



“JSW Energy Limited Analyst Call-
GMR Kamalanga Energy Ltd Acquisition”

February 17, 2020



**MANAGEMENT: MR. PRASHANT JAIN – JOINT MANAGING DIRECTOR &
CEO, JSW ENERGY LIMITED
MR. SHARAD MAHENDRA – DIRECTOR & COO, JSW
ENERGY LIMITED
MR. JYOTI KUMAR AGARWAL – DIRECTOR (FINANCE),
JSW ENERGY LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Analyst Call hosted by JSW Energy Limited. We have with us the senior management of JSW Energy represented by Mr. Prashant Jain – Joint Managing Director and CEO; Mr. Sharad Mahendra – Director and COO and Mr. Jyoti Kumar Agarwal – Director (Finance).

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Jain from JSW Energy Limited. Thank you and over to you, sir.

Prashant Jain: Thank you. Good evening ladies and gentlemen. Today, JSW Energy has signed share purchase agreement with GMR Energy for acquiring 100% stake in their subsidiary, GMR Kamalanga Energy Limited which is owning and operating a 1050 megawatt thermal power plant in Odisha. This asset fits in our stated strategy. It is a text book case wherein the asset is having close to 85% of its capacity tied up for the long-term PPA, diversified PPA portfolio with PPAs with Odisha, Haryana and Bihar. It operates a pithead plant with dedicated railway line from the nearest railway station which ensures low variable cost which makes this power to be dispatched on priority in merit order dispatch and also minimizes receivable or offtake risks.

Out of the overall total power PPAs, the average fixed cost which will be realized in the current financial year is Rs. 1.61 and average variable cost will be to the tune of Rs. 1.50 to Rs. 1.60 including the coal pass-through which means the average power cost at the CTU periphery will be between Rs. 3.10 to Rs. 3.20 which makes it in the bottom quartile of the purchase basket for the respective Discoms. That is why it fits in our stated strategy. It also has 170 megawatt of the open capacity, which offers us the further upside potential which requires new FSAs close to the quantum between 800,000 to 850,000 tonnes per year, out of which 400,000 tonnes FSA has been secured in recent SHAKTI auctions 2 weeks ago. This asset also has been able to lock 150 megawatt of the capacity as a L1 basket bidder in recent Pilot 2 scheme. This acquisition will enable us to expand our geographical footprint in Eastern region and also help us to diversify our asset portfolio across fuel sources and offtake arrangements.

If you look at the transaction value, the deal has been done at an enterprise value of Rs 5,321 crores. The asset is having a target with outstanding debt of Rs 3,951 crores and balance consideration of Rs 1,370 crores will be payable, of which Rs 755 crores will be payable upfront subject to the working capital adjustment, primarily by means of debt and internal accruals and balance Rs 615 crores will be kept as a holdback amount which will be payable on certain milestones and shall also be paid or funded through debt and internal accruals. This asset will be having a base EBITDA of close to Rs 900 crores with an upside potential of another Rs 150 crores. At Rs 900 crores base EBITDA, the asset is valued at 5.9 times EV/EBITDA multiple.



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There are various potential upsides which JSW Energy will be able to bring in, one is reduction in O&M cost and second is tying up the untied capacity and tying up the fuel supply linkage because when you buy coal in the open merchant market through forward e-auction or spot auctions, your fuel price is higher, therefore the dark spread is lower but once you tie up a long-term PPA as well as FSA for that, your fuel cost goes down which is in this case is close to Rs. 1.55 to Rs. 1.60 and if you are selling power even at a low cost at CTU bus, then your dark spread improves.

There is also an upside opportunity available for certain provision which is being made on a regular basis on account of environment management fund as well as the electricity duty which is paid on unit sold outside Odisha or the auxiliary power consumption, that amount is close to Rs. 60 crores per year which is not considered in this base case EBITDA which is after making that provision. This amount is accruing as a free cash flow and we see that these are the industry wide dispute which is on a very strong footing and at some point of time, they will be decided in the favour of the thermal generators. So that EBITDA can be recognised at that point of time, but on a free cash flow basis that will be also coming up.

