INVasset Corporate Insights

एसजेवीएन
SJVN

29th December, 2023

INVASSET

India's Best Performing and Most Customer Centric PMS

SJVN Limited stands as a dynamic force in the Indian power sector, combining electricity generation and consultancy for hydro-power projects to foster sustainable growth. Established with a vision that transcends conventional boundaries, SJVN is a key player in the industry, driven by a commitment to excellence, innovation, and a steadfast focus on expanding its electricity generation capacity. SJVN Limited relies on innovation and reliability in the Indian power sector, leveraging its strategic vision, diverse project portfolio, and government-backed foundation to not only meet the current energy needs of the nation but to ambitiously shape the future landscape of power generation.

Electricity Plants: Illuminating the Nation: Presently, SJVN operates six electricity projects across India, collectively boasting a formidable capacity of approximately 2017 MW. The crown jewels include the Nathpa Jhakri Hydro Power plant, a colossal 1500 MW powerhouse situated in Himachal Pradesh, and the Rampur Hydro Power plant, generating 412 MW and ranking as the country's second-largest hydro power generator. With strategic investments in wind and solar, SJVN diversifies its portfolio, contributing to the nation's energy mix.

Government-backed Promoters: Stability and Trust: Endorsed by the Government of India and the Government of Himachal Pradesh, SJVN enjoys a robust foundation. The authority to appoint directors lies with the President of India through the Ministry of Power, securing governmental support. With the Government of India holding a commanding 59.92% share, SJVN exemplifies stability and resilience in its leadership.

Top Clients: A Diverse Clientele: SJVN's client portfolio includes key players in the power sector, with significant contributions from the Government of Himachal, U.P. Power Corp., PDD J&K, and Punjab State Power Corp. These partnerships underscore significance in meeting the diverse energy needs of various regions.

Project Portfolio: Driving Innovation and Expansion: With a comprehensive project portfolio, SJVN is actively engaged in diverse ventures, ranging from hydro-electric projects in Nepal to thermal power initiatives in Bihar. Noteworthy projects include the Arun-3 Hydro Power Project, the Buxar Thermal Power Project, the Naitwar Mori Hydro Power Project, the Kholongchhu Hydro-Electric Project, and the Luhri HEP STAGE-1. These ventures collectively contribute to a burgeoning total capacity of approximately 31,905 MW, marking SJVN as a formidable force in the energy sector.These accomplishments underscore SJVN's commitment to innovation and sustainability and positions the company for sustained financial success.

Capex Commitment: Fueling Growth: With an annual capex target of Rs. 10,000 crores as of September 2023, SJVN showcases a commitment to ongoing investments, driving innovation, and ensuring a robust future in the dynamic power sector.

Stable Revenue Streams: Paving the Way for Growth SJVN's revenue streams remain steady, fortified by long-term Power Purchase Agreements (PPAs) with state electricity boards and distribution licensees. This ensures a predictable income, contributing to the company's financial stability and sustained growth.

Stock Data	
CMP (29-12-2023)	90.95
52 Week High/Low	100.40/30.40
Face Value	10
Market Cap (In Crs)	35,741
Enterprise Value (In Crs)	48,893
NSE	SJVN
BSE	533206
Bloomberg	SJVN:IN
Sector	Power Generation

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	81.85	86.77
FII	0.91	1.40
DII	5.74	4.32
Public	11.51	7.50

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	8.13	14.54	19.46
SJVN	7.76	124.29	164.77

Key Ratios	
P/E	34.4
P/S	13.7
P/B	2.49
Debt To Equity	1.19
ROE	10.3%
ROCE	9.27%
Dividend Yield	1.95%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Sales	878	675	878	30.07%	0.00%
EBITDA	795	554	799	43.50%	-0.50%
EBIT	693	453	694	52.98%	-0.14%
Net Profit	440	272	445	61.76%	-1.12%
EPS	1.12	0.69	1.13	62.32%	-0.88%

