



CHAIRMAN'S LETTER TO THE SHAREHOLDERS



Dear Shareholders,

It gives me immense pleasure to welcome you to the 32nd Annual General Meeting and to present the Annual Report of your Company for the financial year 2019-20. Your continued interest and support for SJVN is one of our greatest motivations to rise to high standards you expect from us. I consider it my privilege to be associated with this esteemed organization for over 12 Years in different capacities.

The Audited Financial Statements of the Company along with the Reports of the Auditors and Directors for the year 2019-20 are presented for your approval and I take this opportunity to share your Company's performance, position and prospects with you.

HIGHLIGHTS OF THE YEAR 2019-20

As head of Team SJVN, my heart is filled with pride, to see the growth of our organization with a rich legacy of hard work & dedication.

It is a matter of immense pride for all of us that living up to its promise of 24 x 7 power supply to the Nation in these testing times, SJVN has achieved the **Highest ever cumulative generation of 9678 Million Units** in the financial year 2019-20 against the MoU Target of 9100 Million Units, beating its own past record of generating 9346 Million Units. The achievement bears testimony to the competence and unrelenting efforts of our operations and maintenance teams.

The Financial position and performance of the Company during FY 2019-20 has been one of the best. Revenue from operations stood at ₹2701.52 crores and Profit After Tax at ₹1651.89 crores. An interim dividend of ₹1.70 per share was paid in the month of February 2020. In addition, your Board has recommended a final dividend of ₹0.50 per share. Thus, subject to your approval, a total dividend of ₹2.20 per share (₹864.55 crore) is proposed to be paid for FY 2019-20.





Presently, your Company is poised at very crucial juncture of its journey, as it enters the threshold of a new wave of expansion and growth. Marching ahead towards the **Shared vision of 5000 MW by 2023, 12000 MW by 2030 & 25000 MW by 2040**, the Company is propelled forward by energetic aura reflecting flurry of activities at all the Projects that are under various stages of development.

The year under review would be remembered in the history as an year in which your Company not only laid the foundations for its own long term growth prospects but also pioneered innovative solutions which have the potential of reviving and revolutionizing the entire Hydro Power landscape of our Country.

Dear Shareholders, Over the past many years Hydro Power Industry has been subjected to a plethora of legislative and administrative hurdles which cause delays in execution and increased costs and ultimately render the Hydro Projects economically unviable. The problem is compounded by the rock bottom costs of power from renewable energy sources like wind and solar, coupled with stringent environmental laws and high land acquisition costs. The entire Hydro Power Industry has been paralyzed by these systemic impediments, so much so that only a few projects have seen the light of day in the past decade or so.

When confronted with similar problem for our projects in the State of Himachal Pradesh, your Company's Management was absolutely resolute that, it will neither abandon its unviable projects nor push them on backburner. Founded on this sentiment of firm determination and reinforced by innovative thinking and proactive action, we have managed to discover a way out of this stalemate which would serve as a model for the entire Hydro Power Industry to replicate in the times to come. SJVN took the initiative and after multiple rounds of deliberations, it succeeded to convince the Himachal Pradesh Government to provide concessions like deferment of free power, reimbursement of 50% of State GST and booking of 1.5% LADF to any head other than project cost, BOOT/ BOOM for 70 years etc., with an objective to bring down hydro tariff to around ₹4.5 per unit. We were able to convince and establish before the State Government, that this would be a win-win situation for the Power Producers as well the State concerned. Our efforts were fruitful and on these lines, Govt. of Himachal Pradesh signed MoUs with 3 CPSUs viz. NTPC, NHPC and SJVN for setting up 10 hydropower projects of 2917 MW on Chenab river entailing an investment of about ₹ 28,000 crore. SJVN's initiatives have also received support and endorsement of Ministry of Power which is now urging other States to replicate this model for Projects.

On business expansion front, the **Company has secured three more Hydro Electric Projects namely Bardang HEP (138MW), Purthi HEP (210MW), Reoli Dugli HEP(430MW) in the Chenab river basin in State of Himachal Pradesh** adding 778 MW to Company's Project Portfolio. We have already established Project Offices to expedite works related to these newly allotted projects. Six pre-DPR chapters for Jangi Thopan Powari HEP have been submitted to CEA, Survey work has been completed and finalization of project layout is under progress.

Your Company has also entered into a series of MoUs this year, as a part of its **expansion spree for maximizing its reach to achieve the Vision of New India 2022** as outlined by Hon'ble Prime Minister of India, Shri Narendra Modi in CPSE Conclave 2018.

