

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

**Dear Shareholders,**

It gives me immense pleasure to welcome you to the 33rd Annual General Meeting and to present the Annual Report of your Company for the financial year 2020-21.

The Audited Financial Statements of the Company along with the Reports of the Auditors and Directors for the year 2020-21 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 2020-21**Dear Friends,**

Financial Year 2020-21 has marked its place in the history as a year of adversities. COVID-19 pandemic unleashed an unprecedented humanitarian, social and economic crisis on a global scale. We as a Nation grappled with the two massive waves of COVID-19, which wreaked havoc on the entire humanity. It was a year in which most of us faced physical, emotional, mental and financial challenges on personal and official fronts. It was also a year when the less privileged were disproportionately hurt by unemployment and poverty. But above all, it was a time when companies discovered what they really were and sometimes, what they might become. Entire humanity has stood up to these difficult times and learned to come out of it stronger.

As head of Team SJVN, my heart is filled with pride, to share with you all that, with the collective and relentless efforts of your Management supported by a formidable team of employees, SJVN has demonstrated its resilience in this phase of adversity and has come up in flying colors.

It was a year in which a flurry of challenges were unleashed upon the Company on all fronts. Turbulent times put us through the biggest of tests. As if Global pandemic was not enough, our Operational Hydro projects faced one of the toughest years in terms of hydrological conditions. Similarly our under-construction Projects were confronted with impediments such as workforce migration and irregular supply of material at project sites induced by recurrent waves of global pandemic.

OPERATIONAL PERFORMANCE**Dear Shareholders,**

Braving all the challenges in our path, we have managed to maintain the outstanding operational performance and **generated 9224 million units of electricity** from our five Power Stations against Design Energy of 8700 Million Units during FY 2020-21, achieving significant milestones and shattering many records on the way.

In July 2020, **Rampur Hydro Power Station (RHPS) recorded highest ever Monthly Power Generation of 333.695 MU** as compared to its earlier record of 327.027 MU of July 2019. In another proud moment, **Nathpa Jhakri Hydro Power Station (NJHPS) achieved highest ever Single Day Power Generation of 39.373 MU** on 21st August 2020 surpassing its own record of 39.363 MU achieved on 3rd Sept 2015. **NJHPS also achieved highest ever monthly power generation of 1213.101 MU** in the month of July 2020 exceeding the earlier record of 1191.217 MU of July 2014.



FINANCIAL PERFORMANCE

My Dear Friends,

Coming to the Financial performance, your Company has managed to clock the **Highest Ever Profits Before Tax of ₹2168.67 crore** during FY 2020-21. Total Income also rose to ₹3213.07 crore registering an increase of ₹117.83 crore from ₹3095.24 crore during last year. Company has earned net profit of ₹1633.04 crore against ₹1557.43 crore earned during the previous financial year which is also one of the best. Similarly, Earning Per Share (EPS) has soared to ₹4.16 per share from ₹3.96 during the previous year.

An **Interim dividend of ₹1.80 per share** was paid in the month of February 2021. In addition, your Board has recommended a **Final dividend of ₹0.40 per share**. Thus, subject to your approval, a **Total dividend of ₹2.20 per share** is proposed to be paid for FY 2020-21.

Propelling ahead towards the **Shared vision of 5000 MW by 2023, 12000 MW by 2030 & 25000 MW by 2040**, our spirits remained undeterred and unfettered by the widespread social and economic upheaval.

PROJECT EXECUTION

Dear Shareholders,

Presently, the **Project Portfolio of the Company comprises of a total of 26 Projects totaling 8930.5 MW** out of which 6 Projects (2016.5 MW) are Operational, 7 Projects (3226 MW) are under Construction, 3 Projects (501 MW) are under Investment approval/ pre-construction and 10 Project (3187 MW) are in Survey and Investigation Stage. In addition, 1 Transmission Line project of 86 km is operational and another 2 Transmission Line Projects totaling 257 km are under Construction. Thus, the Project Development activities have also scaled to a Record High during the previous year.

The detailed status and progress of Operational Plants and other Projects under development has been amply covered in the Directors' Report. Hence, I would only like to highlight some noteworthy accomplishments during the year. Investment approvals for construction of 66 MW Dhaulasidh HEP and 210 MW Luhri Stage-1 HEP and for pre-construction activities of Jangi Thopan Powari HEP were obtained from Government of India. EPC Packages for Dhaulasidh HEP and Luhri Stage-1 HEP were also awarded during the year.

