

# MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

## A resilient business with a growth agenda

We aim to become a 10 GW company over the foreseeable future, with Renewable Energy as the central theme of our growth plans.



### Dear Shareholders,

FY2020 was a challenging year for the Indian power sector marked by subdued economic growth and weak industrial production. The fag end of the year evidenced the outbreak of Coronavirus, leading to hugely dislocated economic conditions and significantly disrupted way of life at a global level.

At JSW Energy, we have been largely resilient to the overall economic weakness during the year, as well as to the disruptions caused by Covid-19. This has come about through significant de-risking of our business over the past few years with more than 80% of our capacity tied-up under long-term contracts and a very efficient cost structure encompassing both O&M and finance costs. We have also put in place an agile and proactive response mechanism encompassing human, operational, financial and strategic aspects for tackling the unprecedented situation caused by Covid-19.

### FY2020 in Perspective

FY2020 witnessed subdued power demand growth of 1.3% led by twin headwinds of overall weakness in economic activity and Covid-19 related impact towards the end of the year. Thermal PLF in India declined to 56.0% during the year, its lowest level in almost three decades. Growth in domestic coal production was flat at 729 million tonnes during FY2020, whereas coal imports grew by 3.3% to 243 million tonnes.

In FY2020, we commissioned our 18 MW Thermal power plant at Nandyal with long-term PPA tied-up under Group Captive scheme. During the year, while our total net generation was marginally lower by 3.8%, generation at our Hydro plants was higher by 14.4% due to better water availability in the Sutlej basin. However, generation from our Thermal plants declined by 9.5% primarily due to lower offtake by long-term customers across plant locations. Nevertheless, our profitability was largely insulated as majority of our capacity is tied under long-term PPA with two-part tariff, wherein we receive fixed capacity charges based on our plant availability, which was above normative across all the plants, with fuel costs fully pass through at actuals. We also continued to improve our operational efficiencies by following global best practices, and further reduced O&M expenses during the year, thereby cementing our position as one of the lowest O&M cost power generators in the industry.

JSW Energy has been constantly evaluating multiple opportunities for organic and inorganic growth and to this effect announced two acquisitions during the year – 1050 MW GMR Kamalanga Energy Ltd and 700 MW Ind-Barath Energy (Utkal) Ltd. While the GMR Kamalanga transaction has been put on hold given the ongoing Covid-19 related uncertainties, the Ind-Barath acquisition is awaiting necessary approvals from the National Company Law Tribunal. On the organic growth front, we commenced preparatory construction work for our 240 MW Kutehr Hydropower plant in Himachal Pradesh, pursuant to the strong impetus provided by the Government to boost Hydropower generation in the country through measures

such as Renewable status for large Hydropower projects and introduction of Hydropower Purchase Obligation.

We have one of the strongest balance sheets in the Power sector in India and continued to strengthen the same during the year with consolidated Net Debt to Equity ratio further declining from 0.85x to 0.77x thereby creating sufficient headroom for pursuing attractive growth opportunities.

Given the healthy business performance in FY2020 amidst a challenging economic environment, the Board has recommended a dividend of ₹ 1 per equity share for the year.

## Decisive measures to tide through Covid-19 crisis

Despite the Covid-19 situation, the Company's plant operations continue to run smoothly, while ensuring adherence to necessary safety measures. To deal with the pandemic, we have adopted best-in-class safety and hygiene practices, realigned mobility, and enhanced digital working capabilities for our employees. Further, we continue to efficiently monitor our operations, ensure supply chain continuity, implement stringent cost control and revamp risk mitigation to suit the new normal. With power identified as an essential service, we have endeavored to support the nation under such critical circumstances by ensuring the required plant availability across all our locations. Overall, we aim to turn the pandemic led crisis into an opportunity, thus creating value for all our shareholders.

## Responsible Growth Strategy

JSW Group and JSW Energy have always embarked on new business opportunities keeping a balance between growth aspirations and prudent financial management. We believe that our business decisions should be aligned with the well-being of all our stakeholders and society at large. In line with this vision, we aim to become a 10 GW company over the foreseeable future, with Renewable Energy being the locus of our growth plans. Given the strong Government impetus, large inflow of investments from a wide array of global investors and improving project economics, we believe that Renewable Energy will be the centerpiece of India's long-term power story.

