

SJVN Ltd.

₹ 27

*Mini Ratna of Mega Watts***Accumulate**

May 23, 2014

Company Background

SJVN Ltd was incorporated on May 24, 1988 as Nathpa Jhakri Power Corporation Pvt Ltd. The company was established as a joint venture between the Government of India and the State Government of Himachal Pradesh to plan, investigate, organize, execute, operate and maintain Hydro-electric power projects. Currently SJVN Ltd is primarily a hydroelectric power generation company with increasing interests in other non conventional power sources ranging from Wind Power to Solar Power. The company is the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW. The company is located on the Sutlej River in the state of Himachal Pradesh.

Key Highlights

- ➔ SJVN proposes to add 5000 MW additional capacity by 2014-15 and for that the company is exploring the possibilities of taking up new projects in Himachal Pradesh, Arunachal Pradesh, Nepal and Bhutan.
- ➔ The company is currently constructing the 412 MW Rampur Hydro Electric Project in the state of Himachal Pradesh of which 3 units have recently started operations. They are also implementing three hydro projects, namely 252 MW Devsari, 60 MW Naitwar Mori and 51 MW Jakhol Sankri in the state of Uttarakhand.
- ➔ SJVN has entered into a Joint Venture for the implementation of 1500 MW Tipaimukh Hydro Electric Project in Manipur with equity participation to the extent of 26%. Also, the company was assigned the task of updating/preparing DPRs of two Hydro Electric Projects 900 MW Wangchu Hydro Electric Project and 486 MW Kholongchu Hydro Electric Project in Bhutan by Government of India. It has already Signed an MoU for carrying out pre-construction activities for development of Kholongchhu Hydroelectric Power Project (600MW) till formation of Joint Venture Company in Bhutan
- ➔ SJVN is also commissioning a 47.6 MW Wind power project in Ahmednagar District of Maharashtra. The company has also initiated the process for setting up its first Solar Project in Gujarat.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	19,811.4	21,378.7	20,681.9
Rev. growth (%)	(2.08)	7.91	(3.26)
EBITDA (INR mn)	16,865.0	18,406.3	17,471.8
Net profit (INR mn)	9,121.3	10,686.8	10,523.4
Shares outstanding (mn)	4,136.6	4,136.6	4,136.6
EPS (INR)	2.2	2.6	2.5
EPS growth (%)	(6.86)	17.16	(1.53)
P/E (x)	10.0	7.6	7.5
RONW (%)	14.0	15.0	12.2
ROCE (%)	11.2	12.1	9.8

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Info Codes

Reuters	: SJVN.BO
Bloomberg	: SJVN@IN
NSE	: SJVN
BSE	: 533206

Market Data

52 Wk Range (₹)	: 18 / 28
Shares in Issue (mn)	: 4136.6
Mkt. Cap (₹ bn)	: 111.7
BSE 2 Wk Avg Vol	: 537000

Share Holding Pattern (%)

Promoters	: 89.97
FII's	: 1.71
DII's	: 5.16
Others	: 3.16

Investment Theme

SJVN is a leading HydroElectric Indian company with projects in Northern India. Recently it set new benchmarks by extracting Electric Units more than those expected by the base design PLF from its first hydro power plant at Nathpa Jhakri this spells out the core competencies of the company taking into consideration of the fact that 9 years ago the same plant was expected not to function profitably. SJVN is now all poised for taking a quantum leap into new vistas of growth and evolution. The Management is keen on devising an aggressive Business Development strategies in this direction. SJVN is striving hard to make up a portfolio of 30,000 MW capacity and wished to have presence in all sectors of energy including renewables by 2030. Coupled with the change in political scenario and expecting favourable policies the scrip is worth accumulating

