

Annual Report 2009-10

Going Global... Going Green



SJVN Limited

(A Joint Venture of Govt. of India & Govt. of Himachal Pradesh)



THE BOARD OF DIRECTORS - Brief profiles

Mr. H.K. Sharma, 56 years, is working as the Chairman and Managing Director of the Company since July 18, 2005. He joined our Company as Additional General Manager (Civil) on deputation from NHPC Limited. Mr. Sharma is a graduate in civil engineering from Punjab University and a fellow member of Institution of Engineers, India; Indian Institution of Bridge Engineers; and Society of Power Engineers. He has about 33 years of professional experience. He began his career with Himachal Public Works Department and has also worked in different capacities in Haryana Irrigation Department, National Hydro Power Corporation and Konkan Railway Corporation. He has been awarded a number of prestigious awards like Indra Gandhi Sadbhawana Award, Hind Gaurav Award, Udyog Ratan Award, Bhartiya Vikas Ratan Award, Leadership Excellence Award for National Development and Rashtriya Samman Puraskar etc. for his exemplary management of hydro power projects. Further, under his leadership SJVNL has also been honored with a number of prestigious awards. Mr. Sharma has presented various technical papers in national and international conferences held in India and abroad on hydro power development.

Mr. Rajinder Singh Katoch, 59 years, is on our Board as the Director (Personnel) since 25th September, 2006. Mr. Katoch is a postgraduate in business administration from Himachal Pradesh University. He has about 34 years of experience in various sectors including the power sector. Prior to joining the Company, he was General Manager (HR) in Bharat Heavy Electrical Limited. As the Director (Personnel), he is in charge of human resource functions including personnel and administration, corporate monitoring and co-ordination, procurement, legal and resettlement and rehabilitation departments.

Mr. Raghunath Prasad Singh, 55 years, is working as the Director (electrical) in the Company since November 1, 2007. Mr. Singh is a graduate in electrical engineering from Regional Engineering College, Warangal. Prior to joining our Company, he was the Executive Director of North Eastern Electric Power Corporation Limited for more than 26 years and was associated with corporate planning, monitoring, design engineering etc. of transmission lines and hydro projects. Mr. Raghunath Prasad Singh has distinction in completing 100 kilometers of transmission lines in a record time of 18 months besides achieving machine availability of around 97% of Ranganandi Hydro Electric Plant (405 MW) consecutively for two years i.e. 2004-05 & 2005-06 and earned Bronze Shield for 2004-05 by the Ministry of Power, Government of India under National Award for meritorious performance. As the Director (Electrical), he is responsible for electrical design, erection, commissioning, electrical contracts, commercial, system operations, quality assurance and inspection.

Mr. Ramesh Narain Misra, 53 years, is on our Board as the Director (Civil) since 21st May 2010. Mr. Misra is a postgraduate in Technology and Business Administration. He has about 31 years of experience in power sector. Prior to joining the Company, he was Executive Director in NHPC Limited having wide experience in planning, appraisal, getting clearances, monitoring, contract management and execution of large hydro power projects including commercial aspects and policy issues related thereto. Expertise in contract management, project management and policy issues of hydro power sector. As the Director (Civil), he is in charge civil design and construction, DRB and Civil Contracts, Geology and Environment.

Mr. Sudhir Kumar, 54 years, has been Non Executive Director on our Board since September 29, 2009 as the nominee of Government of India. Mr. Kumar is an Indian Administrative Services officer and holds a post graduate degree in commerce from Delhi School of Economics. He has served on various state and central administrative positions in various departments including home, energy, commercial, taxation, finance rural areas and employment, power and railways.

Mr. Deepak Sanan, 53 years, has been a Non Executive Director on our Board since April 4, 2010 as the nominee of the Government of Himachal Pradesh. Mr. Deepak Sanan is an Indian Administrative Services Officer and is a postgraduate in International Politics from Jawaharlal Nehru University, New Delhi. He has served on various central and state government administrative positions in various departments/ ministries including public finance, rural development & panchayati raj, water and sanitation, public health etc. and handled a number of assignments as a consultant with the World Bank including the position of India Country Team Leader.

Mr. K.S. Sarma, 66 years, is an Independent Director on our Board since May 2, 2008. He holds a master's degree in science and master's degree in arts from Andhra University. A retired Indian Administrative Services officer, Mr. Sarma has about 44 years of experience and has held various administrative positions with the Government of Andhra Pradesh and Government of India in various fields like financial management and planning, information and broadcasting and education and retired as the Chief Executive Officer of Prasar Bharti.

Mr. Kamaljit Singh Gill, 64 years, is an independent Director on our Board since May 13, 2008. A graduate in Electrical Engineering from Punjab University, Mr. Kamaljit Singh Gill possesses about 37 years of extensive professional experience in the power sector. He has an experience of 36 years with Punjab State Electricity Board in various capacities beginning from Assistant Engineer to the level of Engineer in Chief.

Mr. S.M. Lodha, 59 years, is an Independent Director on our Board since May 9, 2008. A Law graduate from the University College of Law, Kolkata and a Management graduate from the R.A. Poddar Institute of Management, Jaipur. Mr. S.M. Lodha has an experience of 36 years and cross industry exposure in the area of finance, commercial, project implementation etc. in large corporate sector.