## Outlook

As per the Reserve Bank of India, global economic activity has come to a near standstill attributable to the Covid-19 pandemic. The overall economic recovery is now contingent upon the intensity, spread and duration of the pandemic. Nevertheless, I firmly believe that there is light at the end of the tunnel, and together we will emerge stronger from this crisis.

Over the short-term, power demand should see a moderation due to Covid-19 induced conditions. However, over the medium-term, Power sector outlook is sanguine, as rapid urbanisation and stabilisation of various schemes undertaken by the Central Government such as "Power for All" and "24 x 7 Power" is expected to spur power demand.

The Government has announced a set of holistic reforms including mandatory enforcement of payment security mechanism under PPAs, privatisation of Discoms in Union Territories, establishment of proposed Electricity Contract

Enforcement Authority, implementation of smart-metering/ prepaid meter, direct benefit transfers of subsidies, separation of carriage and content, etc. These measures, together with the ₹ 90,000 crore liquidity infusion package announced under the Atmanirbhar Bharat Abhiyaan to enable Discoms clear their outstanding dues should help in power demand revival and improvement in the overall health of the sector going forward.

On the supply side, incremental capacity additions have been driven largely by the Renewable Energy segment over the last few years. Technological advances and reducing capital costs have progressively made Renewable Energy commercially attractive and more affordable than Thermal power. Henceforth, power capacity addition in India is expected to be primarily driven by the Renewable Energy segment.

Going forward, our strategic intent is to continue de-risking the business model by steadily increasing our long-term PPA proportion and further lowering our overhead and finance costs. As a growth oriented company, we are enthusiastic and remain focused on achieving our medium-term vision of becoming a 10 GW player through a mix of organic and inorganic opportunities primarily in the Renewable Energy space.

At JSW Energy, we have adopted robust Environmental, Social and Governance practices and remain fully committed to the environment and society. We continue to foster the creation of an ecologically sensitive, value based and empowered society through our purposeful CSR engagements and initiatives.

Finally, I would like to convey my sincere gratitude to all our stakeholders including the Central and State Governments, investors, regulators, bankers, rating agencies, customers, suppliers, advisors, and employees for their consistent support and trust. I also take this opportunity to wholeheartedly thank all our frontline warriors such as doctors, healthcare workers, municipal officials, army, police and all other people in the essential services for their undaunted spirit in tackling the Covid-19 crisis.

Best wishes,

**Sajjan Jindal**

Chairman and Managing Director

## REFLECTING ON OUR BUSINESS SEGMENTS



## Mining

JSW Energy's Barmer plant sources lignite from the Barmer Lignite Mining Company Limited (BLMCL). The mining company has rights to develop lignite mines in two adjacent blocks – Kapurdi and Jalipa. The plant has assured availability of fuel (lignite) which is sourced from pit-head captive lignite mines under a Fuel Supply Agreement.

Also, the Company has a majority holding in South African Coal Mining Holdings Limited (SACMH), which has coal mines in South Africa.

In FY2020, BLMCL has supplied 5.30 million tons of lignite to JSW Energy (Barmer) Limited as against 5.92 million tons of lignite in FY2018-19.

## Power Generation

JSW Energy Limited is amongst India's leading private sector power-producing companies.

Today, the Company's presence extends across several Indian states and includes stakes in natural resource companies in India and South Africa. Over the years, JSW Energy Limited has enhanced its power generation capacity from 260 MW to 4,559 MW.

Net generation in FY2020 stood at 21,252 MUs vis-à-vis 22,088 MUs in the previous year.

We currently have installed generating capacity of 4,559 MW, out of which 3,158 MW is thermal power, 1,391 MW is hydropower and 10 MW solar power.



## Power Transmission

We have an efficient transmission and distribution (T&D) system, which is essential for a stable supply of electricity.

Jaigad PowerTransco Limited (JPTL) is a 74:26 joint venture between the Company and Maharashtra State Electricity Transmission Company Limited. We have two operational 400 kV transmission lines under JPTL.

In FY2020, JPTL maintained a high availability of the transmission system at 99.58% (previous year 99.67%).

