

### Company Overview

Founded in 1988, Satluj Jal Vidyut Nigam Limited (SJVN) is a joint venture of the Government of India (GOI) and the Government of Himachal Pradesh (GOHP). It began with a single project and single state operation to develop India's largest hydro power station having capacity of 1,500 MW at Nathpa Jhakri hydro power station in Himachal Pradesh. The company has a total of eight projects under operation, with seven generation projects and one transmission project. Over the years, it has gained a wide experience and expertise in the development of large hydropower projects from concept to commissioning including operation & maintenance. The company also offers various construction and consultancy services for hydropower and road or railway tunnels. Further, SJVN is primarily a hydropower generation company, diversifying into alternative energy sources such as thermal, solar, and wind as well as into power transmission. The company is currently operating power projects in various states like Himachal Pradesh, Uttarakhand, Bihar, Maharashtra, Uttar Pradesh, Punjab, Gujarat, and Arunachal Pradesh in India and extending reach to neighboring countries like Nepal and Bhutan.

### Investment Rationale

#### Rising opportunities in the Indian hydropower sector provides ample room to grow

There is ample opportunity for consistent growth in the hydro, renewable, and thermal energy demand. Focusing on hydropower, India has an estimated hydropower potential of about 1,50,000 MW, out of which only about 27,505.9 MW has been commissioned as on 31 March, 2023. Further, the company has received permission to develop a second hydropower project in Nepal. Currently, India's state-owned company is developing a 900 MW Arun-III hydroelectric project which is going to complete the construction work by 2024. SJVN is also diversifying into alternative energy sources such as wind & solar energy and Power Transmission and, expanding its base both in the domestic and global market.

#### Strong project pipeline provides revenue visibility going forward

Given the Ministry of Power's (MoP's) focus on tapping hydroelectric potential in India and Nepal, SJVN is expected to remain strategically important for the Government of India (GOI). This status gives it greater operational autonomy and discretion to set up projects up to Rs. 500 crores without express consent from the government. Further, SJVN has a stable revenue stream through long-term PPAs (power purchase agreements) with distribution licensees. The allocation of power from its power stations is made as per PPAs and by the Ministry of Power, GOI. The company has seven generation projects and one transmission project, with a total of eight projects under operation. Further, the company has 16 projects under construction. These projects worth 39,262.9 MW capacity are under the survey & investigation phase, 4,438 MW under construction & 3,081 MW under the pre-construction phase. The company also recently signed a MoU to explore the feasibility of setting up various renewable projects in Maharashtra, which include hydro, pumped storage, wind, solar, hybrid, and green hydrogen projects. With the signing of this MoU, SJVN now has a total project portfolio of 54,065 MW, with 2,091.5 MW under operation, while the rest is in various stages of development.

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Positive

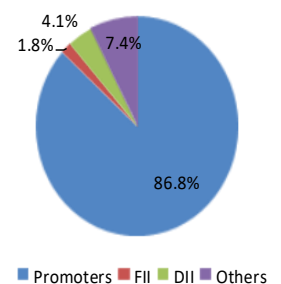
### Stock

CMP (INR)	40
Target Price (INR)	46
NSE Symbol	SJVN
BSE Code	53306
Bloomberg	SJVN IN
Reuters	SJVN.BO

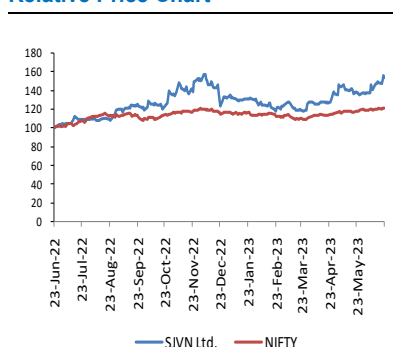
### Key Data

Nifty	18,660
52WeekH/L(INR)	42 / 26
O/s Shares (Mn)	3,930
Market Cap (INR bn)	155
Face Value (INR)	10
<b>Average volume</b>	
3 months	7,959,590
6 months	6,030,380
1 year	5,603,010

### Share Holding Pattern (%)



### Relative Price Chart



## Valuation and Outlook

SJVN is the largest operational hydroelectric power generation facility in India. The company also has in-house capability for the complete design of mega hydropower projects, large-value contract awards, and project management. The Government of India has set an ambitious renewable energy target of 500 GW by 2030. Aligned with the same, SJVN also aims for a renewable energy target of 25,000 MW by CY2030 and 50,000 MW by CY2040. Further, SJVN is planning a CAPEX of around Rs. 45,000 crores over the next 3-4 years, with 16 upcoming projects in the pipeline. Out of this, the company has already spent Rs. 8,240 crores in FY23, exceeding the GOI target of Rs. 8,000 crores. This augurs well and would strengthen the company's financials going forward. We, thus, believe that SJVN's revenue and operating performance will gradually improve on the back of upcoming projects pipeline, healthy dividend payout ratio and stable financial performance which provides long-term growth visibility. **Thus, based on the above factors, we give the stock a "Buy" rating. On the valuation front, we value the company based on 13x of FY24e earnings and arrived at a target price of INR 46 (16% upside from CMP) with a 12 months investment horizon.**

Key Financials						
YE March (Rs. Crs.)	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>27,028</b>	<b>24,854</b>	<b>24,170</b>	<b>29,380</b>	<b>29,729</b>	<b>31,810</b>
<i>Revenue Growth (Y-o-Y)</i>	2.2%	(8.0%)	(2.8%)	21.6%	1.2%	7.0%
<b>EBIDTA</b>	<b>21,067</b>	<b>18,440</b>	<b>17,906</b>	<b>22,200</b>	<b>22,416</b>	<b>24,176</b>
<i>EBIDTA Growth (Y-o-Y)</i>	4.8%	12.5%	2.9%	24.0%	1151.8%	7.9%
<b>Net Profit</b>	<b>15,668</b>	<b>16,457</b>	<b>9,898</b>	<b>13,590</b>	<b>13,705</b>	<b>13,996</b>
<i>Net Profit Growth (Y-o-Y)</i>	14.7%	5.0%	(39.9%)	37.3%	38.5%	2.1%
<b>Diluted EPS</b>	<b>4.0</b>	<b>4.2</b>	<b>2.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	15.0%	5.0%	(39.9%)	37.3%	38.4%	2.1%
Profitability & Valuation						
<b>EBIDTA margin (%)</b>	<b>77.9%</b>	<b>74.2%</b>	<b>74.1%</b>	<b>75.6%</b>	<b>75.4%</b>	<b>76.0%</b>
<b>NPM (%)</b>	58.0%	66.2%	41.0%	46.3%	46.1%	44.0%
<b>RoE (%)</b>	<b>13.0%</b>	<b>12.9%</b>	<b>7.5%</b>	<b>9.8%</b>	<b>8.2%</b>	<b>7.7%</b>
<b>RoCE (%)</b>	15.0%	12.5%	9.0%	8.0%	4.4%	5.0%
<b>P/E (x)</b>	<b>9.9x</b>	<b>9.4x</b>	<b>15.7x</b>	<b>11.4x</b>	<b>11.3x</b>	<b>11.1x</b>
<b>EV/EBITDA</b>	7.2x	8.7x	10.8x	11.6x	20.3x	17.0x
<b>P/BV (x)</b>	<b>1.3x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>0.9x</b>	<b>0.9x</b>
<b>Market Cap. / Sales (x)</b>	5.7x	6.2x	6.4x	5.3x	5.2x	4.9x

Source: Company, BP Equities Research



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**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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