Tactical Idea
22nd June 2026

NHPC Ltd

CMP: INR 76

Rating: BUY

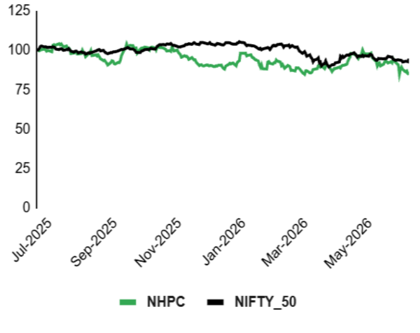
Outlook : Positive

Stock Info	
BSE	533098
NSE	NHPC
Sector	Power
Face Value (INR)	10
Mkt Cap (INR Bn)	100.45
52w H/L (INR)	92.3/71.6
Avg Daily Volume (in 000')	40.6

Shareholding Pattern % *(As on March, 2026)*	
Promoters	67.40
Public & Others	32.60

Stock Performance (%)	1m	6m	12m
NHPC	-0.20	+0.68	-4.99
NIFTY50	+1.63	-7.90	-4.01

NHPC Vs Nifty



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NHPC Ltd. is India's premier hydropower utility with a dominant presence in the hydroelectric power generation segment and a growing footprint in renewable energy and energy storage. The company operates a high-quality portfolio of regulated assets that generate stable cash flows while providing visibility on future earnings growth through a robust under-construction and development pipeline. Backed by strong government support and favorable policy initiatives, NHPC is well positioned to capitalize on India's increasing power demand, decarbonization goals, and growing need for flexible generation capacity. The ongoing commissioning of large hydro projects, expansion into pumped storage infrastructure, and diversification into solar energy are expected to strengthen the company's earnings profile over the coming years. With a combination of defensive utility characteristics and visible capacity-led growth, NHPC offers an attractive exposure to India's long-term power sector development story.

Investment Rationale

Capacity Inflection on Regulated Returns: Significant Earnings Growth Visibility: NHPC is entering the strongest capacity expansion phase in its history, with installed capacity expected to increase from ~8.2 GW to ~13 GW by FY27, representing ~59% growth. The commissioning of large hydro projects, led by the 2,000 MW Subansiri Lower project and Parbati-II, is expected to materially enhance earnings. As these assets operate under a regulated-return framework, incremental capacity additions directly translate into stable cash flows, predictable returns, and long-term earnings visibility.

Commissioning of Large Projects Driving Near-Term Earnings Upside: Newly commissioned projects are already contributing meaningfully to profitability. Subansiri Lower contributed approximately INR 4,950 Mn to FY26 PAT, while Parbati-II continues to operate under provisional tariffs, creating scope for future revenue true-ups once final tariff approvals are received. With over 29,600 MU of generation in FY26 (+16% YoY) and multiple projects ramping up operations, NHPC is well positioned for sustained earnings growth over the next few years.

Pumped Storage and Renewable Expansion Provide Long-Term Growth Optionality: Beyond conventional hydropower, NHPC is building a sizeable pipeline in pumped storage projects (PSPs), with ~2 GW expected to enter construction in CY26 and an additional 5.5–6.0 GW under various stages of development. As renewable energy penetration rises across India, energy storage assets are expected to become increasingly critical for grid stability, positioning NHPC as an early mover in a high-growth segment with significant long-term value creation potential.

Visible Earnings Growth Through Capacity Expansion: NHPC's capacity is expected to increase from ~8.2 GW to ~13 GW by FY27, supported by major hydro and pumped-storage projects. Combined with a lower tax regime from FY27 and strong government support, the company offers clear earnings visibility, stable cash flows, and a long-term growth runway.

Strong Underlying Operating Momentum Despite Temporary Plant Outages: NHPC delivered a strong operational performance in FY26, with generation rising 16% YoY to 29,619 MU, driven by contributions from Parbati-II, Karnisar Solar, and the phased commissioning of Subansiri Lower. Importantly, this growth was achieved despite a decline in Plant Availability Factor (PAF) to 74.75% from 78.87% in FY25 due to planned maintenance shutdowns at key assets including Dulhasti, Chamera-III, and TLDP-IV. Management indicated that normalized PAF would have been closer to 80%, highlighting that the lower availability was largely temporary rather than structural. As these assets return to normal operations and newly commissioned projects ramp up over a full year, NHPC is well positioned to deliver further growth in generation, regulated revenue, and earnings. The ability to grow output despite operational disruptions also demonstrates the resilience and diversification of the company's asset portfolio.