From Zero to Hero

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	18266.0	19197.1	5.10	17666.9	(7.97)
Other Income	800.6	1581.2	97.50	2929.4	85.26
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	873.8	1132.8	29.64	1120.1	(1.12)
Indirect Taxes	0.0	0.0	-	9.1	-
Other Exp.	1373.4	1274.6	(7.19)	2036.2	59.75
Operating Exp.	2247.2	2407.4	7.13	3165.4	31.49
Operating Profit	16018.8	16789.7	4.81	14501.5	(13.63)
Total Interest	1387.7	923.0	(33.49)	551.1	(40.29)
Gross Profit	15431.7	17447.9	13.07	16879.8	(3.26)
Net Dep.	4506.4	4588.9	1.83	4466.7	(2.66)
Total Taxation	1804.0	2172.2	20.41	1889.7	(13.01)
Net Profit/Loss	9121.3	10686.8	17.16	10523.4	(1.53)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	83,364.4	89,594.4	95,863.0	105,735.7
Equity Share capital	41,088.1	41,366.3	41,366.3	41,366.3
Share Application Money	167.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	25,282.5	30,688.9	36,856.5	42,733.8
Long Term Loans	16,482.6	16,542.3	17,609.6	21,635.6
Short Term Loans	344.2	996.9	30.6	0.0
USES OF FUNDS	83,364.4	89,594.4	95,863.0	105,735.7
Gross Block	86,549.0	87,948.5	88,514.7	88,900.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	17,205.2	21,742.6	26,216.5	30,701.7
Net Block	69,343.8	66,205.9	62,298.2	58,198.3
Capital Work in Progress	9,947.1	12,407.5	20,238.9	29,822.1
Investments	0.0	0.0	0.0	49.4
Current Assets	25,124.5	32,751.4	38,668.0	44,243.6
Less : Current Liabilities	21,051.0	21,770.4	25,342.1	26,577.7
Total Net Current Assets	4,073.5	10,981.0	13,325.9	17,665.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	49.4
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	17,767.0	14,132.6	16,405.7	14,024.8
Dividend (%)	6	8	9.3	9.6

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Net Sales	2,132.90	5,400.00	6,341.00	3,874.40
Cost Of Sales	561.30	575.60	657.60	671.80
Operating Profit	1,571.60	4,824.40	5,683.40	3,202.60
Recurring Income	725.30	572.90	617.30	495.20
Adjusted PBDIT	2,296.90	5,397.30	6,300.70	3,697.80
Financial Expenses	104.50	91.70	76.40	65.30
Depreciation	1,119.50	1,119.20	1,118.80	1,118.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	1,072.90	4,186.40	5,105.50	2,514.50
Tax Charges	85.80	754.00	949.20	405.20
Adjusted PAT	987.10	3,432.40	4,156.30	2,109.30
Non Recurring Items	592.70	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	1,579.80	3,432.40	4,156.30	2,109.30

52 Week Index Relative Percentage Appreciation



SJVN vs SENSEX

Risks Associated

➔ Risk of Capital Expenditure

The development of Hydro Power projects is capital Intensive & typically requires a long period of time as compared to other power projects. Hence non availability of capital expenditure can hamper working of their ongoing projects.

➔ Increase in Raw Material Prices

Cement & Steel are major raw materials used in Hydel Power projects. Hence non availability of such materials in quantities & at reasonable prices can impact the margins of the companies engaged.

➔ Relation to Government Policies

Though it is expected that the new government will focus mostly on alternative sources of energy to bridge the electricity demand supply gap, however any off focus or delay in announcing policies would hamper or delay the growth prospects of the company.

➔ Other Risks

Technically apart from the above any non-conventional power project is exposed to its own set of risks viz. Prolonged gestation periods, High cost of construction, Environmental issues, Geological Risks, Political Risks, Rehabilitation & Resettlement costs, Infrastructural development costs, etc.

In a Nutshell

SJVN Limited, a Mini Ratna & Schedule 'A' CPSU under the Ministry of Power, Govt. of India. It is a joint venture between the Govt. of India & Govt. of Himachal Pradesh. Incorporated in the year 1988, the Company is fast emerging as a major power player in the country. Beginning from a single hydropower project company, SJVN today has a footprint in a diversified set of power projects, which includes Hydroelectric Projects in Himachal Pradesh, Uttarakhand, Arunachal Pradesh and in the neighboring countries of Nepal and Bhutan, a Thermal Power Project in Bihar, a Power Transmission Project in Nepal, Wind Power project in Maharashtra and Solar Power Projects in Gujarat & Rajasthan. SJVN has expanded its horizons and has drawn up ambitious plans to develop into a fully-diversified trans-national power sector company having presence in various conventional and non-conventional forms of energy. SJVN has made its debut into the Thermal Power Generation by taking up the 1320MW Buxar Thermal Power Project in Bihar for execution. SJVN has signed an MoU to develop and operate the 4000 MW Ultra Mega Solar Project in Sambhar area of Rajasthan with five other PSUs. Besides, SJVN has planned other Hydel projects of a total generation capacity of 5492 MW which are under various stages of clearances. SJVN has also planned 400 KV Transmission Lines for evacuation of power from Arun III Hydro Electric Project in Nepal. Looking at the current political stability and the changing focus of the new government to alternate sources of power. SJVN seems to have bright days ahead.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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