Ms. Bharti Prasad, 60 years, is an Independent Director on our Board since March 29, 2010. She holds an M. Phil. degree from Punjab University, Chandigarh. An Indian Audit & Accounts Service officer, she retired as Deputy Comptroller & Auditor General. Ms. Prasad has 38 years of experience and has held various key positions in Government of India ranging from Accountant General, Uttar Pradesh, Joint Secretary, Ministry of Finance, Principal Accountant General, West Bengal, Kolkata. She is member of Advisory Group on Evaluation of Audit, International Civil Aviation Organisation, Montreal and International Public Sector Accounting Standard Board.

Mr. Ravi Dhingra, 61 years, is an Independent Director on our Board since March 29, 2010. He holds a master's degree in arts from Delhi University and a professional qualification in the management of public sector enterprises from the University of Manchester in the UK. A retired Indian Administrative Services officer, Mr. Dhingra has 37 years of experience and has held various positions including Secretary to the GOI, Ministry of Home Affairs, Chief Secretary to the GoHP, Principal Secretary Finance to the GoHP and Chairman of the HPSEB.



CONTENTS

1. Notice	...	3
2. Directors' Report 2010	...	5
3. Management Discussion and Analysis	...	8
4. Report on Corporate Governance	...	10
5. Compliance Certificate on Corporate Governance	...	14
6. Auditors' Report	...	15
7. Comments of the Comptroller & Auditor General of India	...	17
8. Balance Sheet	...	18
9. Profit and Loss Account	...	19
10. Schedules	...	20
11. Significant Accounting Policies & Notes on Accounts	...	32
12. Cash Flow Statement	...	35
13. Balance Sheet Abstract and Company's General Business Profile	...	36
14. Form of Proxy - Pull out - Insert		

Company Secretary	: PSR Murthy
Statutory Auditors	: Hingorani M & Co. Chartered Accountants New Delhi.
Bankers	: State Bank of India Union Bank of India IDBI Bank HDFC Bank AXIS Bank
Registered Office	: Himfed Building New Shimla SHIMLA- 171 009. Himachal Pradesh



DIRECTORS' REPORT 2010

Dear Members,

Your Directors are pleased to present the Twenty-Second Annual Report of the Company for the year ended March 31, 2010 along with the Audited Statement of Accounts, Report of Auditors and Comments of the Comptroller and Auditor General of India.

Before presenting the Financial Highlights of the year, the Board places its sincere appreciation to all the stakeholders who supported and subscribed to the Equity on account of the Disinvestment in the Company by the Government of India. As you are all aware the issue of 41.50 crore equity shares consisting of 10.03% of the paid up capital of the Company was over-subscribed by 6.64 times and the Board hopes the same spirit and support in the times to come.

The following financial highlights for the year ending 31st March 2010 is witness to the performance of your company.

1. FINANCIAL HIGHLIGHTS

	(Rs. In crore)	
	2009-10	2008-09
INCOME		
Net Sales after adjustments	1769.74	1759.59
Other Income	138.99	269.65
Total Income	1908.73	2029.24
EXPENDITURE		
Generation, Admn. & Other Exp.	178.10	171.35
Depreciation	433.28	233.25
Provisions & write back	(1.29)	8.23
Interest and Finance charges	172.93	332.49
Prior Period Adjustment	108.24	(1.98)
Total Expenditure	891.26	743.34
Profit Before Tax	1017.47	1285.90
Provision for Tax	44.73	270.58
Profit After Tax	972.74	1015.32
Appropriations		
Interim dividend paid	80.00	110.00
Proposed Dividend	248.20	210.00
Total Dividend	328.20	320.00

2. GENERATION

During the year, 7018.81 MUs of power was generated as compared to the previous year's generation of 6608.691 MUs. The design energy for the NJHPS is 6612 MUs. Plant availability factor was 98.55% against normative capacity index of 82%. As a result, the company earned an incentive of Rs.132 crore. The maintenance time has been brought down to 10 days against 15 days last year.

3. SHARE CAPITAL

During the financial year 2009-10, the Govt. of Himachal Pradesh paid an Application money of Rs. 16.70 crores towards subscription for additional equity as agreed to in the Agreement for Rampur Project executed on 20th October 2004. Pursuant to the approval of the Govt. of India, approving the allotment of additional equity to the Govt. of Himachal Pradesh and the GOHP having paid the balance money amounting to Rs. 24.24 crore on 08th April 2010, the Company allotted 2,78,12,500 equity shares of Rs.10 each at Rs. 14.72 on 13th April 2010.

4. DIVIDEND

The Company earned a net profit after tax of Rs. 972.74 crore during the year as compared to profit after tax of previous year of Rs. 1015.32 crore. Your Directors had recommended a dividend of Rs. 328.20 crore (including interim dividend of Rs. 80 crore already paid) as against dividend of Rs. 320 crore for the previous year. The dividend shall be paid after your approval.

5. STATUS OF PROJECTS UNDER EXECUTION

5.1 RAMPUR PROJECT (412 MW)

The progress of the Civil Works in HRT, as stated in our last report, continues to be on critical path due to very poor geology between Goshai

upstream and Kasholi downstream. Although, the accelerated measures deployed at Goshai u/s proved to be good with achieving progress rate of 50 m per month as against earlier 28 m per month, the works in Kasholi d/s face could not progress due to presence of 20 m long cavity. A by pass adit has been constructed to by pass the cavity and the cavity is being treated. The progress of other reaches of HRT, Surge Shaft, Power house complex etc. and Electro-Mechanical works are as per targets. As of now, with the accelerated measures, 65% HRT heading, 30% benching, 11% concrete lining in HRT, 94% excavation of surge-shaft, 98% power house excavation are complete. Civil fronts for electro-mechanical works in power house area has been made available. The model test of turbine has been done successfully. The project is now likely to be commissioned in September 2013 in place of March 2012. Your Directors assure that all out efforts are being made to achieve better progress.