Recurring Profitability Tailwinds Offset Near-Term Earnings Noise: While reported Q4FY26 PAT increased 68–71% YoY, a significant portion of the growth was driven by a one-time deferred tax write-back of ~INR 9,000 Mn following the company's decision to migrate to the concessional tax regime from FY27. Adjusting for this non-recurring benefit, underlying operating profitability was weaker due to maintenance-related disruptions and higher financing costs associated with ongoing project execution. However, the key takeaway for investors is that the tax regime transition creates a structural reduction in NHPC's effective tax rate going forward, providing a recurring uplift to earnings and return ratios. Unlike the one-off accounting gain, this benefit is expected to enhance profitability on a sustainable basis, supporting future earnings growth as the expanded asset base begins contributing.

Conservative Tariff Recognition Provides Embedded Earnings Upside: NHPC continues to follow a prudent accounting approach by recognizing revenue from newly commissioned projects at only 80% of expected Annual Fixed Charges (AFC) until final tariff approvals are received from regulators. This conservative methodology effectively defers a portion of earnings that may subsequently be recovered through tariff true-ups. The best example is Parbati-II, where provisional tariff recognition resulted in ~INR 12,780 Mn of sales during FY26 while the project reported a temporary accounting loss. Upon receipt of the final tariff order, previously deferred revenues and returns could be recognized, creating a meaningful earnings tailwind without any incremental operational effort or capital expenditure. This provides an additional layer of upside that is not fully reflected in current reported profitability.

Healthy Financial Position Supports an Accelerating Investment Cycle: NHPC remains financially well positioned to fund its next phase of growth while maintaining shareholder returns. The company plans to increase capital expenditure from ~INR 133,000 Mn in FY26 to around INR 150,000 Mn in FY27, supported by a combination of internal accruals and debt funding. The recent issuance of INR 20,000 Mn Series-A1 bonds, within a broader INR 80,000 Mn borrowing program, reflects continued access to low-cost capital markets funding. Unlike many infrastructure developers, NHPC benefits from stable cash flows generated by its regulated asset base, allowing it to undertake large-scale investments without materially compromising financial stability. The combination of disciplined funding, visible project execution, and consistent dividend payouts strengthens confidence in the company's ability to sustain growth while preserving balance sheet quality.

Q4FY26 / FY26 Financials

INR Mn (Consolidated)	Q4FY26	Q4FY25	YoY	FY26	FY25	YoY
Revenue from operations	28,160	23,470	20%	1,16,150	1,03,800	12%
Total revenue	31,210	25,580	22%	1,26,860	1,16,150	9%
PBT (reported)	21,090	8,660	143%	29,100	44,900	-35%
PAT (reported)	15,490	9,200	68%	42,200	34,120	24%
PAT (standalone)	14,600	8,540	71%	36,890	29,620	25%

ArihantCapital
Generating Wealth

Tactical Idea
22nd June 2026

SJVN Ltd

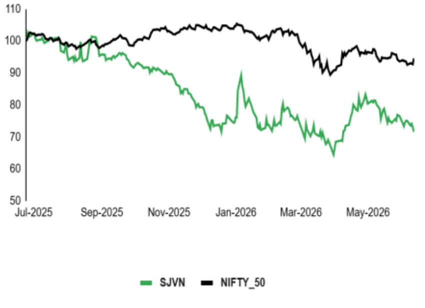
CMP: INR 73
Rating: BUY
Outlook: Positive

Stock Info	
BSE	533206
NSE	SJVN
Sector	Power
Face Value (INR)	10
Mkt Cap (INR Bn)	291.67
52w H/L (INR)	103.60/63.02
Avg Daily Volume (in 000')	3,806

Shareholding Pattern % *(As on March, 2026)*	
Promoters	81.85
Public & Others	18.15

Stock Performance (%)	1m	6m	12m
SJVN	+1.55	+1.74	-23.46
NIFTY50	+1.63	-7.90	-4.01

SJVN Vs Nifty



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SJVN Ltd., incorporated in 1988, is a leading public-sector power company engaged in the development, construction, operation, and maintenance of hydroelectric, solar, wind, thermal, and power transmission projects across India and neighboring countries. Originally established as a hydropower utility, SJVN has evolved into a diversified renewable energy player with a growing portfolio of clean energy assets and a strong pipeline of under-construction projects. The company is pursuing an ambitious capacity expansion strategy, targeting significant growth in installed capacity over the next decade through large-scale hydro, solar, and wind projects. Backed by strong government support, a healthy project pipeline, and India's increasing focus on energy security and renewable power generation, SJVN is well positioned to capitalize on the country's long-term power demand growth and clean energy transition.