## Power Trading

As part of our vision to become a full-spectrum power company, JSW Energy launched JSW Power Trading Company Limited (JSWPTC) in 2006.

JSWPTC has obtained a license to trade in power across India, which is issued by the Central Electricity Regulatory Commission. Today, it is one of the leading power trading companies in India.

It is a member of Indian Energy Exchange (IEX) and Power Exchange of India Limited (PXIL).

In FY2020, JSWPTC achieved a total trading volume of 718 million units (previous year 2,054 million units).



## OVERVIEW OF THE OPERATING CONTEXT

**Growing Demand**

As per data of Central Electricity Authority, India's power demand is expected to grow to 1,566 TWh by FY2022.

To keep pace with the growing power demand, we have enhanced our installed power generation capacity from 260 MW to 4,559 MW since inception.

**Renewable Energy**

India has made substantial progress in the renewable energy sector on the back of conducive policy environment, government support, a steady inflow of capital, introduction of latest technologies and several fiscal policy incentives.

Supported by a strong thermal and hydro back-bone, we intend to capitalise on the opportunities of renewable power generation and play a leading role in a carbon free future.

**Covid-19 Pandemic**

The spread of Covid-19 across the world has impacted businesses globally. The pandemic has posed risks to human life, resulted in low power demand due to national lockdown and disrupted supply chain.

We have adequate stock of coal and oil for plant start-up, critical spares and water. This has helped in ensuring the smooth functioning of the plant during the lockdown. Moreover, alternate supply chain sources are being explored to mitigate the impact of prolonged disruption.



Karcham Dam

Raw material availability & cost	Regulatory changes	Off-take Risk
<p>Availability and cost of the required grade of raw material (coal) might be impacted due to various macro factors. The imported coal prices are moving downwards since February 2020 due to lower demand owing to Covid-19 pandemic.</p>	<p>Revised norms for SO<sub>x</sub>/NO<sub>x</sub>/SPM emissions leading to higher CAPEX for Environmental compliance.</p>	<p>At present, less than 20% of power is untied and being sold on a day-ahead/short term basis. The tariff rates are impacted by demand-supply dynamics, economic growth, and sudden shifts in weather.</p>
<p>We are diversifying our sources (countries/vendors) and employing prudent hedging strategies to mitigate foreign exchange and coal price risks. We are moving towards blending domestic coal by participating in coal e-auctions for Independent Power Producers (IPPs).</p>	<p>Technical evaluations of vendors have been conducted for necessary modifications in different types of equipment. Due to Covid, there has been a poor response of vendors for Flue Gas Desulfurisation equipment to be purchased, and there are substantial supply chain disruptions. In light of the above, a reasonable time extension is being sought from the concerned authorities.</p>	<p>We focus on enhancing power sales through long-term PPAs, including captive route and ensuring an optimum mix of short/medium term PPAs for the open capacity.</p>

## The course to reach our aspirations

**Pillar 1**  
**Embracing a green future**

**T1** ...by capitalising on renewable opportunities for future growth and transition towards clean energy


**Pillar 2**  
**Time tested business model**

**T2** ...by generating sustainable value for stakeholders amidst multiple sectoral headwinds


**Pillar 3**  
**Drawing on our strong Balance Sheet**

**T3** ... by leveraging our robust financial foundation to become a 10GW company


**Pillar 4**  
**Measuring our ecological impact**

**T4** ...by understanding our responsibility to operate in the best interests of the community and the environment that surrounds us


**Pillar 5**  
**Leveraging a healthy mix of thermal & renewables**

**T5** ...by efficiently using our existing assets to deliver continuous and quality power to our customers, even while transitioning to renewables


**Pillar 6**  
**Improving the quality of life**

**T6** ...by nurturing our workforce and uplifting society through purposeful engagements and continuous developments



## Business strategy

**1 PERSEVERANCE**

Embracing a green future

**Strategy**

Our business and macro environment is continuously evolving at a rapid pace, requiring companies to persevere with an innovative, proactive, adaptive and futuristic approach in order to remain competitive. Perseverance is at the core of JSW Energy's strategy and values, forming an important pillar for all our activities.