5.2 ARUN-III PROJECT (900 MW)

The project is the first venture of your Company on foreign land, on BOOT basis, therefore all out efforts are being put in to achieve the milestones at all levels. The project is a run-off the river scheme located on Arun River in Sankhuwasabha Distt. of Eastern Nepal. Topographic survey for all the project components has been completed. Control points have been established at various sites of the project components. FSR for the project with revised installed capacity of 900 MW has been prepared and the commercial viability of the project with 900 MW has been accorded by CEA on 23.02.2010. The FSR has been submitted to Govt. of Nepal in April 2010. Preparation of DPR is in progress. For EIA/ EMP and R&R studies, collection of data for first & second season has been carried out. Activities connected with securing the possession of land for project works had also begun. Survey work for the construction of road to Power House and Dam site has been completed and estimate finalized. Detailed Agreement for Implementation of the project is under negotiation with the Govt. of Nepal.

For evacuating power from the project, SJVN was issued survey license for conducting survey of Transmission Line for Arun-3 Project on May 22, 2009. Work for conducting detailed survey for laying 400 KV D/C transmission line from Diding (Power House) to Dhalkebar in Nepal and upto Muzzaffarpur in India using modern techniques was awarded on 24.12.2009.

5.3 PROJECTS IN BHUTAN

The Ministry of Power, Govt. of India, entrusted the work of preparation of DPR of Kholongchhu Hydro Electric Project (486 MW) and work of updation of Wangchhu Hydropower project (900 MW) to your Company. The Agreement towards preparation of DPR of Kholongchhu HEP by SJVN has been signed between the Corporation and Royal Govt. of Bhutan on 22.12.2009. SJVN has prepared the FSR for both the projects. TORs for EIA and EMP studies for both the projects have been cleared by Royal Govt. of Bhutan. In FSR of Kholongchhu Project, the installed capacity of the project has been established as 650 MW. The FSR has been submitted to CEA for obtaining financial viability of the project. Preparation of DPR is in progress taking into consideration the views of CEA. The Wangchhu Project as per previously prepared DPR was conceptualized as storage scheme. On preparation of FSR, SJVN found the project unviable with storage scheme and proposed a revised scheme for the project to be now as RoR scheme with installed capacity of 600 MW. The FSR for RoR scheme was submitted to CEA/CWC for establishing the Commercial viability on 13.11.2009 and obtained the same by 8.2.2010.

5.4 LUHRI PROJECT (775 MW)

An MOU for the project between Govt. of Himachal Pradesh and SJVN was signed on 27th October 2008. DPR of the project was submitted to CEA in August 2007 and copy of MoU in November 2008 and the observations of the CEA on hydrology and geology have been attended to. The EIA/EMP report is being finalized and will be sent to Pollution Control Board for Public Hearing. Drift at power house site as per advice of CEA is in progress.

CAT Plan and diversion of forest land case has been submitted to Govt. of Himachal Pradesh for onward submission to Ministry of Environment and Forests, Govt. of India. Acquisition of land required for the project is in process.



5.5 DHAULASIDH PROJECT (66 MW)

An MoU with Government of Himachal Pradesh was signed on 27th October 2008. Prior permission for pre-construction activities for setting up of 40 MW Project was accorded by HP Govt. in October 2009. Subsequently, FSR for this project was prepared and the capacity was enhanced to 66 MW after carrying out detailed survey and investigation at project. The DPR is likely to be submitted to Govt. of H.P. by September 2010. Action for diversion of forest land and acquisition of land for development of infrastructural facilities is in process. The major civil works of the project are planned to be awarded by November 2011 and the project is likely to be commissioned by May 2016.

5.6 UTTARAKHAND PROJECTS

The Govt. of Uttarakhand accorded clearance for implementation of Devsari stage-I (252 MW) as a run of the river scheme. TOR for EIA/EMP studies has been approved by MOEF in April 2008. Preliminary survey works have been completed. DPR was submitted to CEA in January 2009 for TEC. Based on the comments from CEA, additional site investigations and essential drift works at dam site have been completed and final DPR submitted to CEA in June 2010 for TEC. Land acquisition, Environment and Forest clearance are under progress. The major civil works are likely to be awarded by October 2012 with execution period of five years.

In respect of Naitwar Mori HEP, its capacity at the time of assignment was 33.5 MW. After detailed survey and investigation SJVN has raised its capacity to 60 MW. Application for diversion of forest land has been submitted to State Forest Department. Acquisition of private land is in progress. Major civil works are likely to be awarded by January 2012 with 48 months completion period of the project.

As regards Jakhol Sankri HEP (51 MW), as per the advice of the Expert Appraisal Committee for Project Environment Clearance, NOC from Chief Wild Life warden has been obtained and clearance for TOR for EIA/EMP studies has also been approved. DPR is under preparation. Meanwhile, land identification etc. are also in progress.

5.7 TIPAIMUKH H.E. PROJECT (1500 MW), MANIPUR

Govt. of Manipur (GOM), SJVN and NHPC limited have signed a MoU on 28.4.2010 to implement the multipurpose project, namely, the "Tipaimukh Hydro Electric (Multipurpose) Project" having an installed capacity of 1500 Megawatts to be located at Manipur-Mizoram border, downstream of the confluence of the river Barak with Tuivai, in Churachandpur District of Manipur through a Joint Venture Company among the GOM, SJVN and NHPC. The NHPC shall have the share of 69%, SJVN shall have a share of 26% and GOM shall have a share of 5% of the total share holding in the JVC. Implementation of the MOU will be monitored by a committee comprising of a representative each from Ministry of Power, Govt. of India, GOM, SJVN and NHPC.