Result Highlights

The financial performance of SJVN for the second quarter of the fiscal year 24 (Q2 FY24) has shown remarkable quarter-over-quarter growth, while the year-over-year figures demonstrate stability in key financial indicators. Sales and EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) remained constant on a year-over-year (YOY) basis, with sales at 878 Cr and EBITDA at 795 Cr, indicating no growth compared to Q2 FY23. However, compared to the first quarter of the same fiscal year (Q1 Fy24), the company has seen significant improvements, with sales and EBITDA increasing by 30.07% and 43.50%, respectively. The Earnings Before Interest and Taxes (EBIT) and Net Profit for Q2 FY24 also showed a substantial increase from the previous quarter, with EBIT up by 52.98% and Net Profit by 61.76%. The Earnings Per Share (EPS) increased to 1.12 from 0.69 in Q1 FY24, marking a 62.32% improvement. Despite these quarter-over-quarter gains, the year-over-year comparison shows a slight decrease, with EBIT, Net Profit, and EPS slightly down by 0.14%, 1.12%, and 0.88% respectively compared to Q2 FY23. These figures suggest that while the company is maintaining its performance on an annual basis, it has made considerable strides in its financial outcomes within the current fiscal year.

Diversified Energy Portfolio and Future-Ready Initiatives: SJVN Limited stands out for its diversified energy portfolio, encompassing a mix of hydropower, thermal, wind, and solar projects. This diversification not only mitigates risks associated with market fluctuations but also positions SJVN Limited to adapt to the evolving landscape of the energy sector. The company's forward-looking initiatives, such as exploring emerging technologies and investing in research and development, underscore its commitment to staying at the forefront of the energy transition, ensuring long-term sustainability and competitiveness.

Collaborations and Policy Advocacy: Strategic collaborations and partnerships at the international level underscore its global vision and ambitions. Engaging with reputed entities worldwide it leverages expertise in energy infrastructure to contribute to international projects. This not only diversifies its portfolio but also positions SJVN Limited as a reliable and collaborative player in the global energy landscape. SJVN Limited also collaborates with government bodies and policymakers to contribute to the formulation of energy policies and regulations. By playing an active role in shaping the industry's regulatory landscape, the company ensures its compliance with evolving standards and adapts to the changing dynamics of the energy sector. This engagement positions SJVN Limited as a thought leader and a key contributor to the national and regional energy policy discussions.

Innovation in Project Execution: The company's emphasis on innovation in project execution is a notable highlight. SJVN Limited employs state-of-the-art technologies and project management methodologies to enhance efficiency, reduce costs, and ensure timely project delivery. The incorporation of smart grid systems, digital monitoring, and other cutting-edge solutions reflects a forward-thinking approach that distinguishes SJVN Limited in the competitive energy sector.

Focus on Employee Development and Welfare: SJVN Limited places a strong emphasis on employee development and welfare, recognizing its workforce as a key asset. The company invests in training programs, skill development initiatives, and employee well-being measures to foster a positive work environment. By prioritizing its human capital, SJVN Limited not only enhances operational efficiency but also ensures a motivated and skilled workforce capable of navigating the challenges of the dynamic energy industry

Concall Highlights

Generation Challenges: The second quarter witnessed a 3% decline in total power generation, amounting to 4,202 million units. The primary contributors to this decline were reduced water discharges in rivers affecting hydroelectric projects and unexpected floods in Himachal Pradesh, leading to project shutdowns. Understanding the specific challenges impacting generation provides insights into the external factors affecting operational efficiency.

Capacity and Projects Underway: SJVN's strategic vision involves a significant expansion, with plans to add 10,000 megawatts in the next three years, aiming for a total capacity of 12,000 megawatts. Currently, the company is actively engaged in the construction of 16 projects, and more than 20 projects are in the pipeline. This ambitious expansion plan sheds light on SJVN's long-term commitment to growth.