With this, I conclude my opening remarks and we are happy to take any questions and answers if you are having. Thank you.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Congratulation on the acquisition of the asset at an attractive valuation. Sir, my first question is, you have said that 6.2 billion is contingent on achieving certain milestones, can you please quantify those milestones?

Jyoti Kumar Agarwal: Look, the key milestone here is the particular dispute on the target assets with one of the contractors and the holdback amount as well as the deferred consideration is basically linked to that. There are some time based payments also which are there, but ultimately if the dispute is not resolved with the passing of time, then those time based milestones also get deferred till the time the dispute is resolved. This is the main one. Then, there are some other contingent receivable and contingent payable which are basically linked to various tariff orders as well as true-up petitions which are lined up which will happen over the course of the next 18 to 24 months, but those are the minor components. The major one is the particular dispute with the project contractor and the payment is to be made only after the dispute is settled with the contractor and based on the nature of settlement, the amount will also be decided.

Mohit Kumar: So, what is the disputed amount with the contractor?

Jyoti Kumar Agarwal: It is a complicated dispute, to be honest and based on how the dispute is settled, the amount could range anywhere between the amount that we are holding back to a little bit higher or to a



little bit lower as well. The way the SPA is constructed is that the entire liability on account of that contractor claim is actually to the seller's account other than a certain amount up to Rs. 315 crores which is to the buyer's account. So what that means is that if the liability is up to Rs. 315 crores then the buyer pays, if it is higher than Rs. 315 crores, then the seller actually is responsible for the liability. Now, the amount of holdback that you can see is actually Rs. 615 crores, so which comprises the Rs. 315 crores which anyways we are responsible as buyer plus another deferred consideration component of Rs 300 crores. This is basically to ensure that there is enough holdback amount available should the dispute amount finally rest higher than the Rs. 315 crores, right. So depending upon how the dispute is actually settled, the amount in our opinion should be around the Rs. 500-600 crores mark which is equal to the amount that we have held back.

Prashant Jain: But our EV in all situation remains limited to Rs. 5,321 crores.

Moderator: Thank you. We move to the next question. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is in relation to the historical performance of Kamalanga. So in FY19, Kamalanga's EBITDA was Rs. 7.4 billion and 9 month FY20 has been reported at about Rs. 5.6 billion, so basically there appears to be a bit of pickup in FY21 to reach your base case EBITDA of Rs 9 billion, could you help us reconcile the same?

Jyoti Kumar Agarwal: So, Sumit a good question. If you look at our base case EBITDA estimate for FY21, you will see that there is a contribution from open capacity which is almost Rs 125 crores. Now, you would know that GMR is quite stretched at the moment, really they do not have the ability to raise debt with any of their company levels other than probably the airport business. And for this asset also, they are constrained to have working capital lines for which they are not able to buy coal to be able to feed through to the merchant capacity, so this entire merchant capacity of close to 170 megawatt is currently lying idle. On top of this, even the contracted capacity, they are not able to run it completely primarily because of scarcity of working capital. So the delta as we can see from, let us say, average EBITDA of about Rs. 750-775 crores which they are anyways achieving, just this Rs. 120-130 crores from open capacity takes it to the Rs 900 crores, so the base case is sort of pretty robust. It does not depend on any sort of leap of faith. Essentially, we believe that in our hands the working capital lines will be there, we will be able to get those lines revived and raise the right kind of money to be able to buy and normalize the working capital. And as Prashant was mentioning, this is a low variable cost plan because of being close to the coal mining region, right, so even taking coal under the auction rule should not lead to your coal cost higher than Rs. 2, it will actually be lower than Rs. 2 and you can see that even in the sort of pretty average end and sort of down the time the average merchant tariff is around Rs. 3 mark, so about Rs. 1 dark spread on the open capacity is a very reasonable assumption, and we believe that will be the major part of the swing. If you look at the potential EBITDA part, which is the Rs 1,050 crore mark, here again there are two elements primarily, one is in our opinion a low-



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hanging fruit, the plant today has an O&M cost structure which is not aligned with let us say the JSW O&M cost structure. So we believe that we can easily shave off close to Rs 2-2.5 lakh per megawatt, may be about Rs 25-30 crore from the O&M, this we believe should happen very quickly, may be 3 to 4 months into running the projects. The other one is the PPA linked upside. We believe that because the variable cost under linkage base coal is even lower close to Rs. 1.50, it should be possible to tie up either a short-term or long-term PPA with a dark spread of close to Rs. 1.75 to Rs. 2 and so that would be another Rs 125 crores upside making it to a potential Rs 1,050 crore. Now this 125 will take a little bit of time, but we believe there is a Rs 900 crore base plus may be ~Rs 25 to 50 crore upside should be possible 6 months into owning the asset.

