

## **CHAIRMAN'S STATEMENT ON THE EVE OF 26th ANNUAL GENERAL MEETING**

Dear Shareholders,

As SJVN completes 25 years of its remarkable and challenging journey in Power Sector, it is my privilege to review our exciting journey of growth and also to give you a glimpse of the stellar future of our company that lies ahead beyond 25 years.

As you know that, our Company was incorporated with the sole object of executing the largest and one of the most challenging Hydroelectric Project in the history of the country i.e. Nathpa Jhakri Hydro Electric Project (NJHEP). Despite various trials and tribulations, our Company successfully managed to create a "**Marvel of modern engineering**" or as Pandit Jawaharlal Nehru once said "**Temple of Modern India**" in form of NJHEP.

The Project has been running successfully over the past 9 years constantly achieving new milestones and setting new benchmarks of excellence. Your company has managed to achieve and sustain excellent physical and financial performance since commissioning of the NJHPS. In the process the company gained invaluable experience & expertise to conceptualize, develop, operate and maintain Hydro Power schemes of complex dimensions. We believe that it is not the machines but the team of men behind them who have enabled us to raise the bar for others in the Industry. We count our team of motivated people as the biggest asset of our company and we plan to utilize this asset to the best benefit of the company and all its stakeholders. The Annual Audited Accounts along with the Report of the Auditors and Directors for the year 2012-13 are presented for your appraisal.

### **HIGHLIGHTS OF THE YEAR 2012-13**

Your company's flagship project, the 1500MW Nathpa Jhakri Power Station (NJHPS) continued to achieve new milestones during F.Y. 2012-13. The Plant Generated 6777.77 MUs of energy and exceeded design energy of 6612 MUs at a record Normative Plant Availability Factor of 105.15%. The power station also established a record by generating 1186 million units of electricity in a single month during July, 2012. Similarly, the highest single day generation (till that time) of 39.015 MUs was achieved on 27th July 2012.

As regards the Financial performance, due to lesser discharge of water during the year under review, lesser energy was generated which resulted in decrease in Revenue to Rs.1682.10 crore as compared to Rs.1927.50 crore for the corresponding period of the previous year. However, despite decrease in revenue by 12.73%, Profit After Tax decreased only by 1.53% to Rs.1052.34 crore as against Rs.1068.68 crore during the previous year.

Your Board has recommended a dividend of Rs.0.96 per share (Rs.397.12 crore) as against the dividend of Rs.0.94 per share (Rs.388.84 crore) for the previous year despite a marginal decrease in Profit. The dividend yield on the Company's shares is one of the best amongst all peer group Power Sector Companies.

### **HIGHLIGHTS OF THE YEAR 2013-14**

The NJHPS established another milestone of crossing 60,000 million units of power generation on 14th June 2013. On 21st May 2013, the NJHPS has achieved highest ever daily record generation of 39.079 MUs.

During the financial year 2013-14, SJVN targets to generate 6930 million units of power (under Excellent parameters) with an expected revenue realization of Rs.1783 crore from NJHPS as well as its upcoming 47.6 MW Khirvire Wind Power Project (55 MU), in Maharashtra.

The Gross Energy Generation till 31st July 2013 was 3478.314 MUs as against 3278.063 MUs for the corresponding period of previous year.

SJVN is scheduled to commission the Khirvire Wind Power Project of 47.6MW capacity in Maharashtra. This happens to be our first foray into tapping non-conventional energy sources. By the year end SJVN would also be commissioning its second hydroelectric project, the 412MW Rampur HEP in Himachal Pradesh.

### **FUTURE PLANS**

Without resting on the past laurels, your company is now all poised for taking a quantum leap into new vistas of growth and evolution in the next 20 years. Growth, Expansion and Diversification will be the key words that will define the course of Company's business in the coming years. Your Management is devising aggressive

Business Development strategies in this direction. We shall be striving hard to make SJVN a globally admired company with portfolio of 30,000 MW capacity, having presence in all sectors of energy including renewables by 2030.

Presently, the Company is primarily engaged in Hydro Power Generation which is a clean and green energy source. However, Hydro Power has its own set of risks and disadvantages - Prolonged gestation periods, High cost of construction, Environmental issues, Geological Risks, Political Risks, Rehabilitation & Resettlement costs, Infrastructural development costs, Government Policies etc.

