

India Ratings Affirms SJVN's NCDs at 'IND AA+/Stable

Sep 03, 2026 | SJVN Limited | Power Generation

India Ratings and Research (Ind-Ra) has affirmed SJVN Limited's (SJVN) non-convertible debentures as follows:

Details of Instruments

Instrument Description	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating Assigned along with Watch/Outlook	Rating Action
Non-convertible debentures*	Refer to ISIN annexure	-	-	-	10,000	IND AA+/Stable	Affirmed

*Details in annexure

Analytical Approach

Ind-Ra continues to take a fully consolidated view of SJVN and its subsidiaries and joint ventures to arrive at the ratings, given the moderate-to-strong legal, operational and strategic linkages among them. Ind-Ra has applied its Parent and Subsidiary Rating Linkage Criteria, due to its strong operational and strategic linkages as well as its importance to the Government of India (GoI).

Detailed Rationale of the Rating Action

The rating factors in SJVN's steady cashflows from its two Central Electricity Regulatory Commission (CERC)-regulated hydro plants — Nathpa Jhakri Hydro Power Station (NJHPS) and Rampur Hydro Electric Power Station (RHPS) — with an aggregate capacity of 1,912MW; a renewable energy asset portfolio of 1,564.5 MW, primarily housed under its subsidiary, SJVN Green Energy Limited (SGEL); and Unit-1 (660 MW) of the 1,320 MW Buxar thermal power plant (BTPP), recently commissioned under its wholly owned subsidiary, SJVN Thermal Private Limited (STPL). The EBITDA of the hydro assets is supported by the above-normative plant availability levels achieved by both the operational hydro plants in FY26 under the cost-plus model, allowing the company to fully recover fixed costs as well as the long-power purchase agreements (PPA) of its renewable portfolio.

The 3.9GW under-construction (UC) portfolio comprises a mix of 0.66GW of thermal assets, 1.56GW of hydro assets, and 1.7GW of renewable assets. The BTPP in Bihar has tied up a PPA with the government of Bihar and fuel supply agreement (FSA) with Coal India Limited (CIL). The management expects the Unit 2 to be commercialised by 2QFY27. Ind-Ra notes that the plant availability factor (PAF) increased to 71.45% as of 1QFY27 (FY26: 60%; commissioned in November 2025), which is lower than the normative PAF of 85%. As a result, the stabilisation of the plant and 100% annual fixed cost (AFC) recovery is a key rating monitorable. The 900MW Arun-3 hydro-electric power (HEP) project located in Nepal is scheduled to be commercialised in FY29, while the renewable portfolio, largely concentrated in Gujarat and Rajasthan and backed by PPAs with Gujarat Urja Vikas Nigam Limited (GUVNL) is likely to be commissioned over FY27-28.

The rating is, however, constrained by the execution risk of its UC projects and the ability to tie up the operational hydro power plant (HPP), Naitwar Mori Hydro Power Station (NMHPS), and its other UC hydro plants at adequate rates allowing capex recovery. Furthermore, the company has 13.22 GW projects in nascent stages of implementation and the debt and equity funding for the same shall remain key rating monitorable. The management expects the cash generation and debt securitisation potential of the existing asset portfolio to partly support the equity funding for its 3.9GW UC portfolio. However, the entity shall remain dependent on other equity events at parent or wholly owned subsidiary level such as follow-on public offerings (FPO), initial public offerings (IPO) among others for funding the entire equity requirements and the same shall remain a key rating monitorable.

List of Key Rating Drivers

Strengths

- Operations under cost-plus model ensure cost recovery
- Linkages with GoI
- Funding for upcoming UC projects likely to be manageable
- Counterparty profile likely to improve; increase in receivables due to one-time adjustment

Weaknesses

- Large capex planned; execution risks remain
- Debt-funded capex likely to impact credit metrics
- Untied capacity could result in revenue variability

Detailed Description of Key Rating Drivers

Operations Under Cost-plus Model Ensure Cost Recovery: SJVN continues to operate its HPPs under the cost-plus return on equity (RoE) framework outlined by CERC, which ensures a reasonable recovery of costs along with an RoE of 16.5% and the pass-through of foreign exchange rate variation risk to offtakers. The tariff order for SJVN's NJHPS and RHPS for FY20-FY24 was received in FY22 and 1QFY23, respectively. The management expects to receive the tariff order for FY25-FY29 in 2HFY27; however, the petitions have been filed. SJVN continues to operate NJHPS and RHPS efficiently, with above-normative PAF. SJVN's consolidated revenue increased to INR45.28 billion, including arrears towards prior periods, in FY26 (FY25: INR30.72 billion; FY24: INR25.79 billion) with EBITDA of INR33.5 billion (INR22.21 billion; INR18.42 billion). Ind-Ra expects the commissioning of Unit-2 of the BTPP and the solar projects under SGEL to support consolidated revenue and EBITDA growth over the medium term.