Sumit Kishore: Just couple of follow-ups on what you said. So if I back calculate and look at the contribution you have from open capacity, it appears that on the 150 odd megawatts, you have taken a fairly high plant load factor upwards of 90% or so?

Jyoti Kumar Agarwal: Yes, it is actually 170 megawatt.

Sumit Kishore: Yes, after auxiliary.

Jyoti Kumar Agarwal: Yes, exactly. So we have taken 90% PLF for the merchant capacity and on top of it, we have taken about 7% aux. So this net PLF will be close to 84-85%, I think that is not a very unreasonable assumption given what we are doing in some of the other plants where we are able to sell under merchant.

Sumit Kishore: And the provision for ongoing disputes, this is like a one-time item and will stop in FY22 or how does it?

Prashant Jain: Basically, it is not a one-time item until the dispute is settled, that provision will continue to happen, but we will be having that free cash available with us until that time and we are having a clear visibility because the way we look at it, this is specific to Odisha state and you are talking about that electricity duty is to be payable on the auxiliary power consumption, if you look at, it is on the consumption point and power generators are not consuming electricity. So that is the point number one. Second thing is, there is an environment management fund which has been created and under the act, central government can only put this kind of a cess on duties which Odisha state has levied, came out with a notification that for every power generation there has to be close to 6 paisa per unit to be payable for any electricity which is sold outside the state. Both the cases are specific to Odisha state, we believe that these are the ultra vires cases, this is applicable for all the generators which are present in the state of Odisha and at various stage of litigation. We believe these cases will be settled in the favour of the generators, but as a prudent accounting practices, we will continue to make the provision but this money is not deposited with the state authority, so this is a free cash available, so this Rs. 60 crores is available for repayment of debt or the other various purposes for the period, but we believe that there is a strong case that will be coming in favour of the power generators.



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- Sumit Kishore:** So the project has made how much cumulative provision against this dispute so far and has there been any cash outflow on account of that?
- Prashant Jain:** No, there is a stay granted on this particular dispute, so they have made a regular provision every year in the balance sheet and they are not depositing any money.
- Sumit Kishore:** Sir, just last question. You mentioned in your presentation some quantum of past disputed receivable net of contingent liabilities, so what is A and what is B, so what is this amount coming to?
- Prashant Jain:** There is a visibility what we are seeing that it will be a net positive receivable and at this point of time in our enterprise value, we have not considered because there are various receivables towards the coal pass-through billing. Recent act and orders have settled all these cases in favour of GMR Kamalanga and based on the receivables and payables, there will be a positive cash flow towards the GMR Kamalanga asset which will accrue to JSW Energy because both the things belong to JSW Energy pursuant to the transaction. So there is a potential upside for us whereby this enterprise value of Rs. 5,321 crore will go down and our EV/EBITDA multiple will further go down.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** Just quickly on the amount that you mentioned that has been provided for environmental management fund/electricity duty, is that Rs 50 crores you said?
- Prashant Jain:** It is every year different. For future, we are talking about, it will be to the tune of Rs 60 crores because it is depending upon the units which are exported out of the Odisha state and auxiliary consumption. So for the past years, it has been provided in the range of Rs. 40 crores to Rs. 55 crores every year because depending upon the kind of export on a normative availability basis and normative PLF basis, what we have calculated this amount will be close to the tune of Rs 60 crores per year next financial year onwards when it is under the management of JSW Energy because the asset will be running full. That is the quantification.
- Abhishek Puri:** So in Rs 900 crores, this Rs 60 crores is not included?
- Prashant Jain:** That is right and also the potential upside also, this Rs 60 crores is not included.
- Abhishek Puri:** Rs 150 crores also does not include this 60?
- Prashant Jain:** That is right.
- Abhishek Puri:** In terms of the total amount that we have paid Rs. 5,321 crores that we have agreed for, does this include the amount to be spent on environmental management for NOx and SOx Solutions?