Renewable energy will be the focus of JSW Energy's strategic objectives going forward. As the energy sector is expected to undergo a significant transformation, JSW Energy will persevere in driving this transition towards clean energy, supported by its robust Balance Sheet and project execution expertise, thereby enhancing stakeholder value and creating a sustainable future for the generations to follow.

**FY2020 Highlights**

- 13 MUs Net Power Generation (Solar)
- 5,953 MUs Net Power Generation (Hydro)

**Progress**

We have installed 10 MW solar power plants at our different manufacturing plants spread across Rajasthan, Maharashtra, Andhra Pradesh, and West Bengal.

To develop our renewable portfolio, we have initiated the process of acquiring topographically productive land banks for commissioning new solar and wind capacities and have been gradually building organisational capability.

**2 ENDURANCE**

Time tested business model

**Strategy**

Our enduring business model reflects multiple advantages – strategic plant locations, diversified fuel sources, efficient raw material sourcing and blended off-take arrangements, thereby enabling us to operate without any constraints and to keep pace with rapid change, uncertainty, and complexity.

Moreover, our strategic foresight and structured process orientation help in early identification of headwinds, thereby enabling us to devise appropriate response strategies that bodes well in weathering through a turbulent external environment.

**FY2020 Highlights**

- 66.01% Deemed PLF
- 58.23% Increase in PAT YoY

**Progress**

During the year, our prudent governance and O&M practices have resulted in consistent deemed PLFs of 66.01%, an increase of 83 bps YoY. We have also reduced our O&M expenses by ~4% YoY to ₹ 17.9 Lakh/MW.

At JSW Energy, we constantly aim to improve our operational efficiency, aided by digitisation and technology, which helps in reducing susceptibility to outages and potential downtime.



3 RESILIENCE	4 RESPONSIBILITY	5 QUALITY	6 SUPPORT
Drawing on our strong Balance Sheet	Measuring our ecological impact	Leveraging a healthy mix of thermal & renewables	Improving the quality of life
<b>Strategy</b> <p>JSW Energy continues to be one of the strongest power generating companies in India with a resilient balance sheet. This provides us with the confidence and financial flexibility to embark upon a robust growth path through a mix of organic as well as inorganic opportunities.</p> <p>Our Balance Sheet strength is the result of prudent capital allocation, strong free cash flow generation, proactive deleveraging and sound working capital management. This has enabled us to steer through market adversities relatively unscathed.</p>	<b>Strategy</b> <p>We work towards inclusive growth and aim to foster the creation of an ecologically sensitive, value-based and empowered society. As a leading energy company, we also have a responsibility to address global challenges such as climate change and depleting natural resources.</p> <p>We strive relentlessly to lower the impact of our actions on the environment and regularly measure our environmental performance as we strongly believe that our growth will not be sustainable without achieving ecological balance.</p>	<b>Strategy</b> <p>At JSW Energy, we believe in responsible power generation and are accordingly working with concerted efforts to minimise our carbon footprint, to utilise our resources efficiently and to improve the share of renewables in our asset mix going forward. However, we also recognise that this transformation towards clean energy will be gradual, necessitating the supply of uninterrupted and quality power to our customers during this paradigm shift.</p> <p>While the transition towards lower carbon emission is inevitable, we aim to adopt a holistic approach, keeping in mind the best interests of our customers, environment and society at large. During this transition, we strive to provide efficient solutions to our customers by effectively leveraging our best-in-class existing asset portfolio and deeply entrenched expertise across the energy value chain.</p>	<b>Strategy</b> <p>Our people are our most important assets and the driving force behind our long-term success. Therefore, our efforts are always directed towards investing in their development and ensuring that they work in a progressive environment that encourages productivity, innovation and transparency.</p> <p>The philosophy behind our people management is to empower our employees through a broad range of initiatives directed towards their holistic growth. We believe in continuous learning and keeping abreast of the latest technologies and processes. Therefore, our human resource management continuously works on designing and offering new and exciting learning opportunities for all our employees.</p>
<b>FY2020 Highlights</b>	<b>FY2020 Highlights</b>	<b>FY2020 Highlights</b>	<b>FY2020 Highlights</b>
<ul style="list-style-type: none"> <li>2.76x Net Debt to EBITDA</li> <li>0.77x Net Debt to Equity Ratio</li> </ul>	<ul style="list-style-type: none"> <li>59.92 MUs Energy Savings</li> <li>1.5 NTU Turbidity achieved - output water quality of Pre-treatment plant</li> </ul>	<ul style="list-style-type: none"> <li>21,252 MUs Net Generation</li> <li>4,559 MW Installed Generation Capacity</li> </ul>	<ul style="list-style-type: none"> <li>1,677 Total employees</li> <li>2.99% Attrition rate</li> <li>49,272 Hrs of training</li> </ul>
<b>Progress</b> <p>During the year, we reduced our Net Debt to ₹8,945 crore, a reduction of 11% YoY. With this, our Net Debt to Equity ratio has reduced to 0.77x and Net Debt to EBITDA to 2.76x.</p> <p>This gives us ample Balance Sheet headroom and ability to raise capital at favourable terms and conditions and strategically pursue value-accretive growth opportunities.</p>	<b>Progress</b> <p>All our power plants maintain emissions and waste within the permissible limits.</p> <p>We have taken several initiatives to monitor and control the impact of our business activities on the environment. We have improved our emission standards and reduced the auxiliary power consumption by ~1.3% with the help of various in-house operations and process improvements.</p>	<b>Progress</b> <p>During the year, our net generation stood at 21,252 MUs as against 22,088 MUs in FY2019.</p> <p>At JSW Energy, we are determined to capitalise on a new golden age of renewable power generation, endeavouring towards a sustainable and carbon-free world, supported by a strong and efficient thermal and hydro back-bone.</p>	<b>Progress</b> <p>During the year, we completed 303 unique training interventions and selected 15 employees for the diploma degree in solar, 8 employees for Future Fit Leadership program and 2 for Springboard.</p> <p>Several initiatives were taken by our HR team to enhance productivity levels of our workforce. Additionally, under the CARE model, we have carried out multiple employee engagement activities.</p>