Linkages with GoI: Ind-Ra continues to factor in SJVN's strong strategic linkages with the GoI (55% shareholding) as of March 2026 in the rating, while the government of Himachal Pradesh held a 26.85% stake in it. SJVN continues to play a proactive role in furthering the GoI's hydro power development objectives both cross-border and in northern and northeastern regions. The company operates one of India's largest HPPs, the 1,500MW NJHPS, along with RHPS (412MW) and Naitwar Mori HEP (60MW). SJVN has moderate operational linkages with the GoI, given its parentage and business standing. The GoI has also provided a guarantee on the project debt funding from the International Bank for Reconstruction and Development (World Bank).

Funding for Upcoming UC Projects Likely to be Manageable: The debt-to-equity ratio for the regulated projects is likely to be 70:30, while that for Luhri and Dhaulasidh along with the renewable projects is likely to be 80:20. Ind-Ra does not expect SJVN to face any issues in its debt tie-ups for the upcoming projects. The cumulative equity requirements (including nascent projects) over FY27-FY30 are about INR91.52 billion. The management expects the equity requirements of its UC projects for FY27 to be met through internal accruals and securitisation of INR20 billion of NJHPS and other operational hydro assets, and the balance equity is likely to be met from a combination of liquidity events, such as FPO at SJVN level, listing of SGEL, securitisation among others. The UC portfolio of hydro, thermal and renewable assets cumulatively would generate an EBITDA of INR12 billion-20 billion annually in the near to medium term.

Counterparty Profile likely to Improve, Increase in Receivables due to One-time Adjustment: SJVN's receivables (including unbilled revenue) increased to INR20 billion in FY26 (FY25: INR5.5 billion; FY24: INR6.1 billion; FY23: INR6.8 billion; FY22: INR8.2 billion), supported by a one-time arrear booking of INR6.8 billion following the trueing up of prior period and some portion of billing of the preceding month for the hydro assets along with unbilled revenue for the recently commissioned Buxar plant, which are expected to be realised in FY27. The implementation of late payment surcharge (LPS) scheme has led to improved overall discipline in the discoms and SJVN is receiving payments in a timely manner. This is further strengthened by the presence of tripartite agreement among SJVN, Reserve Bank of India (RBI) and the state governments. Once the UC projects are commissioned, it could lead to diversification of the counterparties over the medium term. Ind-Ra notes that the PPAs are in place for the BTPP along with UC renewable portfolio of 955 MW under SGEL and for the UC hydro projects, i.e. Arun -3, Sunni, Luhri and Dhaulasidh and the company is taking efforts to tie up PPAs for the other upcoming plants as well as the operational 60MW NMHPS.

Large Capex Planned; Execution Risks Remain: SJVN has an annual capex target of INR80 billion-90 billion. The total UC projects at various stages of construction/pre-construction stood at around 17.1GW, including capacities in hydro (7.4GW), thermal (1.54GW) and renewable assets (8.3GW). This is in line with SJVN's target to reach 25GW capacity by FY30. Given the large pipeline of assets, the company runs execution and cost and time overrun risks. However, Ind-

Ra notes that as of March 2026, the key projects like 660MW Unit 1 of the 1,320MW BTPP has been commissioned and Unit 2 is likely to be commissioned by 2QFY27. Other UC hydro projects comprising 382 MW Sunni dam HEP, 210 MW Luhri-1 and 69.5MW Dhaulasidh HEP, along with 900MW Arun-3 HEP are at about 52% of completion on a consolidated basis.

The upcoming UC hydro capacity is planned on a regulated cost-plus-equity model A (about 561MW), which ensures stability of the cash flow stream and return ratios. However, the higher cost for few projects and any consequent disallowance of capital costs or the inability to tie up PPAs at the expected tariff could impact the cashflows and shall be a key rating monitorable. The 1,320MW thermal capacity under SJVN Thermal Private Limited, has PPAs with discoms in Bihar and an FSA with CIL. While the unit 1 is commissioned, the management expects the unit 2 of the project to be operational by 2QFY27.

Debt-funded Capex Likely to Impact Credit Metrics: In FY26, SJVN's consolidated net leverage (net debt/ EBITDA) decreased to 8.9x (FY25: 10.8x; FY24: 9.2x). However, the gross leverage, considering the debt against the operational assets, increased to 7.55x in FY26 (FY25: 3.87x; FY24: 4.59x), owing to a significant commissioning of Bikaner solar power plant and Unit-1 thermal assets during 2HFY26, leading to lower contribution of EBITDA during the year. As a result, Ind-Ra expects its operational net debt/EBITDA to improve during FY27. Ind-Ra expects the overall net leverage to remain high during FY27-FY28 until a few of the large UC projects become operational. Furthermore, the renewable projects are likely to have a higher leverage than that of its hydro and thermal projects. Delays in the operationalisation of the assets, weaker-than-expected operating performance or a higher-than-expected increase in costs could lead to an increase in the leverage.