Diversification is the tried and tested remedy to contain the risks of exposure to a single sector. Diversification into Conventional & Non-conventional Energy will help the company to rapidly expand and diversify its existing Project Portfolio thereby mitigating the risks associated with exposure to a single sector.

On conventional energy front, Thermal Power remains the biggest source of Power in India and accounts for over 65% of India's generated electricity. Thermal Power has advantages of a low gestation period, lower costs and proven technology. The existing power deficit and the rising demand, coupled with the Government's commitment to provide access to Electricity for all, necessitate a large scale capacity addition programme. As per the National Electricity Plan 2012 during the 12th plan 67,746 MW of capacity addition is planned from Thermal Sector which represents a huge window of opportunity to Power Companies. Accordingly, approval of shareholders was sought in November 2012 to enable the Company to enter into Thermal Sector.

I am extremely delighted to inform our shareholders that the **Company has made a roaring debut into the Thermal Sector** by securing 1320MW Buxar Bijlee Project in Bihar. We have also been allotted Coal block in the 2102 MT Deocha-Pachami Coal Block located in West Bengal for the Project.

On the non-conventional energy front, we consider Wind and Solar Energy as highly promising avenues for the future, not only nationally but also globally. The Company was early to recognize and seize this opportunity. Our maiden Wind Energy Project is scheduled to be commissioned in FY 2013-14 itself. Similarly, the company has already initiated the process for setting up its first Solar Project in Gujrat. The Company will continue to invest its men and resources to explore and expand into the domain of non-conventional energy.

The Status of on going Projects has been amply covered in the Directors' Report 2013 and hence, I would only like to mention that the other projects, namely, Luhri (588 MW); Dhaulasidh (66 MW) (both projects in Himachal Pradesh); Devsari (252 MW), Naitwar Mori (60 MW), Jakhol Sankri (51 MW) (all the three projects in Uttarakhand); Arun-III (900 MW) in Nepal and Kolangchu (600MW) and Wangchu (570MW) projects in Bhutan; all of these are in different stages of execution. In addition, Pre-feasibility reports of 60MW Ranganadi Stage II Project, 378 MW Kameng-1 Project and 80 MW Doimukh projects in Arunachal Pradesh have been prepared and SJVN and in all probability, we would be executing these projects in the coming years.

## **CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT**

SJVN perceives welfare and development of its host community more as a responsibility rather than an obligation. Our substantial social investment is based on our strong belief that our success as a business is tied directly with the socio-economic vitality and health of the communities around our business units. We value the partnerships we build with the communities around our units. For us, CSR is "**Corporate Social Relationship**".

The Company's CSR initiatives have received high recognition and admiration from all quarters and are quoted as an example for other companies to follow. For its exemplary efforts the company received the "**Most Caring Company Award**" from the World CSR Congress in February 2013 and "**Vishvakarma Award**" from CIDC in March 2013.

## **CORPORATE GOVERNANCE**

As a listed company, your company has been complying with the requirements of Corporate Governance under the listing agreement and also Guidelines issued by Department of Public Enterprises, Government of India in this regard. The Company has also obtained a certificate from Practicing Company Secretary regarding compliance with Corporate Governance requirements under the listing agreement.

Your company has achieved "**Excellent**" rating for compliance with DPE Guidelines on Corporate Governance during F.Y. 2012-13 under Corporate Governance grading system prescribed by DPE for the second year in a row.

## **ACKNOWLEDGEMENT**

I take this opportunity to express my sincere gratitude for the immense support and co-operation received from the Government of India, State Governments of Himachal Pradesh, Uttarakhand, Bihar, Arunachal Pradesh, Maharashtra and Gujarat, the Governments of Nepal and Bhutan, other Governmental and Non-Governmental agencies, Statutory, Cost and Internal Auditors, our Customers, Business associates who have supported the Company, various Financial Institutions & Bankers, Regulatory authorities for their continued support and above all the Shareholders, Investors and Partners in the growth of the Company 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, to my team of dedicated and hardworking employees which enabled us to achieve all milestones with distinction; and one and all for reposing trust in me and granting me opportunity to steer this wonderful organization.

Thank you all,

Jai hind,

Shimla

12th September 2013

(R.P. SINGH)  
Chairman and Managing Director