Renewable Energy Implementation Agency (REIA): SJVN's role as a Renewable Energy Implementation Agency (REIA) underscores its commitment to sustainable energy. The company is involved in various renewable energy projects, including pure solar, pure wind, hybrid solar-wind, and Round-The-Clock (RTC) power projects. The recent tender for 1,500 megawatts of RTC power with competitive bids highlights the company's efforts in embracing diverse renewable energy sources.

Income Model Through REIA: SJVN's income model through REIA is structured around generating revenue by receiving INR 0.07 paisa per unit for the energy supplied. The company plans to tender for 10 gigawatts annually, projecting potential revenue of INR 4,000 crores over the next five years. This sustainable revenue model emphasizes SJVN's focus on balancing environmental responsibility with financial viability.

Progress on Projects - Arun-3 and Buxar: The progress updates on key projects like Arun-3 and Buxar provide a snapshot of SJVN's project management capabilities. Despite facing challenges like floods and tunnel issues, the Arun-3 project is expected to commission in the next financial year. Simultaneously, the Buxar project is on track, with the first unit anticipated to commission by September-October 2024, showcasing the company's resilience in overcoming obstacles.

Equity Arrangement: SJVN's plans to secure INR 7,000 crores to INR 8,000 crores in equity for an additional 5,500-megawatt capacity demonstrate the company's commitment to financial prudence. With more than 90% of the equity for existing 4,500-megawatt projects already infused, SJVN's proactive approach to securing necessary funds for expansion is a positive indicator for investors.

MOU with Himachal Pradesh: While SJVN's Memorandum of Understanding (MOU) with Himachal Pradesh in 2019 aimed at fostering collaboration, delays in the implementation agreement due to changes in government and negotiation challenges highlight the complexities involved in aligning interests between government entities and corporations.

Water Sale Charges Dispute: The ongoing legal dispute regarding water sale charges with the Government of Himachal Pradesh adds an element of regulatory and legal risk to SJVN's operations. As the matter is sub judice, SJVN is awaiting a court decision, with the government committing to abide by the court's ruling. This legal uncertainty underscores the importance of effective stakeholder management and risk mitigation strategies.