In a series of domestic roadshows for attracting investment and for ensuring economic activities, Govt. of Himachal Pradesh, organized the "Power Conclave" and "Rising Himachal Global Summit" in the month of November 2019. During the course of these events, **SJVN signed MoUs for eight hydro projects totaling 2388MW**. These projects are located in Satluj, Beas and Chenab river basins in Himachal Pradesh. The development of these projects will usher in an investment of ₹ 24,000 crores and will also result in employment opportunities. We are overwhelmed by the unrelenting support and trust posed by GoHP on our Company.

Another, MoU was signed with NEEPCO to Collaborate & Co-operate for development of Power Projects in India & Abroad with an immediate focus of Northeast and Eastern States of India. SJVN & NEEPCO have agreed to work in alliance in the form of Joint Ventures (JVs), Special Purpose Vehicles (SPVs) and consortiums.

SJVN & BHEL also entered into an MoU for development of Solar Power projects in India. This MoU aims at building a closer strategic partnership between the parties for jointly pursuing commercial solar power projects through participation in tariff/viability gap funding based competitive bidding process.

Dear Friends, you all would be glad to know that your **Company has become the first PSU in the country to achieve Level-3 of People Capability Maturity Model (PCMM) Integration**. Committed to continuous improvement and closing the capability gap, SJVN achieved Level-2 certification in April, 2018. This achievement is a testimony to SJVN's commitment to excellence in HR practices and its belief in its human capital capability as a key lever to the realization of its Shared Vision.

Amongst other major accomplishments, Financial Closure for 900 MW Arun-3 HEP was achieved in February 2020. Ground breaking ceremony of 210 MW Luhri Stage – I HEP & 66 MW Dhaulasidh HEP was done in an event presided over by Hon'ble Union Minister of Home Affairs, Shri Amit Shah.

Government of India has selected SJVN as Nodal PSU for execution of 1000 MW Solar Energy Development in Himachal Pradesh. This will further add to the installed capacity of the company and SJVN will contribute in achieving the renewable energy capacity addition targets set by Gol.

HIGHLIGHTS OF THE YEAR 2020-21

Dear Shareholders, after an unprecedented and historic Nationwide Lockdown due to COVID -19, the month of June 2020 saw unrolling of UNLOCK-1 in India with every citizen getting back stronger on his feet with each passing day. The activities of our projects in Construction and Pre-Construction stage had slowed down due to global pandemic crisis. However, the dedication of our employees has once again seen steady progress in the works. We are striving hard with **Acceleration Plans to recover the setback of progress suffered by the projects under development during COVID Lockdown**.

I am indeed delighted to inform our Members that, during the month of August 2020, **SJVN has bagged quoted capacity of 100 MW in Dholera Solar Park, Gujarat** through open bidding process @ Rs. 2.80 /Unit on Build Own and Operate basis. The tentative cost of the project is Rs.450 crore. The project is





expected to be commissioned by March 2022 and shall generate 244 million units in a year. The power purchase agreement will be signed for 25 years.

In another major development, R&R plan for Dhaulasidh HEP was approved by Himachal Pradesh Government on 29th July 2020 and Stage – 2 Forest Clearance has been accorded by MoEF& CC on 11.08.2020.

During the month of July 2020, **Highest ever record monthly generation 1213 MU & 334 MU was achieved by NJHPS and RHPS** as against previous high of 1191 MU and 327 MU respectively.

In a major breakthrough, SJVN's Joint Venture - Kholongchhu Hydro Electric Limited (KHEL) signed a Concession Agreement (CA) with Royal Government of Bhutan. With signing of this agreement, issue of Power sale, pending since 2016, stands resolved and also bears the consent of both the Governments (India & Bhutan). Kholongchhu HEP is the first Joint Venture Hydro Project in Bhutan and symbolizes prospering Indo-Bhutan Economic co-operation.

In the first quarter of the Financial Year 2020-21, 2780 MU of power has already been generated. Out of this, NJHPS generated 2140MUs, RHPS generated 602 MU, Renewable Power Projects have generated a total of 38 MUs till 30th June 2020.