Investment Rationale

Entering a Transformational Capacity Expansion Phase with Significant Earnings Visibility: SJVN is entering the most important growth phase since its inception, with installed capacity expected to expand from approximately 3.1 GW currently to nearly 7.5 GW by FY27. The growth is being driven by a diversified pipeline of thermal, hydroelectric, and solar projects, including the Buxar Thermal Power Plant, Arun-III Hydropower Project in Nepal, Bikaner Solar Park, and other renewable assets. Unlike mature utilities that rely primarily on tariff revisions and incremental efficiency improvements for earnings growth, SJVN's expansion is asset-led, providing a clear and visible path for revenue and profit accretion. As these projects move from construction to commercial operations, the company is expected to witness a substantial increase in generation, revenue base, and cash flow generation over the next two to three years.

Multiple Near-Term Catalysts Provide Exceptional Visibility into FY27 Earnings Growth: A key investment strength for SJVN is the presence of several identifiable catalysts that can drive earnings growth over the next 12–18 months. Buxar Unit-2 commissioning is expected to enhance thermal generation, while the Bikaner Solar Project is approaching full operational capacity. Additionally, the strategically important 900 MW Arun-III Hydropower Project in Nepal remains targeted for commissioning during FY27. Unlike infrastructure companies whose growth depends on projects several years away from completion, SJVN's key earnings drivers are already nearing operational readiness. This significantly reduces execution uncertainty and provides investors with a clear roadmap for future earnings expansion.

Diversified Generation Portfolio Enhances Earnings Stability: SJVN has evolved from a hydro-focused utility into a diversified power producer with exposure across hydro, thermal, solar, and wind assets. This balanced portfolio reduces dependence on hydrological conditions, improves earnings stability, and positions the company to benefit from both India's growing power demand and long-term renewable energy transition.

Government Backing and Strategic Importance Strengthen Long-Term Growth Prospects: As a Navratna Central Public Sector Enterprise, SJVN benefits from strong government support and strategic alignment with India's energy infrastructure goals. The company is expected to play a meaningful role in achieving the country's renewable energy, power security, and capacity expansion targets. Access to government-backed projects, financing support, and long-term power purchase agreements enhances business visibility and reduces counterparty risk. Additionally, projects such as Arun-III strengthen SJVN's position as a regional power developer with cross-border infrastructure capabilities, creating opportunities beyond the domestic market.

Strong Hydro Asset Base Continues to Provide Stable Cash Flows and Financial Support: While growth is increasingly being driven by new projects, SJVN's established hydro portfolio remains the foundation of its business model. Flagship assets such as Nathpa Jhakri (1,500 MW) and Rampur (412 MW) continue to generate predictable cash flows and support profitability. These mature assets operate under long-term regulated frameworks and provide stability during periods of expansion. Importantly, the hydro portfolio supports dividend payments, strengthens balance sheet resilience, and helps fund ongoing capital expenditure requirements. This stable earnings base reduces downside risk and provides investors with exposure to growth without sacrificing defensive utility characteristics.

FY26 Financial Performance Demonstrates Strong Underlying Operating Momentum: Despite concerns arising from the consolidated quarterly loss, FY26 operational and financial performance remained robust. Revenue from operations increased 22% YoY to INR 35.45 Bn, while total income rose 19% YoY to INR 38.70 Bn. Profit before tax grew 26% YoY to INR 16.30 Bn and standalone profit after tax reached INR 10.08 Bn, reflecting continued resilience in the core business. Importantly, generation increased to a record 13,302 MU during the year, indicating that recently commissioned assets are already beginning to contribute to earnings. The strength of standalone profitability suggests that SJVN's fundamental earnings trajectory remains intact and that the market's focus on the consolidated loss may be overlooking the company's improving operating performance.