5.8 CROSS BORDER POWER TRANSMISSION CO. PVT. LIMITED

A Memorandum of Agreement (MoA) was signed between SJVN and IL&FS EDC on 25th June 2009 following SJVN's in principle decision for equity participation of 26% in Cross Border Power Transmission Company Private Limited (CPTC) incorporated for implementation of Indian side portion (about 86 km) of 400 KV Dhalkebar – Muzaffarpur, Indo – Nepal Transmission Line Interconnection by IL&FS EDC. The present share holding pattern of CPTC comprises of 48% by IL&FS EDC, 26% each by PGCIL and SJVN.

6. CURRENT PERFORMANCE 2010-11

For the quarter ending 30th June 2010, the power generated was 2424.57 MU as against the target of 2233.618 MUs and the total income recorded was Rs.524.98 crore as against Rs.489.32 crore for the corresponding quarter of the previous year. The net profit for the quarter ending June 2010 was Rs. 290.76 crore as against Rs.285.30 crore for the corresponding quarter of the previous year.

7. ENVIRONMENT

Your company has adopted a Corporate Environmental Mission Statement and environmental policies. The company's mission statement which, inter alia, states developing and supplying to the Nation, State and

Local communities, an efficient economic environmentally sustainable and socially responsible hydro power, stresses the need to develop adequate long-term capacity to manage environmental issues in all projects.

Towards this end, your company launched a comprehensive environment management plan of Rs. 35.85 crore and Rs. 45.52 crore in NJHEP and RHEP respectively. A sum of Rs. 27.96 crore and about Rs. 32.45 crore in NJHEP & RHEP was spent so far.

8. REHABILITATION AND RESETTLEMENT

Resettlement of Displaced Project Affected Persons is one of the primary duties of your company. During the year, your Company prepared Corporate R & R Policy based on the guidelines of National R & R Policy 2007. The provisions made under the R & R Policy are superior to those of National R&R Policy 2007. The main features of the Policy are sustainable economic development, better housing facility, strengthening of social institutions, grievance redressal mechanism. The laid down policies on Rehabilitation and Resettlement are followed in letter and spirit. During the year, a sum of Rs.11.61 crores was spent towards various activities under R&R and Corporate Social Responsibility Schemes. The cumulative expenditure on account of R&R and CSR amounts to Rs. 93.11 crores in respect of Nathpa Jhakri and Rampur Hydro Projects. In respect of other projects, namely Naitwar Mori and Luhri, specific R&R Plans are under preparation.

Further to the above, during the financial year 2009-10, your company approved funding of State Institute of Engineering & Technology at Pragati Nagar, Gumma, Dist. Shimla, Himachal Pradesh at an estimated cost of Rs.75.00 crores. It is proposed to release Rs.15.00 crores during the year 2010-11 to meet the initial setting up costs, so that engineering courses can be conducted from 2011-12 session and onwards. The Govt. of Himachal Pradesh is giving 150 bighas of land free of cost to the Institution. The Institution shall be managed by a Trust/Society to be formed.

9. HUMAN RESOURCES

The total manpower on the rolls of SJVN was 1088 as on 31st March 2010 as against 1018 as on 31st March 2009. The strength of HPSEB/HP Govt. on deputation on the above date was 699 as against 726 on the above date of the previous year. The strength of SC, ST and OBC employees as on the above date was respectively 231, 60 and 116 as against 215, 56 and 95 during the previous year.

Your company gives utmost importance for the enrichment of skills and towards this in-house and external training programmes are organized in all disciplines and all levels. As a result, during the financial year 1142 employees were trained for 4814 man days.

9.1 INDUSTRIAL RELATIONS

Regular Meetings are held with the representatives of the various Associations/Unions to sort out the local issues as well as policy related matters. Recreational, Cultural and Sports functions on different occasions were also held, thus, resulting better employee-employer relations and cordial industrial relations during the year.

10. STATUTORY AND OTHER INFORMATION

The information required to be furnished as per the Companies Act 1956, Listing Agreements, Government Guidelines, and, Code of Corporate Governance of your Company, on the following matters is placed at Annexure "A"

- Management Discussion and Analysis
- Report on Corporate Governance
- Information on Conservation of Energy, Technology Absorption and Foreign exchange earnings and outgo
- Information as per Companies (Particulars of Employees) Rules 1975

11. DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that in the preparation of the annual accounts for the year ended March 31, 2010:



- * the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- * that the directors had selected such accounting policies and applied them consistently except as disclosed in the Notes on Accounts and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- * that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- * that the directors had prepared the annual accounts on a going concern basis.

12. AUDITORS' REPORT

M/s Hingorani & Co., Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the financial year 2009-10.

The Report of the Statutory Auditors to the Members on the Accounts for the year ended 31.03.2010 and Comments of the C&AG of India on the Accounts for the year ended 31.03.2010 are placed at Annexures 'B' and 'C'.

There being no Qualifications of the Statutory Auditors and Comments of C&AG being 'nil', the Management Replies are not applicable.

12.1 COST AUDIT

Pursuant to the Central Government directions to audit Cost Accounting Records as maintained by the Company, your Company appointed Shri K.S. Berk, Cost Accountant, as Cost Auditor for the year 2009-10 with the approval of Ministry of Corporate Affairs for the audit.