- Prashant Jain:** No, that will be over and above that, but then based on that we will be getting the change in law.
- Abhishek Puri:** In terms of the debt that is transferred, so Rs. 3,951 crore is what you mentioned, right?
- Jyoti Kumar Agarwal:** It is the term debt on the target asset.
- Abhishek Puri:** And how much is the working capital debt in this?
- Jyoti Kumar Agarwal:** It is a moving number, the final number will be at the time of closing but it is on an average about Rs. 175 to 200 crores, but that will be the working capital adjustment to be made but from the balance consideration.
- Abhishek Puri:** So that 175 will be deducted from these Rs 5,321 crores?
- Jyoti Kumar Agarwal:** It will be a part of the working capital adjustment, so the net working capital will have a negative Rs 175 crores if the working capital debt is that amount.
- Abhishek Puri:** And in terms of the PPA that have been mentioned in the presentation, so 263 megawatt Odisha, Haryana 334 and Bihar 283, these are the net PPA numbers or gross PPA numbers?
- Jyoti Kumar Agarwal:** These are gross numbers.
- Abhishek Puri:** Because I remember reading in one of the CERC filing out petition that the Haryana PPA was 350 megawatt right or that has been changed?
- Prashant Jain:** These are the correct numbers what we have given you.
- Abhishek Puri:** 334 is the gross PPA?
- Prashant Jain:** Yes.
- Abhishek Puri:** And just one more point, so the Odisha one had two separate contracts right, so 263 megawatt or the 25% of the capacity was at cost plus kind of a basis and balance was there, any quantity on variable cost also in this PPA?
- Prashant Jain:** No. If you look at our presentation, we have given the fixed cost also and how much you are going to get and so all these PPAs are actually two part, this Odisha is cost-plus and Haryana and Bihar are case one PPA and balance life of PPA is 19 years.
- Abhishek Puri:** Why I am just trying to clarify because some of the other projects had this issue, so I was just trying to be sure on this?
- Prashant Jain:** Not like that.



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- Abhishek Puri:** Understood. And lastly just one more point on the funding mix you said will be from internal accruals and debt, any breakup that you can provide on this?
- Jyoti Kumar Agarwal:** It will depend upon the final amount as you can see that the target that is completely taken over, now against the Rs. 755 crores that we need to pay is balance consideration upfront, there will be a net working capital adjustment. Our sense is that it could be in the range of between Rs. 150 to Rs. 250 crores, so the net consideration that we have to pay upfront from an equity point of view will be around Rs. 500-550 crores, so I do have enough capability to be able to fund this either through my cash accrual or through debt taken at the top. So we'll look at that when the closing happens and take a call at that point of time.
- Abhishek Puri:** Right. And lastly in terms of the holdback amount of Rs. 650 crores, what is the long stop timeline here in terms of resolution of this contractor amount as well as the balance receivable and payable amount?
- Prashant Jain:** It is totally ring fenced in terms of the performance. There are certain expected timelines, but if those timelines are not met, then this holdback amount will continue.
- Abhishek Puri:** So the timeline is 6 months, 1 year and what happens if say one year has passed?
- Prashant Jain:** As you know these are the legal disputes, it may take longer time. That is why it will continue until the disputes are settled or we get a complete confidence and reasonability, we will continue to hold back this amount.
- Abhishek Puri:** So there is no fixed timeline as such?
- Prashant Jain:** The timeline is the dispute has to be resolved to our satisfaction.
- Abhishek Puri:** And if it is not resolved to the satisfaction here and supposedly, the amount which has to be paid with the contractor is Rs. 415 crores, so do you pay Rs. 315 crores and the seller pays Rs. 100 crores, the balance on that?
- Prashant Jain:** Our liability is limited to Rs. 315 crores for that particular contractor liability. That is why we said that our enterprise value is constant and limited at Rs. 5,321 crores and any other liabilities which are coming on that account is to be payable by GEL. And for that comfort itself, we have increased the holdback amount by additional Rs. 300 crores, so that in case there is anything happening more than that, we are having at least that much of holdback amount and which will continue to hold back until this dispute is settled.
- Abhishek Puri:** So if I understand this correctly, Rs. 300 crores is the holdback amount that you will continue until the dispute is resolved and the balance amount, Rs. 315 odd crores which is remaining will have to be paid on a time basis?