Buxar Thermal Power Project Could Become the Largest Near-Term Earnings Driver: The 1,320 MW Buxar Thermal Power Plant represents one of the most significant growth catalysts in SJVN's portfolio. Unit-1 has already commenced operations, while Unit-2 is expected to be commissioned shortly. Management has indicated that profitability improves materially as PLF moves beyond the 70% threshold, implying substantial earnings leverage as utilization ramps up. Given the scale of the project, a full year of operation from both units could contribute meaningfully to consolidated revenue, EBITDA, and cash flows. The project is particularly important because it converts a large under-construction asset into a revenue-generating regulated utility asset, accelerating the transition from investment phase to monetization phase.

Key Risks: The key risks are largely execution-driven. The company continues to operate with a relatively high leverage profile, making timely commissioning and ramp-up of projects such as Buxar Thermal and SGEL critical for earnings recovery and cash flow generation. In the renewable segment, slower-than-expected PPA signings could delay monetization of awarded capacity and impact growth visibility. Additionally, management's long-term capacity targets of 25 GW by 2030 and 50 GW by 2040 may be subject to revisions depending on project execution and market conditions. Certain hydro projects in Himachal Pradesh, including Luhri, Dhaulasidh, and Sunni, remain under dispute with the state government and are excluded from our base case, though a favorable resolution could provide incremental upside.

Q4FY26 / FY26 Financials

INR Mn	Q4FY26	Q4FY25	YoY	FY26	FY25	YoY
Revenue from operations	14,960	5,040	197%	35,450	28,970	22%
Total revenue	15,480	5,490	182%	38,700	32,520	19%
PBT (s/a)	—	—	—	16,300	12,960	26%
PAT (standalone)	1,250	310	308%	10,080	9,700	4%
PAT (consolidated)	-1,180	—	—	—	—	—

Relative Positioning & Investment Framework

- NHPC and SJVN are both well-positioned to benefit from India's ongoing power sector expansion and clean energy transition, with each company currently undertaking the largest capacity addition program in its history. While both operate within the same sector and share exposure to hydroelectric and renewable energy development, their earnings profiles and growth trajectories differ based on the stage of their respective project cycles.

- NHPC offers a relatively mature operating profile, supported by a large base of regulated hydro assets that provide stable cash flows and earnings visibility. The company is entering a new growth phase through the commissioning of marquee projects such as Subansiri Lower and Parbati-II, while simultaneously building a sizeable pumped-storage portfolio that could serve as a long-term growth driver as renewable penetration increases across the power grid. With a substantial proportion of earnings derived from regulated-return assets, NHPC's growth is underpinned by a combination of operational stability and incremental capacity additions.

- SJVN, in contrast, is transitioning from a prolonged investment and construction phase into a commissioning-led growth cycle. The company has significantly expanded its project pipeline across thermal, hydro, solar, and wind segments, with major projects such as Buxar Thermal, Bikaner Solar, and Arun-III Hydro nearing operational milestones. As these projects move from construction to commercial operation, SJVN is expected to witness a meaningful increase in generation, revenue, and earnings. The company's growth profile is therefore more closely linked to project execution, commissioning timelines, and utilization ramp-up, creating the potential for a sharper earnings inflection over the medium term.

Key Catalysts Over the Next 12 Months

- For NHPC, investor attention is likely to remain focused on the operational stabilization and full earnings contribution from the Subansiri Lower Hydroelectric Project, final tariff determination for Parbati-II, and progress across its pumped-storage project portfolio. These developments are expected to improve earnings visibility while strengthening NHPC's position in India's evolving energy storage ecosystem.

- For SJVN, key milestones include the commissioning and ramp-up of Buxar Unit-2, improvement in utilization levels at Buxar Unit-1, full operationalization of recently commissioned solar projects, and progress toward the commissioning of the 900 MW Arun-III Hydropower Project in Nepal. In addition, advancements in pumped-storage and green hydrogen initiatives could provide incremental long-term growth opportunities and further diversify the company's earnings base.

Bottom Line

- Recent reported earnings for both companies have been influenced by one-off and transitional factors—tax-related adjustments in NHPC and commissioning-related expenses in SJVN. However, these near-term developments should be viewed within the context of a much larger structural growth story.

- Both companies are in the midst of significant capacity expansion programs that are expected to drive higher generation, stronger cash flows, and improved profitability over the coming years. As newly commissioned assets achieve stable operations and begin contributing for a full reporting period, both NHPC and SJVN are well positioned to capitalize on India's rising power demand, increasing renewable energy penetration, and long-term infrastructure investment cycle.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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