13. BOARD OF DIRECTORS

The Directors Report for the year 2009 contained the details of appointments and cessations in respect of Directors up to September 2009. Thereafter Shri R.N. Misra, whole time Director (civil) was appointed by the Ministry of Power with effect from 21st May 2010. As regards cessation of whole time Director, Shri K.K.Garg, Director (Finance) ceased as Director with effect from 03rd Nov 2009 on account of his new posting.

As regards appointment of part-time Directors, the Ministry of Power, appointed Shri Sudhir Kumar, Jt. Secretary (Hydel), MOP, Shri Ajay Tyagi, Pr. Secretary (Finance), Shri Deepak Sanan, Pr. Secretary (Power), GOHP, as Part-time Official Directors with effect from 29th September 2009, 06th October 2009, 8th April 2010. In addition, Shri Ravi Dhingra, and Ms Bharti Prasad were appointed as Independent Directors with effect from 29th March 2010.

As regards cessation of part-time Directors, Shri J.S. Kawale, Jt. Secretary, MOP, Shri Arvind Mehta, Pr. Secy. (Finance), Shri Gurdial Singh, Shri Ajay Tyagi ceased to be the part-time Directors with effect from 29th September 2009, 22nd September 2009, 24th Dec 2009 and 8th April 2010 respectively. The Ministry of Power further appointed Shri Gurdial Singh and Shri Ajay Tyagi as Permanent Invitee on the Board.

The Board welcomes the appointments and noted the contributions made by the outgoing Directors during their tenure and placed on record its highest appreciation for their services.

14. IMPLEMENTATION OF OFFICIAL LANGUAGE

Celebration of Hindi Fortnight, quiz competitions, workshops, publication of house journal i.e. "Himshakti" and translation of manuals in to Hindi from time to time are regular features. During the year 216 employees were imparted training in usage of Hindi in day to day work. 451 employees were given prizes for winning various competitions organized on national/important occasions. Sub-Committee of Parliamentary Committee on Official Language inspected the progress of use of Hindi at the Corporate Office, Shimla on 31st October 2009 and expressed its satisfaction over the progress made in this regard.

15. ACKNOWLEDGEMENT

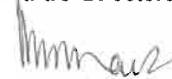
The Board of Directors acknowledge with thanks the guidance and help extended by various Ministries/Departments of the Government of India, particularly, Ministry of Power, Ministry of Finance, Ministry of External Affairs, MOEF, Central Electricity Authority, Central Water Commission, Geological Survey of India, the Government of Nepal, the Government of Bhutan, the Government of Himachal Pradesh, particularly, Deptt. of Power, Deptt. of Finance, Deptt. of Forests, Pollution Control Board, Government of Uttarakhand, State Electricity Boards, World Bank.

Your Directors also convey their gratitude to the shareholders, various international and Indian banks and financial institutions for the confidence reposed by them in the Company.

The Board also records its deep appreciation of valued cooperation extended by the Office of the Comptroller and Auditor General of India and the Auditors. Last but not least, the Board commends the hard work and dedicated efforts put in by the employees of the Corporation including the employees on deputation at all levels.

Thanking you

For and on behalf of Board of Directors


(H.K. SHARMA)

CHAIRMAN AND MANAGING DIRECTOR

Place : New Delhi
Date : 30th July 2010



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The National Electricity Policy stipulates power for all and annual per capita consumption of electricity to rise to 1000 units by 2012. This entails provision of adequate reliable power at affordable cost with access to all citizens. The All India installed power generation capacity as on 31.01.2010 was 1,56,784 MW which includes 36885 MW of hydro power, the rest from the thermal and renewable energy sources. To fulfil the objectives of the National Electricity Policy, a capacity addition of 78,700 MW has been proposed for the 11th Plan (2007-2012). This capacity addition is expected to provide a growth of 9.5% to the power sector.

As regards hydro potential, India has an estimated hydro potential of about 1,50,000 MW of which only about 36917 MW has been commissioned so far. The bulk of the potential yet to be developed is along the Himalayas i.e. hill states of Himachal, Uttarakhand, Arunachal Pradesh, Sikkim.

The above Industry scenario signifies that there is an ample opportunity for consistent growth in the business of power sector in the times to come.

CAPABILITY

To be a leader in the Power sector, SJVN need to secure and execute projects not only in Hydro but also other renewable and non-renewable sources of energy. To establish the capabilities of SJVN's ability to reach to the heights, an exercise of SWOT analysis was done internally.

Briefly, the strengths are experience gained in execution of 1500 MW Nathpa Jhakri HE Project, successful O&M, managing silt, In-house Design, Project Management, remarkable financial strengths. The weaknesses are a good turnover of employees, preference of State Governments to allot power projects to private players. The opportunities are plenty and abundant as already pointed out in Industry Overview. The threats are possible project delays on account of unmanageable rock conditions, floods, etc.

When the entire capability scenario put together, the strengths and opportunities outweigh the other elements and due to this factor, SJVN can move forward, which is already evidenced from the fact that till five years ago, the SJVN was limited to one project. Today SJVN has 9 projects of different capacities and in different stages of construction/survey and investigation, the details of which are already stated in the Directors Report.

1. FINANCIAL PERFORMANCE

A financial discussion and analysis is furnished below on reported Audited Financial Statements for the year 2009-10.

