Crisil Ratings

Rating Rationale

August 11, 2025 | Mumbai

SJVN Limited

Rating reaffirmed at 'Crisil AA+/Stable'

Rating Action

Rs.500 Crore Bond	**Crisil AA+/Stable (Reaffirmed)**
Rs.500 Crore Bond	**Crisil AA+/Stable (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AA+/Stable' rating on the bonds of SJVN Ltd (SJVN).

The rating continues to reflect SJVN's strong business risk profile, driven by stable cash flow, its robust financial risk profile and strategic importance of the company to the Government of India (GoI). These strengths are partially offset by exposure to project risk, related to implementation of large capital expenditure (capex) and weak credit risk profiles of customers.

Operating income rose 18.4% to Rs 3,071 crore in fiscal 2025, driven by higher power generation (10,647 million units in fiscal 2025 against 8,489 million units in fiscal 2024) due to higher plant load factor of hydro plants and commissioning of few solar plants. Earnings before interest, tax, depreciation and amortisation (Ebitda) margin was stable at 72.3% in fiscal 2025 (against 72.0% in fiscal 2024), owing to the regulated tariff structure. Going forward, operating profitability will be supported by healthy performance of the existing hydro and solar projects.

The financial risk profile is likely to remain healthy over the medium term, despite large capital expenditure (capex), which may lead to increase in adjusted gearing. However, comfort is drawn as hydro and thermal projects will remain within the Central Electricity Regulatory Commission (CERC) stipulated norm.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of SJVN and its subsidiaries and joint ventures (JVs). These entities, collectively referred to as SJVN, are under a common management and have strong business and financial linkages.

The rating also factors in the support expected from GoI, which holds a 55% stake in SJVN. The company falls under the administrative control of the Ministry of Power with its nominee on the board. Moreover, the government has guaranteed a part of the debt (Rs 958 crore as on March 31, 2025). The company also plays an active role in achieving the government's objective of cross-border hydropower development as well as achieving the target of renewable capacity addition in the country. The government has granted Navratna status to SJVN and is likely to continue providing need-based support.

Crisil Ratings has considered unbilled revenue and receivables from late payment surcharge as receivables.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Strong business risk profile, driven by stable cash flow:** SJVN has a stable operational portfolio of hydropower plants (1,972 MW), which account for over 65% of the total operational capacity. Of these, capacity of 1,912 MW has been tied up via long-term power purchase agreements (PPAs) with regulated tariff structure, which allows full cost recovery, including a fixed return on equity based on approved capital cost, subject to achievement of normative parameters notified by the CERC for each plant. The company's strong track record of operating at higher than normative level, maintained for a decade, lends high stability to cash flow. The plant availability factor for the hydropower plants, Nathpa Jhakri and Rampur-Himachal Pradesh, have been over 100% for the past few years, against the normative levels of 87% and 83%, respectively (for fiscal 2025) leading to recovery of fixed cost and enabling them to earn availability linked incentives.

  The company has also tied up 85% of capacity for its coal-based plant of 1,320 MW in Buxar, Bihar and a coal block has been allocated for meeting fuel requirement. The plant is expected to be commissioned in stages during fiscal 2026.

  It also commissioned solar capacity of 591 MW between April 1, 2024 and June 30, 2025, with total operational solar / wind capacity standing at 998 MW as on June 30, 2025. These projects are tied-up under medium to long-term PPAs, under a healthy tariff, which provide additional cash accrual.

Operating performance should sustain over the medium term as the regulated tariff structure will provide stability to cash flow.

- **Strategic importance to, and support from, the government:** GoI holds a majority equity stake of 55% in SJVN, followed by the government of Himachal Pradesh, which holds 26.85% stake. The company plays a key role in achieving the central government's objective of optimally tapping the hydropower potential in the northern region as well as cross-border hydropower development. Furthermore, it is under the administrative control of the Ministry of Power, whose nominee is on the board of the company. The Navratna status gives the company greater operational autonomy and discretion to set up projects up to a certain limit, without the need for express consent of the government. Also, the government's majority ownership provides access to need-based or viability gap funding support. The government has guaranteed the World Bank loan for Rampur hydro power project (Rs 958 crore as on March 31, 2025).