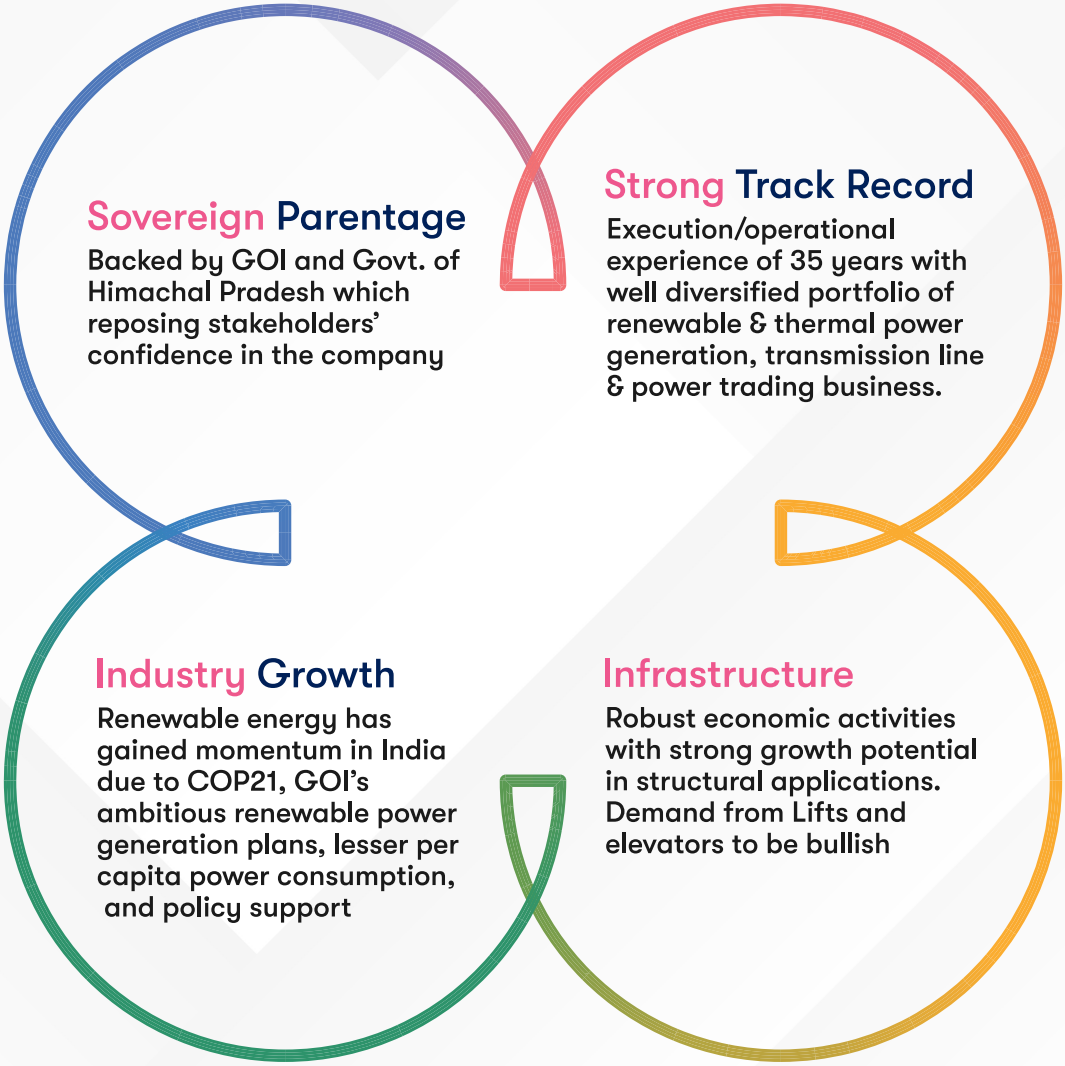
Capex Targets and Achievements: SJVN's capital expenditure (capex) targets and achievements offer insights into the company's financial discipline and investment strategy. Setting a capex target of INR 10,000 crores for the current fiscal year, with an achievement of INR 3,800 crores in the first half, reflects the company's ability to align its investment plans with operational realities. Looking ahead, the increased capex target of INR 12,000 crores for the next fiscal year signals continued focus on strategic investments.

Power Purchase Agreements (PPA): The structure and duration of Power Purchase Agreements (PPAs) for new projects, such as Nathparamodi, being set at 25 years provides clarity on the revenue streams and long-term viability of these projects. This extended duration also allows for flexibility based on commercially beneficial rates, demonstrating SJVN's commitment to establishing sustainable and mutually beneficial partnerships.

Customization in RIA Model: SJVN's approach to customization in the Renewable Energy Implementation Agency (RIA) model reveals an understanding of the diverse energy needs across different states. By tailoring solutions to meet specific state requirements, SJVN showcases its adaptability and commitment to providing comprehensive energy solutions. This nuanced approach recognizes that a one-size-fits-all strategy may not be suitable in the dynamic energy landscape, and customization is key to success

International Collaborations and Expansion: SJVN's foray into international collaborations, particularly the joint venture with IL&FS for developing hydropower projects in Nepal, highlights the company's strategic vision beyond domestic borders. The partnership aims to harness the hydropower potential in Nepal, presenting SJVN with an opportunity for global diversification. This move aligns with the company's broader expansion goals and showcases a proactive approach to tapping into new markets, potentially mitigating risks associated with dependence on a single geographical region.