Financial Closure of Buxar Thermal Power Project was achieved. Consortium financing arrangements for Kholongchhu HEP and Buxar Thermal Power Project were also finalized during the year.

Your Management was quick to recognize the need to take urgent action to cushion the consequences of pandemic and set the stage for speedy recovery of progress of projects under implementation to bring them back on track. Instead of sitting with hand on hand and hiding behind the excuse adverse circumstances, your Management took bold and proactive decision to formulate and implement Acceleration Plan in 900 MW Arun-3 HEP to recover the time and cost setbacks after carefully weighing the costs and benefits of such action. Such courageous decision making and proactive actions are rare in Public Sector Companies.

BUSINESS EXPANSION

Dear Shareholders,

The spree of good news for our investors continues on business expansion front too. During FY 2020-21 and first Quarter of 2021-22, another **1325 MW of Capacity has been added to Company's Portfolio**. This cannot be considered as an insignificant achievement by any standard, considering the all-round economic recession during the period.

Government of Himachal Pradesh allotted **Three Hydro Electric Projects** namely, **104 MW Tandi, 130 MW Rashil and 267 MW Sach Khas Hydro Electric Projects** on the Chenab Basin in Himachal Pradesh to SJVN.

The Investment Board of Nepal allotted **679 MW Lower Arun Hydro Electric Project** located in Sankhuwasabha and Bhojpur Districts of Nepal to SJVN. We have obtained the Project through International Competitive Bidding, after competing with various international companies.

In addition, SJVN also bagged **70 MW in Gujarat under Gujarat Solar PV Project- Phase XII** and **75 MW Grid-Connected Solar Power Project at Parasan, Uttar Pradesh** through competitive bidding process. By increasing its footprints in the Solar sector, SJVN shall be contributing in realization of Hon'ble Prime Minister Sh. Narendra Modi's vision of providing 175 GW of power through renewable sources by 2022 and contribute to the growth story of the nation.

OTHER DEVELOPMENTS

Dear Shareholders,

SJVN joined International Solar Alliance (ISA) as Corporate Member. This prestigious membership will provide SJVN a global platform to garner cooperation amongst member countries to enhance the use of Solar Energy in a safe, convenient, affordable, equitable and sustainable manner.

SJVN signed MoU with Indian Renewable Energy Development Agency Ltd. (IREDA) for providing its services to SJVN for Green Energy projects. IREDA will undertake Techno-Financial due diligence of Renewable Energy, Energy Efficiency & Conservation Projects for SJVN.

I again feel delighted to share that the **Dalal Street Investment Journal has recognized SJVN as the "Most Efficient and Profitable Mini Ratna of the Year"** in the PSU Award of the Year 2020.

To sum it all, it would not be an overstatement to state that SJVN has managed to excel and perform on all fronts and has proved its mettle amidst times of adversity. Living upto the faith posed by our stakeholders, we have laid the foundation for long term growth and prosperity of this organization.

HIGHLIGHTS OF THE YEAR 2021-22

Dear Friends,

We have embarked on a new financial year with lots of promises, aspirations and dreams to take SJVN to next level. In the first quarter of the Financial Year 2021-22, 2436 MU of power has already been generated. Out of this, NJHPS generated 1867 MU, RHPS generated 523 MU, Renewable Power Projects have generated a total of 46 MU till 30th June 2021.

Both NJHPS and RHPS once again exceeded the Monthly Generation Record in the month of July 2021 by generating 1216.565 MU and 335.905 MU of



energy respectively. **NJHPS and RHPS have also achieved a record Plant Availability Factor** of 109.969% and 110.001% respectively during first Quarter of current year.

The construction activities of ongoing projects are slowly rolling back to normal and we are trying to recover the time and cost overruns through suitable acceleration plans.

MACRO ECONOMIC SCENARIO AND GOVERNMENT POLICY

Dear Shareholders,

The world is gradually recovering from the COVID Pandemic. However, the period of trouble is far from over. It would take significant time for Nations and businesses to recoup the losses suffered in the last 2 years and walk back on the course of full recovery. The experts are predicting a sharp rebound in economic activity once the threat of COVID-19 is brought down to a manageable level. According to the World Bank, the global economy is expected to grow 5.6% in 2021-22. This is the fastest post-recession pace in the last 80 years. We continue to remain cautiously optimistic in the short to medium term.