MACRO ECONOMIC SCENARIO AND GOVERNMENT POLICY

Dear Shareholders, the world economy, which was already slipping into a phase of economic slowdown in FY 2019-20 was hit by COVID-19 pandemic in the earlier part of this year, resulting in a massive global economic upheaval. No Country, no Industry, no Business has remained untouched by this cataclysmic event of epic proportion. These are tough and testing times not only for businesses but also for the Nations and Societies at large, rather I would say the entire Human Race. Against the ferocity of this pandemic, even the most developed Nations have been brought to their knees. The only way, that we knew, to control the pandemic was through lockdowns and isolation. Therefore, most economies came to a grinding halt, manifesting what IMF calls '**The Great Lockdown**'. Owing to which, experts predict a 3% contraction of global GDP, meaning over \$9 trillion slash in the global growth over the next 20 months following lockdown. The Indian economy is likely to witness tough times ahead as compulsory lockdown takes a toll on discretionary consumption. The situation might even prevail for quarters after the lockdown eases. The Economy has suffered a big jolt, especially sectors such as MSMEs, Tourism & Hospitality, Aviation, Automobile and Real Estate. The situation has caused deep financial stress in all sections of society, especially the down trodden.

Thankfully, owing to its typical business structure, operational and financial performance of your Company has largely remained unaffected from any direct impact to a large extent. However, the Company may face indirect impact from overall economic damage caused to the world economy by COVID-19 Pandemic. Thus, the impact on Company's Operational Projects is expected to be minimal whereas that on Projects under Development is likely to be moderate to severe.

On Government Policy front, availability of reliable and affordable energy is the key for development of any country. Several steps have been taken by the Government to reform and strengthen the power sector as a whole including power generation, transmission & distribution.

Government has continued its thrust on its flagship Power Sector reform schemes like - Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA), Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), Smart Metering, Ujwal DISCOM Assurance Yojana (UDAY), One Nation-One Grid-One Frequency etc.

During the year, Union Cabinet approved Guidelines for operationalizing the various measures to promote Hydropower Sector which include - Declaring Large Hydropower Projects (>25 MW) as Renewable Energy; Hydropower Purchase Obligation (HPO); Tariff rationalization measures; Budgetary support for flood moderation component; Budgetary support for enabling infrastructure like bridges, roads etc.

The Central Government has taken a major step to address the problem of mounting outstanding dues towards Generating Companies by the Distribution Companies by issuing an Order on 28th June, 2019 regarding Opening and maintaining of adequate Letter of Credit (LC) as Payment Security Mechanism under Power Purchase Agreements by Distribution Licensees. This mechanism has been made effective w.e.f 1st August, 2019. The measure is expected to improve payments to the power generators and improve sustainability in the Power Sector.

Eight Regional Energy Management Centers (REMS) have been commissioned during 2019. These REMCs would help in Grid integration of Renewable Energy by taking care of intermittency of RE generation and, facilitating real time forecasting, scheduling and real time tracking of Renewable Energy Generation.

In Order to promote the capacity addition of Solar and Wind Power Projects, the waiver available for use of Inter State Transmission System (ISTS transmission charges and losses) has been extended for use of Inter State Transmission System (ISTS) for transmission of electricity by Solar or Wind power projects commissioned till December 2022. The waiver shall be applicable for the twenty five years from the commissioning of such projects.

Ministry of Power has formally launched a pan-India real-time market in electricity, which allows consumers to buy power just one hour before delivery. Real-time market (RTM) enables consumers, including distribution companies (DISCOMs) and captive users, to buy power on exchanges just an hour before delivery. Real-time market will make the power market dynamic as auctions will be conducted every 30 minutes. There will be 48 auction sessions during the day. The real time market would provide an alternate mechanism for DISCOMs to access larger market at competitive price.

FUTURE PROSPECTS

My dear friends, **SJVN has already set foot on the path of becoming a transnational diversified world class power company.** To sustain this performance and transform SJVN, your Management has identified four focus areas. First, speeding up the process of Survey & Investigation and obtaining various clearances in timely manner to bring the projects into construction stage. Second, completion of Projects Under Construction without time and cost overruns.





Third, contract management and learning from the experiences of the past to minimize contracts related disputes. Fourth and very importantly, expansion by acquiring new projects and diversification of business across verticals.

However, the upcoming year is going to be replete with challenges. Our construction and pre-construction activities suffered due to this unforeseen pandemic. This loss in time if not compensated will translate into loss of revenue. Further, the Overall scenario in the sector as well appears gloomy. Within 10 days of the lockdown, India was already consuming 20% less power than usual. The expected shrinkage in power demand has been estimated to decline by 20-25%. With economies and industry coming to a halt, various states are likely to be under financial stress. This entire scenario will adversely impact the revenues and cash collections for us and other power utilities.