1.1 INCOME

The total income for the year 2009-10 was Rs. 1908.73 cr. which is marginally lower as compared to Rs. 2029.24 cr. during previous year due to inclusion of prior period billing and interest thereon amounting to Rs. 271 cr. on account of the final tariff order for the period 2004-09 received during previous year. The details are as under:

	(Rs.in Crore)	
	2009-10	2008-09
Units of Electricity Sold (Million Units)	6120.748	5762.049
1. Sale of electricity	1769.74	1886.60
Less: Adjustment	—	127.01
Net sales	1769.74	1759.59
Consultancy works	1.15	0.56
2. Other income		
a) Interest		
- On deposits	105.60	118.65
- On advances to employees & Contractors	6.93	0.66
- From Customers	9.38	112.07
Total interest	121.91	231.38
b) Foreign currency fluctuation adjustment	1.68	12.07
c) Other	14.25	25.64
Total Income	1908.73	2029.24

The main reasons of changes over the previous year are given below:

1.1.1 Sale of electricity

The sale of electricity by the Company is governed by the tariff fixed by the Central Electricity Regulatory Commission (CERC) pursuant to the tariff policy issued by the Govt. Of India. The Central Electricity Regulatory Commission (CERC) vide notification dated 19.01.2009 has notified the Tariff Regulations, 2009 containing inter-alia the terms & conditions for determination of tariff, applicable for a period of five years with effect from 01.04.2009. The sales for the year have been recognized at Rs. 176974 lakh (inclusive of Deferred Tax Materialised upto 31st March, 2009 of Rs. 3182 lakh) on the basis of principles enumerated in the said regulations, on the capital cost allowed by CERC for determining tariff for the year 2008-09. During the year 2008-09, arrear billing amounting to Rs.164 crore was raised on issuance of final tariff orders by the CERC for earlier years which has resulted in increased sale in that year. During the year, sales include an amount of Rs. 181.68 Crore on account of incentive billing which is higher by Rs. 86.74 crore as compared to previous year by achieving Plant Availability Factor (PAF) of 98.55% as against Normative Plant Availability Factor (NPAF) of 82% and annual generation of 7019 million units as against design energy of 6612 million units.

Adjustment during the year 2008-09 from the sales includes primarily the AAD component which was accounted for as income received in advance. In the new tariff regulations, depreciation rates have been increased and there is no provision for AAD, the impact on the profit/sales for the year is not significant because tariff as well as depreciation has been increased by similar amount.

1.1.2 Other Income

Other income mainly comprises of income for investment of surplus fund. Interest income on deposits has decreased by Rs. 13.05 crore during the year as compared to previous year due to placement of deposits at card rates as per DPE guidelines. Interest from customers during the previous year was higher due to inclusion of an amount of Rs. 107.75 crore on account of interest on arrear billing towards differential tariff for the tariff period 2004-09 based on final tariff order.

1.1.3 Others

Includes write-back of Rs.10.84 crore during the current year as against Rs. 22.27 crore during previous year being the excess provision of interest against disputed claims settled during the current year.

2. EXPENDITURE

The total expenditure excluding prior period adjustments for the year was Rs. 783.02 crore as against Rs. 745.32 crore for the previous year. Main reasons for increase are:

- Increase in depreciation of Rs. 200.05 crore due to increase in depreciation rates in new tariff regulations. However, this has no significant impact on the overall profit of the Company as AFC/Tariff has also been increased and also there is no adjustment for AAD from the current year.
- Decrease in interest of Rs. 56.20 crore payable to customers for negative billing on account of differential tariff for the tariff period 2004-09 based on final tariff order.
- Decrease in provision for interest of Rs. 58.37 crore on arbitration awards after settlement of the same.
- Decrease in interest on loan of Rs. 31.55 crore due to repayment of loans.
- Decrease in Exchange difference regarded as interest amounting to Rs.9.71 crore due to negative Exchange rate Variation (ERV).

2.1 Prior Period Adjustment

During the previous year, the Company added Advance Against Depreciation (AAD) of Rs. 849.35 crore to book profit following the ruling of Authority for Advance Ruling (AAR) and paid /provided Minimum Alternate Tax (MAT) of Rs.108.53 crore after grossing up. The MAT paid was also accounted for as sales as per CERC norms. During the year, as per the judgement of Hon'ble Supreme Court of India in a similar case, it is



held that AAD is not required to be added to book profit and no tax is required to be paid. Hence, an amount of Rs. 108.53 crore booked to sales during previous year has been adjusted through prior period account.

2.2 Provision for Taxation

The Company is availing tax holiday u/s 80 IA of the Income Tax Act, 1961 commencing from the F.Y.2004-05 and currently paying Minimum Alternate Tax (MAT). The Company provides for current tax, deferred tax and wealth tax. As per new tariff regulations applicable for the period 2009-14, tax is no more a pass through item. However, return on equity is grossed up with the applicable tax rate. The provision for the current year was Rs.64.40 crore as compared to Rs. 270.58 crore for the previous year. The decrease is due to adjustment of tax on AAD of Rs. 108.53 crore which was added to tax provision during previous year and deducted from the current year tax provision.

2.3 Deferred Taxation

As per the tariff regulation for the previous year current tax as well as deferred tax was pass through item and there was no impact of the deferred tax on the tax/profit. However, as per new tariff regulation applicable for the period 2009-14, deferred tax liability for the period upto 31st March, 2009, whenever it materializes shall be recoverable from the beneficiaries. Accordingly, an amount of Rs. 31.82 crore on account of

deferred tax materialised on 31.03.2009 has been included in the sales. Deferred tax for the current year amounting to Rs.46.08 crore has been credited to deferred tax account.

3. Profit after Tax

Profit after tax for the current year is Rs. 972.74 crore which is marginally lower as compared to the profit after tax of Rs. 1015.32 crore during previous year due to inclusion of prior period sales and interest thereon on account of issuance of final tariff order for the period 2004-09 as explained earlier.