On Government Policy front, some key developments and reform initiatives have taken place which are likely to have a bearing upon our business and financials.

In a significant development, the CERC has amended regulation 59 of CERC (Terms and Conditions of Tariff) Regulations, 2019 whereby, it has been prescribed that the charges payable by a beneficiary or long term customer shall be first adjusted towards Late Payment Surcharge on the outstanding charges and thereafter, towards monthly charges levied by the generating company or the transmission licensee, as the case may be, starting from the longest overdue bill. This reform initiative has a direct bearing on the outstanding bill position of the company and the results have already started reflecting in the financials of the Company. An amount of ₹476.87 crore has been recovered on account of Late Payment Surcharge from the beneficiaries during FY 2020-21. The position of Outstanding Bills has also shown a significant improvement.

Hon'ble Finance Minister, Govt. of India on 13th May 2020, decided to infuse liquidity of ₹90,000 Crores in the power sector through PFC Ltd. and REC Ltd. to enable the sector to maintain power supplies and keep the lights on, as cash flows had plummeted during lockdown imposed to contain the spread of COVID-19. Under this intervention, REC and PFC would extend special long term transition loans upto 10 years to Power Distribution Companies for liquidating outstanding dues of Central Public Sector Undertaking-Generation & Transmission Companies, Independent Power Producers and Renewable Energy generators as existing on 30.06.2020.

The guidelines for Hydro Purchase Obligations (HPO), Budgetary support for Flood Moderation and Enabling Infrastructure are under advance stage of discussion and likely to be issued soon. The saleability issues facing hydropower would be addressed through HPO, tariff rationalisation measures and budgetary support for flood moderation and enabling infrastructure like roads, bridges etc. Large Hydropower projects (>25 MW) would also become eligible for green funding after being categorised as renewable energy source.

Government of India has been driving a vibrant renewable energy programme aimed at achieving energy security, energy access and reducing the carbon footprints of the national economy. This is in line with India's commitments under the 2015 Paris Agreement to reduce greenhouse gas emissions intensity by 33 to 35 percent below 2005 levels and to achieve 40 percent of installed electric power capacity from non-fossil sources by 2030. With progressively declining costs, improved efficiency and reliability, renewable energy is now an attractive option for meeting the energy needs across different sectors of the economy. However, renewable energy technologies are still evolving in terms of technological maturity and cost competitiveness and face numerous market related, economic and social barriers.

In order to promote generation from renewable sources of energy, Ministry of Power, Govt. of India has issued an Order on 5th August 2020 for extension of waiver of Inter State Transmission System (ISTS) charges and losses for transmission of the electricity generated from solar and wind projects commissioned till 30th June 2023.

Guidelines for Tariff Based Competitive Bidding Process for procurement of power from Grid Connected Wind-Solar Hybrid Projects have been notified under section 63 of Electricity Act, 2003. These Guidelines provide for standardization and uniformity of the procurement process and a risk-sharing framework between various stakeholders, thereby encouraging investments, enhancing bankability of projects and improving profitability. The Guidelines also facilitate transparency and fairness in the procurement processes which have resulted in the drastic fall in solar and wind power prices over the past few years.

Foreign investors can now enter into joint venture with an Indian partner for financial and/or technical collaboration and for setting up of renewable energy-based power generation projects. Upto 100 per cent foreign investment as equity qualifies for automatic approval. Foreign Direct Investments are likely to rejuvenate the Renewable Energy Space by infusing smart Money, Technology, Management and Competitiveness.

For quality assurance, standards for deployment of solar photovoltaic systems/devices have been notified. Renewable energy projects have been given priority sector lending status for loans up to a limit of ₹30 crore.

FUTURE PROSPECTS

My Dear Friends,

SJVN has already set foot on the path of becoming a transnational diversified world class power company. Going forward, our highest priority would be to execute the projects in hand, with special focus on projects under construction, within the planned schedule. Wherever and whenever the situation demands, we will not hesitate in taking extraordinary measures like implementation of Acceleration Plans to recoup the lost progress.

