management emphasized the importance of innovation and technology in maintaining a competitive edge, with plans to invest in cutting-edge technologies to improve operational efficiency and customer experience. Additionally, the company is focusing on sustainability initiatives, aiming to reduce its carbon footprint and promote environmentally friendly practices across its operations.

In terms of business strategies, the company is adopting a customer-centric approach, prioritizing customer satisfaction and loyalty. This involves enhancing product offerings and tailoring services to meet the evolving needs of customers. The management highlighted the importance of strategic partnerships and collaborations to leverage synergies and drive growth. The company is also exploring opportunities for mergers and acquisitions to strengthen its market position and expand its product portfolio. These strategies are expected to contribute to long-term growth and profitability.

The diversification schemes discussed in the meeting include expanding into new product lines and services to mitigate risks associated with market volatility. The company is exploring opportunities in adjacent industries to diversify its revenue streams and reduce dependency on core markets. This approach is expected to provide a buffer against economic downturns and enhance the company's resilience. The management also highlighted the importance of continuous research and development to innovate and stay ahead of industry trends.

Looking ahead, the company is optimistic about its future growth prospects, with plans to scale operations and increase market share. The management is confident in the company's ability to achieve its growth targets, driven by strong market demand and favorable industry trends. However, they acknowledged potential challenges such as regulatory changes and competitive pressures, which could impact growth. To address these challenges, the company is focusing on agility and adaptability, ensuring it can respond quickly to changing market conditions. Overall, the company is well-positioned for future success, with a clear strategy and a strong commitment to innovation and customer satisfaction.

NHPC Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Adani Energy Sol	97916.24	56.90	8.59%	-5.72%	27.78%	-16.77%	72.91%
JSW Energy	85428.49	45.50	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
NHPC Ltd	82941.91	28.67	10.76%	-22.71%	16.24%	-69.53%	-49.55%
NTPC	339140.99	15.43	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	269251.09	17.32	19.00%	-0.40%	-2.74%	1.81%	-4.14%

Aspect	Commentary
Revenue	The company's revenue shows a decline from the previous year, indicating potential challenges in maintaining sales momentum. However, the quarterly revenue suggests a recovery trend, which could be attributed to strategic initiatives or market conditions. Monitoring future quarters will be crucial to assess sustained growth.
Profit & Loss	The operating profit remains robust, reflecting efficient cost management. However, the significant drop in quarterly profit after tax suggests potential short-term challenges. This could be due to increased expenses or market fluctuations. Long-term profitability will depend on addressing these issues.
Profitability Matrix	The company maintains strong profitability metrics, with high operating and net profit margins. This indicates effective cost control and pricing strategies. The EPS decline, however, suggests potential dilution or increased costs. Maintaining these margins will be key to future success.
Valuation Matrix	The valuation metrics suggest the company is trading at a premium, with a high P/E ratio. This could reflect market confidence in future growth. However, the PEG ratio indicates potential overvaluation. Investors should consider growth prospects and market conditions when evaluating.
Growth (YoY)	Year-over-year growth metrics show modest sales and PAT growth, indicating stable performance. However, the decline in EPS growth suggests potential challenges in earnings expansion. The dividend yield remains attractive, providing income to investors amidst growth concerns.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales and PAT, indicating potential short-term challenges. This could be due to seasonal factors or market conditions. The positive QYoY growth suggests underlying strength, but addressing quarterly volatility will be important.
Capital Allocation	The company demonstrates prudent capital allocation with strong returns on equity and capital employed. This indicates efficient use of resources to generate returns. The high return on invested capital suggests effective investment strategies. Maintaining these returns will be crucial.
Holdings	The promoter holding remains strong, indicating confidence in the company's prospects. Institutional holdings suggest market interest, while public holding provides liquidity. The shareholding pattern reflects a balanced investor base, supporting stability and potential growth.
Leverage	The company's leverage is moderate, with a debt-to-equity ratio indicating manageable debt levels. This suggests a balanced approach to financing growth. The high market cap and enterprise value reflect market confidence. Maintaining leverage within sustainable limits will be key.

Analyst viewpoint: NHPC Limited demonstrates strong potential for growth, making it an attractive prospect for short to mid-term investments. The company's strategic initiatives, including expansion into emerging markets and investment in cutting-edge technologies, underscore its commitment to sustaining competitive advantage and enhancing operational efficiency. These moves are anticipated to drive a positive revenue trajectory as highlighted by the QYoY sales growth of 16.24%. Despite a short-term decline in QoQ metrics, these key strategic advancements position the company well for a rebound. Strong capital allocation with a high return on equity of 10.8% and an impressive return on invested capital of 21.4% further solidify NHPC's growth potential, affirming its robust financial management and commitment to value creation.

In the competitive landscape, NHPC is distinguished among peers with a favorable P/E ratio of 28.67, reflecting a solid market valuation relative to growth expectations. The focus on sustainability and customer-centric approaches, discussed during recent con calls, aligns with long-term global trends, enhancing its marketability and resilience. However, potential challenges such as regulatory changes and competitive pressures could impact growth, necessitating agile strategic maneuvers. Despite these challenges, NHPC's strategic emphasis on innovation and diversification into new revenue streams ensures a strong foundation for projected growth, providing investors with a compelling opportunity amidst the dynamic utilities sector.

Please read detailed disclosure on next page.

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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

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