4. Internal Control Systems

The company has adequate control systems and the transactions/ processes are guided by delegation of powers, documented policies, guidelines and manuals. The Organizational structure is well defined in terms of the structured authority/ responsibility involved at each particular hierarchy/ level.

In order to ensure that all checks and balances are in place and internal control systems are in order, regular internal audit is conducted by firms of Chartered Accountants in close coordination with Company's own Internal Audit Department. Audit Observations and Action Taken Reports are placed before the Audit Committee headed by an Independent Director.



REPORT ON CORPORATE GOVERNANCE

SJVN continuously strive to bring the best practices expected of us by all the stake holders in the conduct of our business. The company is a Listed Company with effect from 20th May 2010.

1. BOARD OF DIRECTORS

1.1 Size of the Board

SJVN is a Government Company within the meaning of Section 617 of the Companies Act, 1956. The present share-holding is 65:25:10 between the Government of India, Government of Himachal Pradesh and the Public. As per Articles of Association, the power to appoint Directors vests in the President of India. The Strength of the Board shall not be less than 6 and not more than 15. These numbers include all whole-time, part-time Directors.

1.2 Composition & Tenure of the Board

As on 30th June 2010, the Board comprises of 11 members, consisting of 4 whole-time Directors; 2 part-time official-directors representing Government of India and Government of Himachal Pradesh and 5 Independent Directors. As per the Listing Agreement, 50% of the Board should consist of Independent Directors and presently we are short by one member. The Government of India, Ministry of Power, has been

requested to fill up the vacancy to ensure compliance with the Listing Agreement.

All the Functional Directors are appointed for a period of 5 years or till superannuation or till further instructions whichever event occurs earlier. The age limit of the Functional (whole-time) Directors including Chairman & Mg. Director is 60. Government Nominee Directors representing Government of India and Government of Himachal Pradesh retire from the Board on ceasing to be officials of the Ministry/Administrative Department. Independent Directors are appointed for a period of 3 years.

1.3 Board Meetings

The Board Meetings are held normally at New Delhi to facilitate large participation of Directors. However, efforts are also made to hold the meetings at Shimla and also at Project.

During the financial year 2009-10, 12 Board Meetings were held on 20th April, 10th July, 04th Aug., 10th Sept., 06th Oct., 26th Oct., 30th Nov., 17th Dec., 04th Jan., 16th Feb., 23rd Feb., and 23rd Mar. The maximum interval between any two meetings during this period was 79 days. Details of number of Board Meetings, attendance of the Directors, attendance at last AGM, Directorships/Committee membership etc. for the year is stated as under:

Sr. No.	Directors	Meetings held during respective tenure of Directors	No. of Board Meetings attended	Attendance at last AGM (21st) held on 10.09.09	No. of other Directorship held on 31.03.10	No. of committee memberships in other companies on 31.03.10	
						As Chairman	As Member
	Functional Directors						
1.	Shri H.K. Sharma Chairman & Mg. Director	12	12	Yes	Nil	----	---
2.	Shri R.S. Katoch Director (Personnel)	12	11	Yes	Nil	---	---
3.	Shri K.K. Garg Director (Finance)	6	5	Yes	Nil	---	---
4.	Shri R.P. Singh Director (Electrical)	12	12	Yes	Nil	---	---
5.	Shri R.N. Misra Director (Civil)	Appointed as whole time Director with effect from 21st May 2010			Nil	---	---
	Part Time Official Director (Government Nominees)						
6.	Shri Gurdial Singh Member (Hydro), CEA	8	6	No	Ceased as Director		
7.	Shri J.S. Kawale JS (H), Ministry of Power	4	3	Yes	Ceased as Director		
8.	Shri Sudhir Kumar JS (H), Ministry of Power	8	4	NA	6	nil	1
9.	Shri Arvind Mehta Pr. Secy (Finance), GOHP.	4	4	Yes	Ceased as Director		
10.	Shri Ajay Mittal Pr. Secy (Power), GOHP	1	0	NA	Ceased as Director		
11.	Shri Ajay Tyagi Pr. Secy (Finance),GOHP.	8	2	NA	5	nil	nil
12.	Shri Deepak Sanan Pr. Secy (Power), GOHP	Appointed as Director with effect from 08th April 2010					
	Independent Directors						
13.	Shri S.M. Lodha	12	9	No	5	1	2
14.	Shri K.S. Sarma	12	11	Yes	3	1	1
15.	Shri K.S. Gill	12	11	Yes	---		
16.	Shri Ravi Dhingra		Appointed as Directors with effect from 29th March 2010				
17.	Ms. Bharti Prasad						



2. CODE OF CORPORATE GOVERNANCE

SJVNL developed a Code of Corporate Governance which was approved by the Board in its 182nd Meeting held on 04th August 2009. The Code was formulated keeping in view the guidelines of the DPE, Secretarial Standards of the Institute of Company Secretaries of India.

The Code consists of:

- Matters to be placed before the Board
- Audit Committee
- Remuneration Committee
- Investment Committee
- Share Allotment and Transfer Committee
- Empowered Committee
- And the matters to be stated in the Annual Report

The Code is also placed on the website of the Company, namely, www.sjvn.nic.in for information of general public.