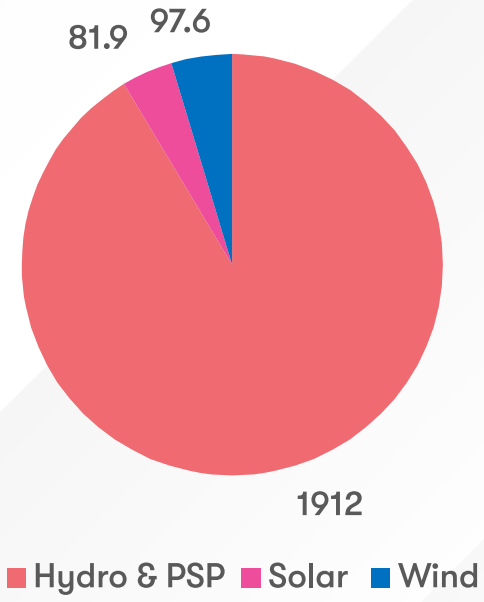
Core Strengths



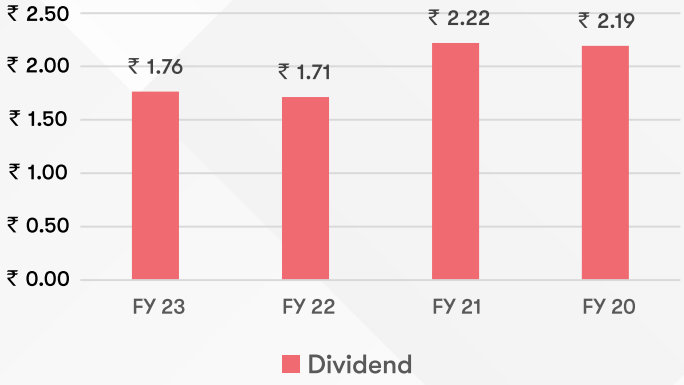
Growth (In %)



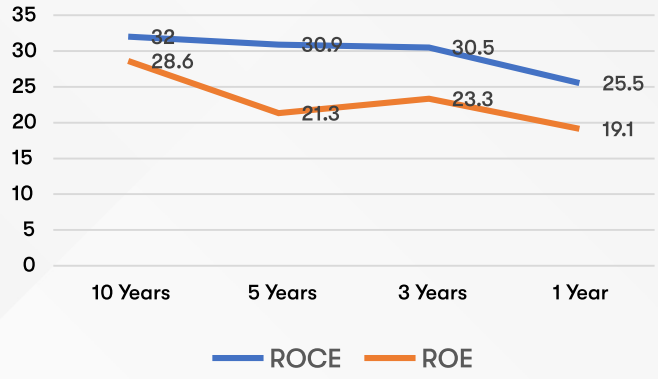
Operating Projects (In MW)



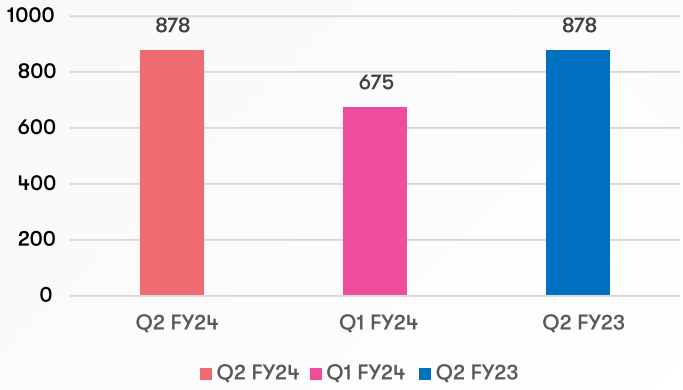
Yearly Dividend (in Rs.)



