

CHAIRMAN'S LETTER TO THE SHAREHOLDERS



Dear Shareholders,

It gives me immense pleasure to present the 29th Annual Report of your Company for the financial year 2016-17. I take this opportunity to share the achievements of our company with you during the bygone year.

The Audited Financial Statements of the Company along with the Reports of the Auditors and Directors for the year 2016-17 are presented for your approval.

HIGHLIGHTS OF THE YEAR 2016-17

I am indeed delighted to inform our Shareholders that, all three operational projects of the company continued their excellent performance during the year. Nathpa Jhakri HPS, Rampur HPS and Khirvire Wind Power Project together generated 9045 MU of Power against combined MoU target of 8700 MU under excellent parameters and 9346 MU generated during the previous year.

NJHPS and RHPS achieved NAF of 104.9% and 102.3% respectively as against 104.6% and 99.5% during previous year which is a testimony of ability, efficiency and unrelenting efforts of our operations and maintenance teams. For its exceptional operational, financial and organizational performance, your company has received “Excellent” MoU performance rating for the fifth year in a row. In addition, NJHPS & RHPS have also been conferred awards and acclamations for outstanding performance by a number of nationally reputed organizations.

The financial position and performance of the Company continues to remain robust. During FY 2016-17, Revenue from operations stood at Rs. 2468.66 Crore and Profit after Tax at Rs. 1544.14 Crore. An interim dividend of Rs. 2.25 per share has already been paid to the Shareholders. In addition your Board has recommended a final dividend of Rs. 0.50 per share. Thus, a total dividend of Rs. 2.75 per share (Rs. 1137.57 Crore) is proposed to be paid for FY 2016-17 against Rs. 1.10 per share (Rs. 455.03 Crore) paid during the previous year which happens to be the highest ever dividend to be paid by the Company. Among the other significant developments during the year, on 18th October 2016, Rampur Hydro Power Station was dedicated to the

Nation by Hon'ble Prime Minister of India, Shri Narendra Modi. On 16th October 2016, SJVN's Khirvire Wind Power Station was dedicated to the Nation by Hon'ble Union Power Minister Shri Piyush Goyal. The Cabinet Committee on Economic Affairs chaired by Hon'ble Prime Minister of India, Shri Narendra Modi approved the investment proposal for 900 MW Arun-III Hydro Electric Project in Nepal on 22nd February 2017. Ministry of Environment and Forest, Government of India accorded Environmental clearance to 2 x 660 MW (1320 MW) Super Critical Buxar Thermal Power Project on 28th February 2017. SJVN has commissioned its first solar Plant i.e. 5MW Charanka Solar Power Project on 31.03.2017. The project has been developed under REC Mechanism and the PPA for brown power has been signed with GUVNL on 03.03.2017 for a period of 25 years.

HIGHLIGHTS OF THE YEAR 2017-18

During the first quarter of the Financial Year 2017-18, ended 30th June 2017, 3498 MUs of power has been generated out of which NJHPS generated 2719 MUs, RHPS - 756 MUs, Khirvire Wind Power Station - 21 MUs and Charanka Solar Power Station - 2 MUs.

As per MoU for 2017-18, signed with MoP, SJVN targets to generate 8950 MUs of power under “Excellent” parameters with target revenue realization from sale of energy at Rs. 2120 Crore from NJHPS, RHPS, KWPP and other Wind and Solar Plants collectively.

MACRO ECONOMIC SCENARIO AND GOVERNMENT POLICY

The last few years have witnessed rapid progress towards Prime Minister Shri Narendra Modi's vision of 24x7 affordable environment friendly 'Power for All' by 2022. Power, Coal and Renewable Energy Sector is buzzing with all round spurt of activities coupled with an unprecedented pace of reforms.

In a significant transformation, India has become power surplus from chronic power shortage. India's rank increased to 26 in 2017 from 99 in 2015 on World Bank's Ease of getting Electricity Index. All States and Union Territories have signed the “24x7 Power for All Roadmap” with Uttar Pradesh's signing of the MoU.

A record capacity addition of around one-fifth of current conventional power capacity and capacity addition of 157% in solar



power has been witnessed in the last two years. The all India installed power generation capacity stood at 3,26,848 MW as on 31.03.2017 comprising of 2,18,330 MW from Thermal, 44,478 MW from Hydro, 6,780 MW from Nuclear and 57,260 MW from Renewables. The highest-ever increase in transmission lines and sub-stations improved the transmission scenario resulting in affordable power to consumers.