3. AUDIT COMMITTEE

As on 31st March 2010, the Audit Committee comprises the following Members:

- Shri K.S.Sarma, Independent Director, as Chairman
- Shri S.M.Lodha, Independent Director, as Member
- Shri K.S.Gill, Independent Director, as Member
- Shri Ajay Tyagi, Pr. Secretary (Finance), GOHP, as Member

During the financial year 2009-10, 5 (Five) Audit Committee Meetings were held on 03rd July 2009, 03rd August 2009, 10th September 2009, 17th December 2009 and 16th February 2010. The details of attendance in the Audit Committee are as under:

Sr. No.	Name	No. of Meetings held during tenure	No. of Meetings attended
1.	Arvind Mehta	3	1
2.	SM Lodha	5	4
3.	KS Sarma	5	4
4.	KS Gill	3	3
5.	Ajay Tyagi	2	0

4. REMUNERATION COMMITTEE

As on 31st March 2010, the Remuneration Committee consists of the following Members:

- Shri K.S.Gill, Independent Director, as Chairman
- Shri R.S.Katoch, Director (Personnel), as Member
- Director (Finance), as Member

Our Company being a Central Public Sector Undertaking, the appointment, tenure and remuneration of Directors are decided by the President of India. The scope of work for the Remuneration Committee is Performance Related Pay for Executives and Non-Unionised Supervisors as required under the DPE Guidelines.

During the Financial year 2009-10, the remuneration details of functional directors are as under:

Sr. No.	Name of the Director	Salary	Benefits	Performance Incentive	Total
1.	Shri H.K. Sharma	9,42,776	6,13,496	2,78,019	18,34,291
2.	Shri J.K. Sharma@	12,155	49,681	2,27,106	2,88,942
3.	Shri R.S. Katoch	8,99,909	5,47,996	2,58,992	17,06,897
4.	Shri K.K. Garg*	3,39,359	2,65,641	2,58,992	8,63,992
5.	Shri R.P. Singh	8,38,222	5,80,486	2,58,992	16,77,700

@ ceased as Director w.e.f. 09th April 2009 *Ceased as director w.e.f. 3rd Nov. 2009

5. SITTING FEE

The Sitting Fee paid to Independent Directors during the financial year 2009-10 is as under:

Sr. No.	Name of the Director	Board Meetings	Audit Committee	Other Meetings
1.	Shri S.M.Lodha	90,000	40,000	nil
2.	Shri K.S.Sarma	1,10,000	40,000	40,000
3.	Shri K.S.Gill	1,10,000	30,000	30,000

6. INVESTMENT COMMITTEE

As on 31st March 2010, the committee consists of whole time Directors, namely, Shri H.K. Sharma, Chairman & Mg. Director, Shri R.S. Katoch, Director (Pers) and Director (Finance). The scope of work of the Committee is to invest surplus money as may be available with the

Company from time to time as short-term investments as per DPE/Ministry of Finance guidelines and place the status of investments including short-term loans availed, if any, before the Audit Committee and Board on quarterly basis.

7. SHARE ALLOTMENT AND TRANSFER COMMITTEE

As on 31st March 2010, the Committee consists of whole time Directors, namely, Shri H.K. Sharma, Chairman & Mg. Director and Shri R.S. Katoch Director (Pers). The scope of work of the Committee is to allot and approve the transfer of shares.

8. EMPOWERED COMMITTEE

As on 31st March 2010, the Committee consists of whole time Directors only. The scope of work of the Committee is to exercise the powers on specified items as approved by the Board of Directors in its 174th Meeting held on 15th September 2008.

9. INVESTORS GRIEVANCE COMMITTEE

As on 31st March 2010, Committee consists of the following Members

- Ms Bharti Prasad, Independent Director, as Chairman
- Shri Ravi Dhirga, Independent Director, as Member
- Shri H.K. Sharma, CMD, SJVN Ltd. as Member

As on the above date, the SJVN Ltd. being unlisted company, no Meeting was held during the financial year 2009-10.

10. MODIFICATIONS IN THE COMMITTEES

During the year 2010-11, the changes are as under:

- Audit Committee – Shri Ajay Tyagi was replaced by Shri Deepak Sanan
- Remuneration Committee – the entire committee reconstituted and presently comprises Shri K.S. Gill, Shri K.S.Sarma and Shri Deepak Sanan
- Share Allotment and Transfer Committee – renamed as Committee for Share Allotment and Post Allotment activities with increased scope of work to take care of rematerialisation, duplicate share certificates, etc. and consists of three functional directors
- Investment Policy Committee – the Committee is constituted to draft the policies on the investments and to advise the Investment Committee in its functions.

11. CODE OF CONDUCT

The Board of Directors has laid down Code of Conduct for Board Members and Senior Management above the level of Deputy General Manager. In this regard, the declaration given by the Chairman & Mg. Director is reproduced below:

All the Members of the Board and Senior Management personnel have affirmed compliance of the Code of Conduct for the financial year ended 31st March 2010.

(H.K. Sharma)
Chairman & Mg. Director

11.1 CODE OF INSIDER TRADING

In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, read with amendments to the Regulations 2008, the Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and sale of shares by the Insider on the basis of unpublished price sensitive information.

12. GENERAL BODY MEETINGS

12.1 Annual General Meeting

Date, time and location where the last three annual general meetings were held are as under:

- 19th Annual General Meeting was held on 28th September 2007 at 1930 hrs in Hotel Destination, Kandaghat, Himachal Pradesh.
- 20th Annual General Meeting was held on 30th August 2008 at 1930 hrs in Hotel Holiday Home, Shimla, Himachal Pradesh.
- 21st Annual General Meeting was held on 10th September 2009 at 1730 hrs in Hotel Destination, Kandaghat, Himachal Pradesh.

12.2 Special Resolution

In the 21st Annual General Meeting, two Special Resolutions, namely, change of Name of the Company, Objects and Articles of Association and Increase in Authorised share capital were passed.