# OUR BUSINESS MODEL

JSW Energy Limited is the energy vertical of the US\$12 billion JSW Group. The Company along with its subsidiaries operates in the entire value chain of power business such as generation, transmission, mining and power trading. We believe in staying at the forefront of new market trends and satisfying customer needs by supplying reliable, affordable and quality power.

Our business model is focused on owning and operating a diversified portfolio of assets in thermal, hydro and renewable segments. We ensure maximum efficiency in our operations by adopting best global industry practices and also strive to reduce the environmental impact of our operations. Our future strategy is to grow in the renewable energy segment and ensure sustainable value creation for all our stakeholders.

We have one of the strongest balance sheet in the Indian Power sector and generate healthy free cash flows, providing us with ample headroom for pursuing our renewable energy growth plans. We have been gradually building organisational capabilities in the renewable space and have already initiated the process of acquiring topographically productive land banks for commissioning new renewable capacities. We are also evaluating various inorganic growth opportunities, which can lead to significant value creation for our stakeholders in the long-term.

## Transitioning towards a Green Future

Our strategy of growing in the renewable energy space is well aligned to the rapidly evolving sector dynamics and overall macro environment. With strong Government impetus towards green energy, large inflow of investments from a wide array of global investors and improving project economics led by technological innovation, we believe that renewable energy will be at the centerpiece of India's long-term power story. Henceforth, power capacity addition in India is expected to be primarily driven by the renewable energy segment. Therefore, we see immense potential for business growth and stakeholder value creation in the renewable space.

Further, we believe in sustainable value creation and remain fully committed to the environment and society and strive to reduce our carbon footprint.

At JSW Energy, supported by an existing portfolio of efficient thermal and hydro assets, we intend to capitalise on a new golden-era of renewable power generation, and play an influential role towards a carbon-free future. We look ahead to become a 10 GW company over the medium term with incremental capacity predominantly coming from renewable sources.

