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Promo Version

SJVN's Survival in India's Competitive Energy Market: Diversify or Consolidate?

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Abstract. On a humid May 2024 afternoon in New Delhi, Sushil Sharma, Managing Director of SJVN, a public sector undertaking, met senior officials and investors at the Ministry of Power's South Block office. A confidential memo lay on the table, urging SJVN to either double down on hydropower or leap into a diversified, ESG-aligned energy future. As heated voices debated failed international bids and rising regulatory pressure, Sharma knew that the next move could either catapult the state-owned enterprise (SOE), into global relevance or trap it in bureaucratic stagnation. His mind raced with questions: Could the company stay true to its public mandate while competing with private giants? Was consolidation a safer bet or was diversification a necessary disruption?

Keywords: renewable energy, hydropower, state-owned enterprises, energy transition, India, strategic transformation, public vs. private.

1. Balancing Growth and Sustainability

At the core of this challenge was SJVN's new capital expenditure (CAPEX) target of INR 10,000 crore (USD 1.43 billion) for the financial year 2023-24. While this bold plan reflected the company's strong growth ambitions, it also highlighted the pressure it faced in a rapidly evolving and competitive energy market. Private sector leaders like Tata Power and Adani Power were quickly expanding into solar, wind, and energy storage with greater flexibility, something SJVN found hard to match due to its state-owned structure. The energy sector was shifting fast, moving away from hydropower toward renewables at an unprecedented speed. India's commitments under the Paris Agreement added another layer of complexity. Recent setbacks compounded the pressure: a green hydrogen MoU with a European partner had failed, an internal audit flagged delays in ESG disclosures, and a policy directive required SOEs to publish climate risk reports by Q2 2024. Adani Power were expanding into solar, wind, and energy storage

with far greater flexibility, an advantage SJVN struggled to match as a state-owned enterprise (SOE).

The Government of India (GoI) aimed to reduce greenhouse gas emissions intensity by 45% from 2005 levels and ensure 50% of its installed power capacity came from non-fossil sources by 2030. For SJVN, this meant increasing capacity and diversifying beyond hydropower into solar and wind, areas already led by private companies. In this market, sustainability was no longer optional but a strategic necessity to meet carbon neutrality goals.

The weight of these challenges became evident during a brainstorming session with the company's Executive Directors. SJVN's growth strategy had to address multiple, often conflicting priorities. It needed to expand capacity to stay competitive while simultaneously transitioning to a diversified and sustainable energy portfolio. The task was further complicated by the inherent constraints of being a state-owned enterprise (SOE), including bureaucratic oversight, financial dependency on government funding, and slower decision-making processes compared to its private-sector counterparts.

SJVN's leadership recognized that achieving these objectives would require a multifaceted approach. The company needed to innovate its core operations, forge strategic partnerships, and invest in emerging technologies like energy storage and digitalization. It also had to balance its domestic expansion with international ventures, leveraging opportunities in neighboring countries, such as Nepal and Bhutan, where its expertise in hydroelectric projects could provide a competitive edge.

As Sushil and his team deliberated, the key issues were clear. The decisions made in the coming months would influence SJVN's path for decades ahead. Could the company transform itself into a leader in sustainable energy while overcoming the limits of its SOE structure? How could it compete with private enterprises that were more agile and flexible? And, perhaps most importantly, how could SJVN strike the right balance between ambitious growth and sustainability in a world increasingly focused on carbon neutrality? These were the questions that would define both SJVN's future and its impact on the global energy sector.

2. Indian Power Generation Market

India's electricity sector, one of the most diverse globally, encompassed a wide range of power sources, such as coal, lignite, natural gas, oil, hydro, and nuclear power. Renewable energy sources, such as wind, solar, and agricultural and household waste had also become increasingly viable alternatives. Demand for electricity had been rising steadily and was expected to grow further, necessitating a significant increase in the installed generating capacity (see Exhibit-1)[1] (all Exhibits can be found at the end of the case study). By January