We foresee that, due to exponential growth in Solar & Wind capacities, there would be a huge demand for peaking power in the near future. By virtue of its diversified portfolio, your company stands in a position of advantage in such a situation. Low Cost Power from the Solar and Wind Projects can be bundled with peaking Power from Hydro Electric Projects which would help in averaging out the costs and bringing down the overall tariff of bundled power and thereby enhancing its salability. This would be a win-win proposition for the Company as well as its beneficiaries.

Ever since the command of this Company was handed over to me, I took upon myself as my foremost challenge to change the notion that time and cost overruns are inevitable in the projects executed by public sector companies. I soon discovered that this would not be possible without radically changing the mind set and work culture of PSUs. Going forward, Government protection and patronage would not come to the rescue of PSUs. The Government has clearly stated its policy that "**Government has no business to be in business**". Disinvestment, Privatization, Foreign Direct Investments, Technological Advancements etc. will throw in a new set of challenges from all directions. We have to face and fight an open competition in all spheres of our business with some of the best competitors, not just confined to geographical limits of our country but on a Global Scale. My effort has been to Re-Invent, **Re-design, Re-adapt and Re-orient** our Company to the ever changing business environment to make it fit for fighting this battle. We have engaged top rank



Management Consultants of the country to imbibe the global best management practices into our organization and to make it future ready with meticulous Corporate Plans and Strategies.

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.

CORPORATE SOCIAL RESPONSIVENESS

Dear Friends,

The word “Responsibility” is somewhat laden with notion of routine obligation, burden and formality. Hence, we at SJVN consider “Responsiveness” to be a better expression to connote our CSR philosophy. “Responsibility” is discharged by body and mind hence it is mechanical, whereas “Responsiveness” arises from heart and soul and is rooted in genuine concern and compassion for fellow human beings.

Giving back to the society and communities with both hands open has been a guiding principle of our business since our existence. Contributing to social development is engraved in our vision. Our CSR objectives are aimed at improving the quality of life of people in general, through all round social, economic and environmental development in and around our project locations. The core intention and purpose of our Company’s CSR initiatives is to have real, perceptible and sustainable impact on the target communities.

The breadth and depth of our CSR activities is neither defined nor confined by any statutory obligations. We have never hesitated to reach out and go beyond the mandatory obligations during the hours of need. The history of our Company’s CSR activities is a living proof of this philosophy. Year upon year, we have expended over and above our bare minimum CSR obligation. Continuing this noble tradition, the Company has spent a Total Amount of ₹52.87 crore on CSR Activities during FY 2020-21 which is ₹16.87 crore more than the statutory obligation of ₹36.00 crore. Particulars of our CSR initiatives are detailed in the Annual Report.

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. SJVN has been conferred with **SCOPE Meritorious Award for Corporate Social Responsibility & Responsiveness**. In recognition of its initiatives and practices espoused in fight against COVID-19 pandemic, SJVN has been awarded with **CIDC Vishwakarma Award 2021 in the category of CORONA Warriors**.

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

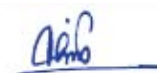
The trust and confidence of our stakeholders including you, our valued shareholders, has been the vital fuel in our unstoping journey of steady growth and improvement. It will certainly be our endeavor, to put in our best efforts for sustained growth, expansion and prosperity of the company benefitting all stakeholders in times to come.

I take this opportunity to place on record my sincere appreciation and thanks for the unstinted support, guidance and cooperation extended by Government of India, State Governments of Himachal Pradesh, Uttarakhand, Bihar, Maharashtra, Gujarat and Uttar Pradesh; the Governments of Nepal and Bhutan; other Governmental and Non-Governmental agencies; Statutory, Cost, Secretarial and Internal Auditors; our Customers; Business associates; various Financial Institutions & Bankers and Regulatory authorities. I acknowledge the continued confidence and trust on Management posed by our Shareholders, Investors and Partners.

Above all, I would like to convey my thanks and appreciation to my esteemed colleagues on the Board and to my team of dedicated and hardworking employees. I take great pride in acknowledging that I owe all the success and accomplishments of Company to my fellow Board Members who stood by me shoulder to shoulder and extended their unfaltering trust, co-operation and guidance in all decisions and to my team of highly competent and energetic Engineers, Officers and Employees who have consistently delivered outstanding results despite all odds.

Thanking you,

Yours Sincerely



(Nand Lal Sharma)
Chairman & Managing Director
DIN: 03495554

Date : 14th August 2021
Place : Shimla

