



Photo for representational purposes only.

Best PSU share to buy? This might be one of the toughest questions to answer as because, 14 out of 20 components of the benchmark Nifty PSE index, which tracks the performance of major public sector enterprises, have negative returns in the last one year including giant companies such as IOC, BHEL, GAIL, BPCL, HPCL and ONGC. Shares of Indian Oil Corporation (IOC), National Building Construction Corporation (NBCC), Rural Electrification Corporation (REC) and Power Finance Corporation (PFC) have lost 30-60%. While, on contrary, Nifty PSE index had fallen about 7% only, thanks to the uptick in the share price of Steel Authority of India (SAIL), Container Corporation of India, Coal India and National Aluminium Company.

The share price of Faridabad-headquartered state-owned hydropower generation firm [NHPC](#) has dipped about 20% in the current year to Rs 26.15 from a level of Rs 32.65 as on 29 December 2017. The domestic research and brokerage firm Motilal Oswal Securities has given a buy with a target price of Rs 36 implying a potential upside of 38% from the current market price of Rs 26.15.

“Kishanganga 330 MW was commissioned in May 2018. This will boost S/A regulated equity by ~16% to Rs 130 billion in FY19. Work on Parbati-II is progressing at slow pace due to geological issues, but the project is expected to be commissioned by FY21.

Commissioning of Parbati-II will boost regulated equity by ~20% and also drive earnings recovery from Parbati-III Unit-IV (river flow is linked). Subansiri remains stuck, awaiting final environment approval,” Motilal Oswal Securities said in a research report.

“We expect PAT to grow at a CAGR of ~13% over FY18-21 on commissioning of two key projects and a weaker base. RoE will improve from 8.5% in FY18 to ~11% by FY21. Dividend yield is attractive at ~6%. We value the stock on DCF at Rs 36/share (including dividend),” Motilal Oswal Securities report added.

NHPC commands a market capitalisation of Rs 26,828 crore on BSE. The [Mini](#) Ratna Category-1 PSU (Public Sector Undertaking) NHPC declared the total dividend of Rs 1.22 per equity share of face value of Rs 10 in the financial year 2017-2018.

Disclaimer: Views and recommendations given in this section are the brokerage firms' own and do not represent those of www.financialexpress.com. Please consult your financial adviser before taking any position in the stock/s mentioned.

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).