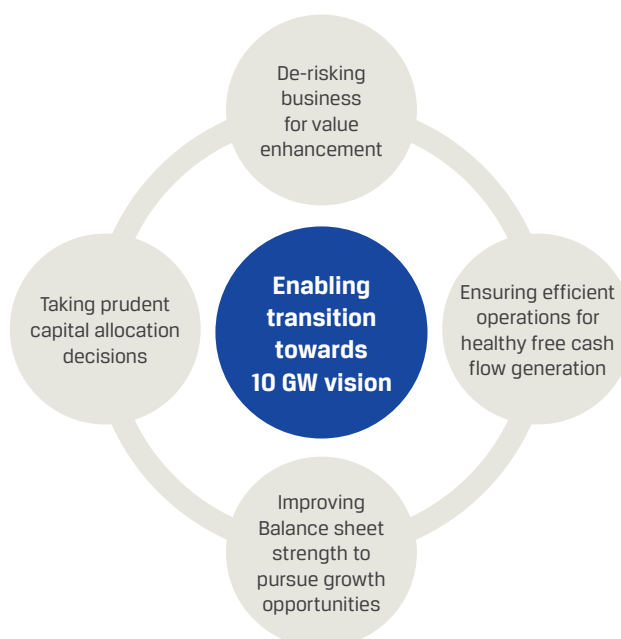
We see immense potential for business growth and stakeholder value creation in the renewable space.

## Business Positioning

At JSW Energy, we embark on new business opportunities striking a balance between growth aspirations and prudent risk management. This has been the key factor that has helped us to become the leading power producer in India. We have one of the strongest balance sheets in the Indian Power sector, well positioned to pursue attractive growth opportunities.

We design our growth strategy as follows:

- We ensure prudent capital allocation decisions with stringent due diligence practices. We further stress test the business case at various levels to ensure the economic viability of the proposed projects.
- We endeavour to invest in power assets, which have the capability to generate low cost power that helps to reduce offtake and receivable risks. We also prefer to enter into long-term PPAs, which render visibility to stable long-term cash flows.
- We blend our superior project execution skills and operational expertise to generate healthy free cash flows.
- We utilise the free cash flows to further invest in growth capex and de-leverage our balance sheet, thereby generating enough headroom to pursue value -accretive growth.



## Our process for creating value



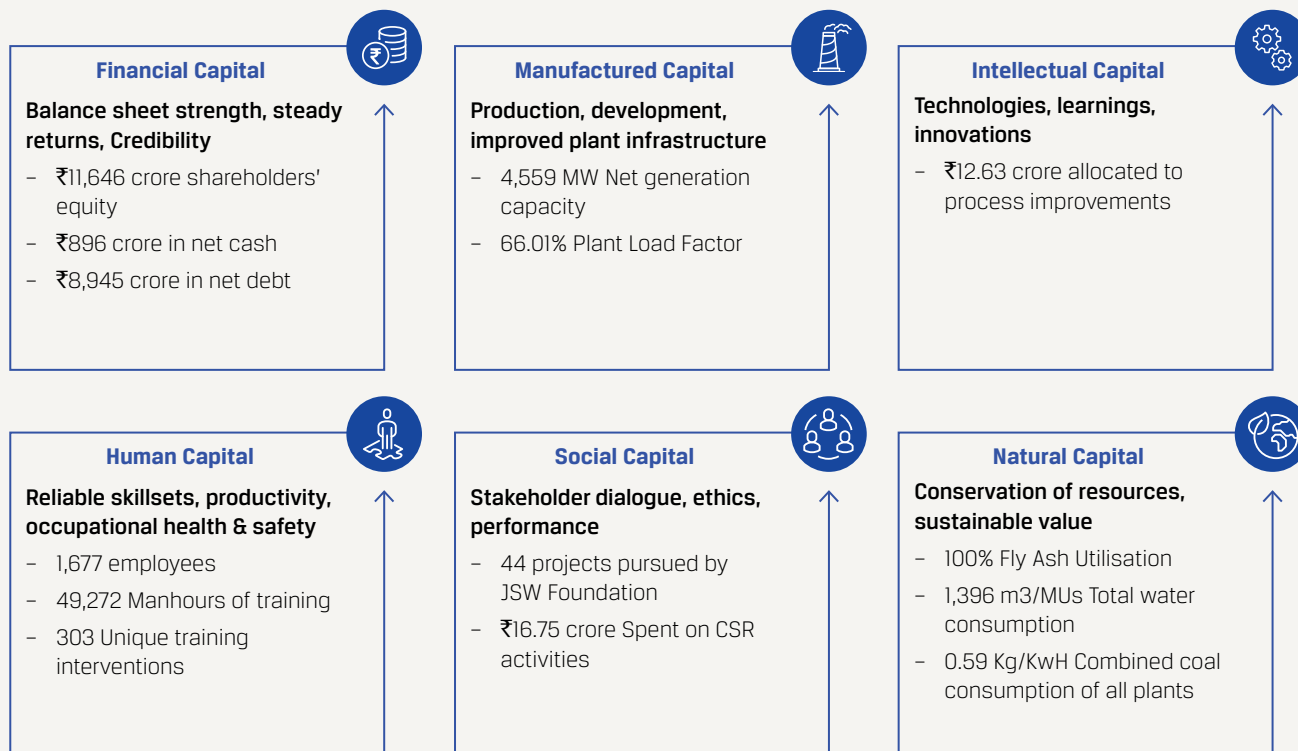
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# VALUE CREATION MODEL