- **Strong financial risk profile:** The financial risk profile is supported by a healthy capital structure and adequate debt protection metrics. Adjusted gearing increased to 1.9 times as on March 31, 2025 (1.5 times as on March 31, 2024), owing to debt-funded capex of ~Rs 7,800 crore incurred in fiscal 2025. Though gearing is expected to increase further, given the significant capex planned over the next few years, it should remain comfortable. Capex of Rs 8,000-10,000 crore planned per annum will be funded in debt-to-equity ratio of 70:30 or 80:20, with equity contribution expected to be funded through internal accrual. Moreover, the company has securitised part of the cash flow of Nathpa Jhakri Hydro Power Station and has already raised around Rs 4,000 crore out of total securitisation proceeds of Rs 5,000 crore for 15 years to part fund the equity requirement.

Weaknesses:

- **Exposure to project risk:** The company plans to incur capex of Rs 8,000-10,000 crore per annum over the next 4-6 years across the hydro, thermal, solar and wind segments, so as to reach an overall capacity of over 10 GW. Under-construction hydro-projects of 1.6 GW are also likely to commission in the next 2-3 years. Besides, pre-construction work has started for 4.5 GW of hydro projects and 7 GW hydro projects are under survey and investigation stage. The company also has large solar and wind projects aggregating about 6 GW, which are expected to be commissioned in the next 1-2 years.

  Crisil Ratings has taken note of the increase in project cost and delay in commissioning of Arun 3 hydro project from November 2025 to the third quarter of fiscal 2028, amid geological challenges and delays of 12-18 months seen in other under-construction projects.

  However, the execution track record of the company lends some comfort. Further, the hydro and thermal projects will have their cost recoverable under the regulated regime of CERC, subject to achievement of stipulated normative availability norms. In case of significant cost or time overrun, regulatory approval will be required for pass-through tariff. Any disallowance of cost may impact the cash flow available for debt servicing. Timely execution of these projects will remain a key rating sensitivity factor.

  Also, execution risks in these projects and long gestation of hydro power projects will moderate the return on capital over the medium term. Furthermore, a hydro project of 900 MW is being implemented in Nepal through inter-governmental agreements and two more projects of 669 MW (Lower Arun HEP) and 490 MW (Arun-4 HEP) have been awarded to SJVN. This exposes the company to geopolitical risks as well.

- **Improvement in receivables position, albeit credit profiles of counterparties remain weak:** The company has PPAs with various state electricity distribution companies (discoms), which have weak financial health and, therefore, SJVN remains exposed to risk of delays in payment. However, receivables have improved in the last couple of fiscals, due to various government measures such as Atmanirbhar Bharat package and recoveries under new Electricity (Late Payment and Related Matters) Rules, 2022. Trade receivables decreased to Rs 554 crore as on March 31, 2025 (equivalent to 66 days), from peak of Rs 1,107 crore as on March 31, 2021 (equivalent to 195 days), owing to realisation of old receivables under the new electricity rules and timely collection of current dues. Hence, receivables are expected to sustain at this level over the medium term. Counterparty risk is mitigated by presence of various payment security mechanisms, such as sales backed by letters of credit, tripartite agreements between the central government, the Reserve Bank of India (RBI) and state governments, and incentive schemes for timely payment. Timely collection of receivables will remain key monitorable.

Liquidity: Strong

Cash and equivalents (around Rs 3,371 crore as on March 31, 2025), annual cash accrual and moderate utilisation of bank limit of Rs 700 crore (averaging 12% for the six months through May 2025) will adequately cover yearly debt obligation of around Rs 605 crore in fiscal 2026 and equity requirement for capex. Despite the large capex commitment, the company is expected to maintain liquidity of over Rs 1,000 crore at all times. Dividend outflow will also be in accordance with funds required to meet capex and regulatory guidelines. Commissioning of under-implementation capacities at regular intervals will support cash accrual and liquidity.

Environment, social and governance (ESG) profile of SJVN

Crisil Ratings believes that SJVN's ESG profile supports its already strong credit risk profile.