We will continue in our journey to pursue our long term Shared Vision of 25000 MW by 2040. Right now: our biggest challenge is to continue to enhance the skills of the employees. We are utilizing the services of country's premier institutions like IITs and IIMs to upgrade technical, managerial and personal knowledge and skills of our employees. The goal is to give them an opportunity to develop their skills with the aim to enhance not only their ability but that of the company as a whole.

Your Management's highest priority would be to execute the projects in hand, with special focus on projects under construction, within the planned schedule.

Keeping in view country's commitment to a healthy planet as per the Paris Accord on Climate Change, Govt. of India has set a target for installing 175 GW of renewable energy capacity by 2022. This includes 100 GW from solar, 60 GW from wind, 10 GW from bio-power and 5 GW from small hydro power. Your Company is exploring various possibilities including setting up Solar power projects in Major Solar parks through competitive bidding process or otherwise through state Nodal Agencies to make inroads into the Renewables segment. We have already identified Solar Projects / Solar Parks for bidding or allotment on nomination basis. We are targeting to add 500 MW to 700 MW of Solar capacity in next couple of years. We are also following up with Government of Himachal Pradesh for expeditious development of 880 MW Kaza Solar Park in Spiti Valley and with Govt. of Maharashtra for allotment in 1,000 MW floating solar power project on Ujani dam.

For bringing 252 MW Devsari HEP & 44 MW Jakhol Sankri HEP into construction stage, we are taking up the matter with Government of Uttarakhand to grant concessions on similar lines as provided by Government of HP to make the projects economically viable. Obtaining necessary approvals for Luhri Stage I, Sunni Dam, Devsari HEP and Jakhol Sankri HEP is targeted in this year.

Similarly, in Nepal we are striving to convince Government of Nepal to allocate more projects to SJVN on Arun river basin & elsewhere. With appropriate utilization of infrastructure, we shall develop these projects more efficiently and economically.

The north-eastern region of India - particularly states of Arunachal Pradesh and Mizoram have abundant, untapped hydropower potential. The estimated potential is approximately 50,000 MW in Arunachal Pradesh and 4,500 MW in Mizoram. North East has the potential to be transformed into an economic hub and gateway connecting India to South-East Asian (ASEAN) countries which can be utilized for export of Power amongst other things. Accordingly, **North East will be one of the high priority areas in Company's Hydro Power expansion strategies.** We are in touch with State Governments of Arunachal Pradesh and Sikkim for any investment opportunities.

The Company is already charting out expansion strategies like acquisition of stressed companies through NCLT or otherwise, formation of consortiums & strategic partnerships with peer group CPSEs / established players for bidding of power projects in India and South East Asia, acquisition of existing projects in various stages of survey & investigation or construction or O&M, new hydro projects in portfolio via MoU route etc.

Going forward, in the long term I foresee that, fossil fuel based Power does not have a very long future. **Considering, worldwide focus on pressing issues like Climate change, Sustainable Development and Environmental Protection, sooner or later, every country will be compelled to switch over to cleaner and greener sources of energy.** Electric Vehicles will become a norm rather than an exception. As on date, India has more than 2,30,000 MW of installed capacity from Thermal sources like Coal, Lignite, Gas and Diesel. Eventually, as and when the Country shifts this capacity to alternative sources over next 20-30 years, a massive window of opportunity would be opened for Companies engaged in Hydro and Renewable Power Generation. We at SJVN are bracing ourselves to seize this opportunity.

We have already engaged renowned Consultants from the Industry to aid the Management to draw up long term Corporate Plan for the Company in line with our Vision. As a logical progression of this step, we plan to supplement our Corporate Plan with dynamic and elaborate Corporate Strategy. It is vital that Corporate Strategy is continuously adapted, evolved and fine-tuned in accordance with the ever changing business environment. I am of the firm view that, we need to radically change our work culture and adopt global best practices to survive and thrive amidst cut throat competition. Therefore, we are in the process of hiring the best Professional firms with requisite expertise and experience to assist the Management on continuous basis to formulate and calibrate dynamic Strategies for accomplishing our Corporate Plan. Simultaneously, I intend to elevate the professional skills and competencies of our workforce to a Global Level. I have made extensive efforts at my personal level to ensure that the Company's long term Vision, Corporate Plan and Strategy do not remain confined to higher echelons of hierarchy but permeate to the lowest levels of employees so that each and every person in the organization makes a concerted and harmonized effort to achieve these goals.