Untied Capacity could Result in Revenue Variability: Power from NMHPS is being sold on short-term contracts and on the merchant markets as the final tariff by the CERC has not yet been finalised and the PPAs have not been signed. While the tariff realisation is favourable at about INR4.7/kWh in short-term contracts, the same would remain on similar line over the short to medium term. As per the management, the regulated tariff of NMHPS works to around INR9/kWh, causing delays in PPA signing, but the performance of the plant at above design energy (as observed over FY25-FY26) could lead to lower PPA rates. Furthermore, at the current tariffs, the plant is able to break even. The management believes that the company could look at bundling its power with the other renewable projects or with the untied capacity in operational hydro projects to make the offtake lucrative.

Liquidity

Adequate: SJVN's consolidated cash and cash equivalents increased to INR21.37 billion at FYE26 (FYE25: INR29.1 billion; FY24: INR32.7 billion). SJVN has a debt repayment at a consolidated level of INR40 billion and INR47 billion in FY27 and FY28, respectively. However, the repayments are likely to be partially repaid/refinanced. SJVN's monthly the utilisation of the fund-based and non-fund-based limits of INR16 billion remained low as of July 2026, supported by timely payments from discoms. Given the large capex on its UC projects, the cash balance could moderate in the near term.

Rating Sensitivities

Positive: The successful completion of the UC projects within the time and cost estimates, successful tie-ups of PPAs, continued high share of operations from the regulated business, and sustained strong operating performance of the completed projects could be positive for the rating.

Negative: Sustained deterioration in the operating performance, accumulation in the receivables, higher-than-expected capacity expansion in projects without regulated cash flows, leading to a sustained increase in the gross adjusted leverage, on a sustained basis, and/or the inability of the company to tie up PPAs for the upcoming power projects before commercial operations, and/or any reduction in Gol's shareholding below 51% could be negative for the rating.

Any Other Information

Standalone Performance: SJVN's revenue stood at INR35.44 billion in FY26 (FY25: INR28.97 billion; FY24: INR28.97 billion) with EBITDA of INR28.47 billion (INR21.22 billion; FY24: INR24.51 billion) with improvement in gross leverage (gross debt/ EBITDA) stood at 3.67x in FY26 (FY25: 4.95x; FY24: 3.92x).

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SJVN, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Incorporated in 1988, SJVN is a listed Navratna central public sector entity under the ministry of power, Gol. SJVN on a consolidated basis, operates three HPPs (1,972MW) two in Himachal Pradesh and one in Uttarkhand, two wind power projects (97.6MW) in Maharashtra and Gujarat, and nine solar power plant (1,467MW) in Maharashtra, Gujarat, Rajasthan, Assam, Madhya Pradesh, Himachal Pradesh and Uttar Pradesh. In addition, it operates an 86km, 400kV transmission line across the Indo-Nepal border through a JV. SJVN is implementing hydro, thermal and solar power projects in Himachal Pradesh, Uttarakhand, Bihar and Gujarat, Nepal and Bhutan.

Key Financial Indicators

Particulars	FY26	FY25
Revenue (INR billion)	45.28	30.72
EBITDA (INR billion)	33.49	22.2
EBITDA margin (%)	74	72
Interest coverage (x)	2.58	2.99
Net leverage (x)	8.9	10.8
Source: Ind-Ra, SJVNL		

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (INR million)	Current Rating	04 September 2025	05 September 2024	20 October 2023	06 September 2023
Non-convertible debentures	Long-term	10,000	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	-	IND AA+/Stable
Issuer rating	Long-term	-	-	-	-	WD	IND AA+/Stable
Bank loan facilities	Long-term	222.6	-	-	WD	-	IND AA+/Stable

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Regulator of instruments	Date of Issuance	Coupon Rate (%)	Maturity Date	Rating/Outlook	Outstanding/Rated Amount (million)
Non-convertible debenture	INE002L08010	SEBI	29 September 2021	6.10	29 September 2026	IND AA+/Stable	10,000
Source: NDSL, SJVNL							

Contact

Primary Analyst

Srishti Agarwal
Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
+91 124 6687263
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Jaineel Rajpura
Senior Analyst
02240356157

Media Relation

Ameya Bodkhe
Marketing Manager
+91 22 40356121

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Corporate Rating Methodology

The Rating Process

Evaluating Corporate Governance

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