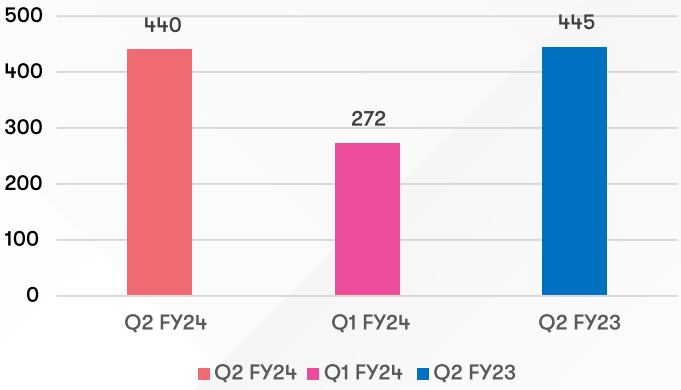
Return Margins



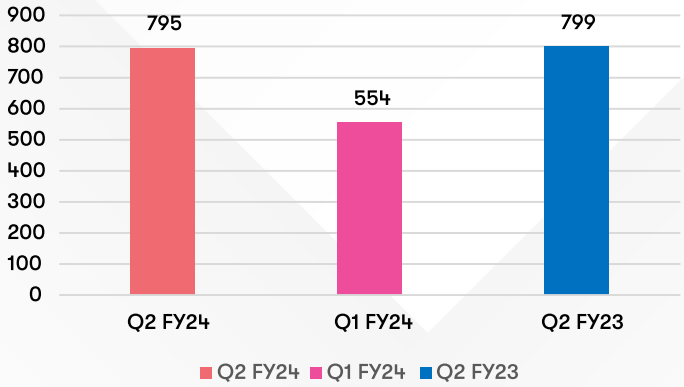
Revenue (In Cr)



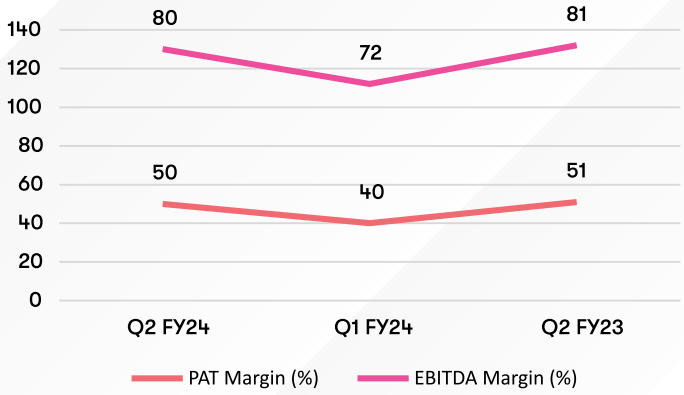
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



SJVN Ltd's stock performance presents a promising picture with a strong upward momentum, as indicated by a key breakout on the monthly chart. The stock has notably breached past levels of historical resistance, coupled with a surge in trading volumes that underscores heightened investor enthusiasm.

Analysis of moving average data across different time spans from 5 to 200 days reveals a stock price that is appreciably higher in the shorter term relative to the longer term, suggesting an ongoing uptrend. The Relative Strength Index (RSI) readings for daily and weekly periods stand at 56.06 and 73.64, respectively. This reflects a robust buying interest on a weekly basis, yet the daily figures suggest the stock is not excessively overbought.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	91.28	91.16
10	91.11	90.86
20	90.16	89.17
50	81.42	82.98
100	73.75	74.28
200	56.38	62.39

Pivot Levels : FIBONACCI		
R1 93.80	Pivot 88.53	S1 83.26
R2 97.06		S2 80.00
R3 102.33		S3 74.73

Relative Strength Index (RSI)	Daily	Weekly
	56.06	73.64

Disclaimer: This report has been prepared by the research department of Invasset, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Invasset have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice.

The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice. Recipients of this material should rely on their own investigations and take their own professional advice. Invasset or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Invasset. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

Invasset and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to Invasset or any of its affiliates to any registration or licensing requirement within such jurisdiction. Invasset may or may not hold any securities discussed in the article in its portfolios. Invasset may or may not take decisions based on the information contained in the article while curating portfolios for its clients. Without limiting any of the foregoing, in no event shall Invasset, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com