In 2016-17, for the first time, net capacity addition of renewable power exceeded that of conventional power. Record low tariffs of Rs. 2.44 per KWH were achieved in Solar energy and of Rs. 3.46 per KWH in Wind energy. Highest ever wind capacity addition of 5.5 GW was achieved in 2016-17 with 52% increase in installed wind power capacity from 21 GW in March 2014 to more than 32 GW in March 2017. Similarly, Solar capacity increased 370% in the last 3 years from around 2.6 GW to more than 12.2 GW.

On policy front, Revised tariff policy 2016 has been notified. Government is also in the process of formulating a new Policy to harness Hydroelectric power. A Mega Power Policy is being contemplated with objectives of - Facilitating competitive bidding for future Power Purchase Agreements (PPAs), ensuring long-term project viability and providing employment generation at large scale. National Wind-Solar Hybrid Policy has been drafted with objectives of - Promoting large grid connected wind-solar PV system, Better grid stability and Optimal utilization of transmission infrastructure.

FUTURE BUSINESS STRATEGY

The radical pace at which reforms have been ushered in the Power Sector in the recent years have resulted in total transformation of market landscape and posed challenges of a new kind. In 2016-17, for the first time, net capacity addition of renewable power exceeded that of conventional power. The massive thrust by the policy makers on renewables has resulted in new opportunities as well as threats for diversified Power Companies like ours. Hydro Power Projects are capital intensive and have long gestation period. These disadvantages are however offset by the long term benefits of Hydro Power. In contrast, with low gestation and favorable government policies, solar and wind energy have become the focus of attention of all power companies.

With Solar as well as Wind tariffs hitting an all-time low, Companies engaged in conventional energy are facing a strange dilemma in the new environment. On one hand survival, growth and expansion has become difficult without diversifying into renewables. On the other hand, the fierce competition in Solar and Wind Power tariffs is acting as a deterrent for new entrants, especially PSUs from venturing into these Sectors.

As a commercial enterprise, it is the primary responsibility of the Management to protect and maximize the wealth of its Shareholders. In such a scenario, your Management is resolute that it will not follow the path of reckless expansion and diversification at the cost of commercial prudence. The decisions of the company to undertake any new venture shall be guided by sound business principles and economic viability of the projects.

Your Company expects to benefit from the long term effects of new Tariff Policy, Hydro-Electric Policy and Mega Projects Policy in the times to come.

The Status of Operational Plants and other ongoing Projects has been amply covered in the Directors' Report 2017 and hence, I would only

like to mention that in addition to the Operational Plants having combined installed capacity of 1964.6 MW, the other projects, namely, Luhri (Stage I & II), Sunni Dam, & Dhulasidh projects in Himachal Pradesh; Devsari, Naitwar Mori & Jakhol Sankri projects in Uttarakhand; Arun-III in Nepal; Kholongchhu projects in Bhutan; Doimukh project in Arunachal Pradesh; Buxar Thermal Power Plant in Bihar; Solar & Wind Projects in Gujarat and Rajasthan; aggregating more than 4052 MW capacity are in different stages of development.

CORPORATE SOCIAL RESPONSIBILITY

CSR has been an integral part of our business since the very inception of the Company. SJVN has been engaged in addressing a whole gamut of emerging social issues by designing and implementing intervention programs in the areas of health care, community infrastructure development, response to natural calamities, skill development, sustainable development and upliftment of marginalized groups of society. Through its proactive programs, your company has brought out visible change in the society.

It gives me great satisfaction to share that CSR initiatives of your company have stood the test of time and have been recognized at various national and international forums.

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.

Your company has been constantly achieving "Excellent" rating for compliance with DPE Guidelines on Corporate Governance under Corporate Governance grading system prescribed by DPE for the past six years.

ACKNOWLEDGMENT

I take this opportunity to express my sincere gratitude for the continued and immense support and co-operation received from the Government of India, State Governments of Himachal Pradesh, Uttarakhand, Bihar, Arunachal Pradesh, Maharashtra, Gujarat and Rajasthan, the Governments of Nepal and Bhutan, other Governmental and Non-Governmental agencies; Statutory, Cost, Secretarial and Internal Auditors; our Customers; Business associates who have supported the Company; various Financial Institutions & Bankers and Regulatory authorities. Above all, I acknowledge the unstinted support received from the Shareholders, Investors and Partners in the growth of the Company and thank them 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.

Thanking you,

Yours Sincerely

(Ramesh Narain Misra)

Chairman & Managing Director

DIN: 03109225

Place: New Delhi

Date: 27th July, 2017