The power sector has a significant impact on the environment owing to higher emissions, water consumption and waste generation. This is because generation of conventional power involves high dependence on natural resources, mainly coal. However, SJVN is engaged in renewable energy generation and hence, does not depend on fossil fuels such as coal/gas.

The sector also has a social impact due to its nature of operations affecting the local community and health hazards involved. SJVN is focused on mitigating its environmental and social risk.

Key ESG highlights:
- Scope 1 and 2 emissions intensity fell ~38% year-on-year to ~1.48 tCO2e/per million units of power generated (MU) in fiscal 2024
- Generation capacity stood at ~2,467 MW as on March 31, 2025, at the consolidated level. Hydro-power forms nearly 65%, with renewable energy (solar & wind) accounting for the rest.
- Further, it reported a relatively high share of female employees in its workforce (~11%), employees trained on skills and safety (~83% and ~100%), and nil safety related incidents in fiscal 2024.
- The governance structure is characterised by eight board members, ~25% comprising independent directors, ~13% being women directors, a dedicated investor grievance redressal system and extensive financial disclosures.

Outlook: Stable

Crisil Ratings believes SJVN will maintain its credit risk profile over the medium term, backed by efficient operations, regulated tariff structure and comfortable debt protection metrics. However, the company will remain exposed to project implementation risks for its ongoing capex.

Rating sensitivity factors

Upward factors:
- Significant equity infusion leading to substantial improvement in the financial risk profile
- Timely commissioning of under-construction projects within the stipulated cost
- Improvement in operating cashflow, post commissioning of new projects, leading to reduction in net debt to operating earnings before interest, tax, depreciation and amortisation (Ebitda) to below 4 times on sustained basis.

Downward factors:
- Weakening of operating performance of the operational plants or delay in receipt of dues from counterparties adversely impacting the financial performance
- Cost and time overruns in under-construction projects, resulting in significant increase in net debt to operating Ebitda on a sustained basis
- Any change in support philosophy of GoI or dilution of equity of GoI below 51%.

About the Company

SJVN, a Navratna, category-I and schedule – A central public sector entity under the administrative control of the Ministry of Power, was incorporated on May 24, 1988, as a JV of the central government and Himachal Pradesh state government. SJVN is a listed company with 55% and 26.85% shares, respectively, with these two governments and the remaining 18.15% with the public.

The company operates in the power generation segment with total hydropower capacity of 1,972 MW in Himachal Pradesh and Uttarakhand, wind capacity of 97.6 MW in Maharashtra and Gujarat, and solar capacity of 700 MW in Gujarat, Himachal Pradesh and Uttar Pradesh. In addition, it operates a transmission line (86-km 400 KV) across the Indo-Nepal border through a joint venture with Power Grid Corporation of India Ltd and IL&FS. SJVN is presently implementing hydro, thermal and solar power projects in north and west states of India as well as in neighbouring Nepal.

Key Financial Indicators (consolidated)*

Particulars	Unit	2025#	2024
Operating income	Rs crore	3,072	2,594
Profit after tax (PAT)	Rs crore	818	911
PAT margin	%	26.6	35.1
Adjusted debt / adjusted networth	Times	1.9	1.5
Adjusted interest coverage	Times	3.4	4.4

**As per analytical adjustments made by Crisil Ratings*

#based on abridged financials

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook

INE002L08010	Bond	29-Sep-21	6.10	29-Sep-26	1000.00	Simple	Crisil AA+/Stable

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
SJVN Arun-3 Power Development Co Pvt Ltd	Full	Managerial, operational and financial linkages
SJVN Thermal Pvt Ltd	Full	
SJVN Green Energy Ltd	Full	
SJVN Lower Arun Power Development Co Pvt Ltd	Full	
SGEL Assam Renewable Energy Ltd	Full	
Cross Border Power Transmission Company Ltd	Equity method	

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	1000.0	Crisil AA+/Stable		--	14-08-24	Crisil AA+/Stable	18-08-23	Crisil AA+/Stable	19-08-22	Crisil AA+/Stable	Crisil AA+/Stable
Commercial Paper	ST		--		--		--		--	19-08-22	Withdrawn	Crisil A1+

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for factoring parent, group and government linkages
Criteria for Infrastructure sectors (including approach for financial ratios)

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