The Status of Operational Plants and other ongoing Projects has been amply covered in the Directors' Report and hence, I would only like to mention that in addition to the Operational Plants having combined installed capacity of more than 2015 MW and other projects, totaling up to more than 5574 MW of capacity, are at different stages of construction and development. **I on behalf of Management and Employees of SJVN would like to assure our Shareholders of our sincere and unrelenting efforts to the best of our abilities.**





BEYOND CORPORATE SOCIAL RESPONSIBILITY

Dear Shareholders, Your Company's resolve towards its social and environmental obligations is amply displayed, in the way it functions and operates. We believe in optimum utilization of resources, for environment friendly socio-economic development resulting in growth with sustainability. The challenges ahead are big, but I am sure that the expertise and drive of our employees will see us vanquishing them.

Your Company has formulated and adopted a well perceived Corporate Social Responsibility and Sustainability Policy, which is in consonance with the Companies Act, 2013 and CSR guidelines issued by DPE. The company's CSR Policy statement embeds the concerns of its stakeholders and strives to maintain a good standard of CSR and Sustainability in its business activities. To meet this commitment, SJVN will continue to respect the rule of law, local communities and societies at large, and make conscious efforts to enhance the quality of life as well as environmental sustainability through its CSR and Sustainability programs.

The focus areas of CSR and Sustainability programs encompass the activities as laid down under schedule VII of the Companies Act, 2013 which includes healthcare & hygiene; education & skill development; empowerment of vulnerable sections of society; promoting gender equality; infrastructure & community development; promotion & preservation of culture; heritage and sports; sustainable development; and assistance during natural disasters.

Your Company spent a total amount of ₹ 36.35 crore on CSR and Sustainability activities during FY 2019-20 which is more than 2.00% of the average net profit during last three years. This demonstrates your Company's firm commitment towards its social obligations in letter and spirit.

It gives me great satisfaction to share that CSR initiatives of your company have stood the test of time and have been widely acclaimed at various national and international forums.

Here I would also like to add that, being a socially responsive organization with conscience, SJVN stood by the Nation and its people in the dire situation emerging due to worldwide COVID-19 pandemic, going beyond obligatory CSR Mandate. The Organization contributed ₹ 25 Crores to the PM CARES Fund. In addition, SJVN Employees have also voluntarily contributed a sum of ₹ 32 Lakhs to the fund from their salaries. A financial support of ₹ 2 Crores was also provided to GoHP for procuring ventilators, PPEs, masks, Sanitizers etc. Further, a provision of ₹ 2.95 Crores has also been made by the Organization for assisting in fight against the pandemic. SJVN has also taken a major step to provide relief to the Power DISCOMS of our beneficiary States by extending a rebate of ₹ 58 Crores for the lockdown period in the energy bills of May 2020. **I assure our stakeholders and countrymen that we will continue to contribute to the fight against COVID-19 by our Nation by all means available at our disposal.**

CORPORATE GOVERNANCE

Dear Friends, As a listed company, SJVN has been complying with the requirements of Corporate Governance under the SEBI (LODR) Regulations and also Guidelines issued by Department of Public Enterprises, Government of India. In this regard, your company has been constantly achieving "Excellent" rating for compliance with 'DPE Guidelines on Corporate Governance' under the 'Corporate Governance Grading System' prescribed by DPE.

ACKNOWLEDGMENT

I take this opportunity to express my sincere gratitude for the continued and immense support and co-operation received from the Government of India, State Governments of Himachal Pradesh, Uttarakhand, Bihar, Maharashtra and Gujarat, the Governments of Nepal and Bhutan, other Governmental and Non-Governmental agencies; Statutory, Cost, Secretarial and Internal Auditors; our Customers; Business associates who have supported the Company; various Financial Institutions & Bankers and Regulatory authorities. Above all, I acknowledge the unstinted support received from the Shareholders, Investors and Partners in the growth of the Company and thank them for their continued confidence and trust in the Management.

I also convey my thanks and appreciation to my esteemed colleagues on the Board for their valuable support and guidance and finally, to my team of dedicated and hardworking employees for their unflinching commitment to deliver despite all odds and look forward to their continued support.

Thanking you,

Yours Sincerely

(Nand Lal Sharma)

Chairman & Managing Director

DIN: 03495554

Date : 28th August, 2020

Place : Shimla