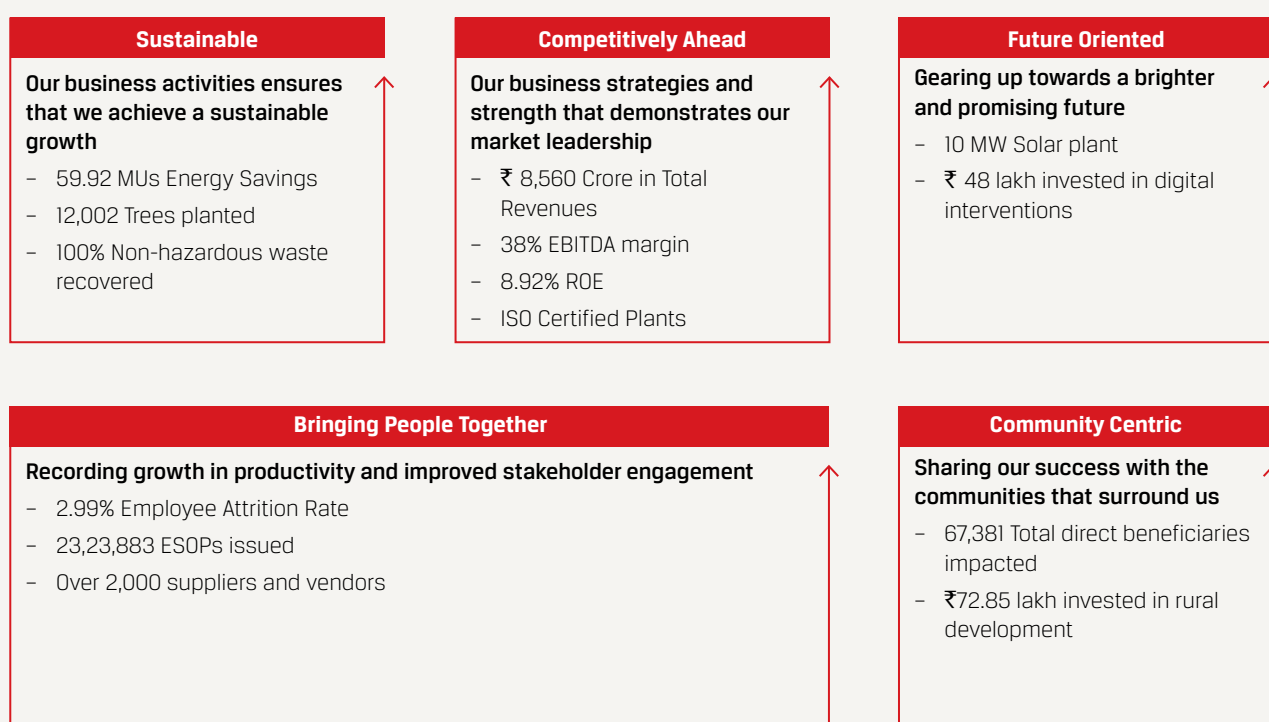
## How We Create Value?

At JSW Energy, we create long term value for all our stakeholders while also placing 'zero-carbon' at the centre of our business objectives.

## Resources Used



## Towards a Zero-Carbon transformation that is



## Our Activities