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- Prashant Jain:** No.
- Jyoti Kumar Agarwal:** Let me explain Abhishek, the Rs. 315 crores is an explicit holdback amount against the liability. The additional Rs. 300 crores has 2-3 components, some of it is time based, some of it is contingency based, but in any case this amount even if the time milestone has been achieved, if the contractor settlement has not happened, we will continue to hold this. For all practical purposes, the weakest link in the chain is it is a contractor settlement and we will hold back this entire Rs. 615 crores till the settlement with the contractor happens irrespective of whether the time milestone has been reached or not. So for example, let us say, in 6 months of time, the contractor claim is settled, then some portion of the Rs. 300 crores which is time base may not still be payable, it will be payable only when the time milestone arrives but if the time milestone has been achieved but the contractor settlement has not happened, we will not pay that amount till the time the settlement with the contractor takes place.
- Abhishek Puri:** Absolutely clear. And just to complete the loop here, if the dispute does not get resolved and keeps on dragging in the court for say 5 years' time, the amount will not be paid?
- Jyoti Kumar Agarwal:** We continue to hold back.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.
- Rahul Modi:** Sir, just a couple of questions that I had firstly with regard to the tariff that you mentioned in the PPT, are these taking into account all the recurring change in laws and everything which was pending historically due to the cess and other things which had come in for coal and other things, so that is the final amount that will be billable?
- Prashant Jain:** It is the variable cost if you are talking about, this is including the current change in law and SHAKTI discount; however, the coal pass-through is not included into that, but as a thumb rule I can just give you on an average will be around 11-12 paisa you need to add for coal pass-through because coal pass-through is different for different year, but you can say reasonably between 11 to 13 paisa will be the coal pass-through which will be there because that orders have not yet been implemented. They have recently come in past 4 weeks' time.
- Rahul Modi:** So this will be regarding the imported coal usage or any other source?
- Prashant Jain:** Coal pass-through is from any source. This variable cost is based on the coal linkage coal. Any deficiency in the coal linkage coal because of the quality or quantity has to be compensated from any other source it has been sourced. For that, necessarily CERC orders came in and which has been now settled by APTEL in case of various orders which have been awarded in favour of GMR Kamalanga. That means that this asset will not have any under recovery for the compliance



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towards this PPA on account of the fuel cost because of any deficiency in the quality or quantity of coal supply to the Coal India.

Rahul Modi: Sir, secondly, can you help us if there are any accumulated losses which can lead to tax savings going in the future once because historically I believe we are showing profits for the interest cost more or less quite high, so anything on that?

Prashant Jain: There are some accumulated losses which should provide us the tax shield at least for the first few years.

Rahul Modi: First few years would be 2, 3, 4, any thoughts on that?

Prashant Jain: We will let you know once we have been able to get a final evaluation done, but there is a sufficient amount of carry forward losses which will give us tax shield for a few years.

Rahul Modi: And sir, one more question I had was on the incremental 350 megawatts, any thoughts on that. What could be the incremental CAPEX on a ballpark number once you decide on installing that unit in any major land acquisition or anything that needs to be done?

Prashant Jain: No, in fact no acquisition is to be required to be done and there is a balance of plant is also ready for that and these are just a rough estimate, lower than Rs. 3 crores per megawatt this capacity can be commissioned.

Rahul Modi: And anytime soon you are looking to start on that?

Prashant Jain: Our first focus will be to integrate the asset and then to tie up the untied capacity and to achieve the targeted upside potentials and as and when we find the right opportunities, this option could be exercised.

Rahul Modi: Sir, in terms of the refinancing, I am sure you would be going in for and so it will be with the same lenders or new set of lenders in this?

Jyoti Kumar Agarwal: Yes, we are taking over the debt and based on the new credit assessment post the takeover of the asset by JSW, we will be approaching the lenders for repricing the loans accordingly.

Rahul Modi: And obviously, you will be looking at some moratorium as well?

Jyoti Kumar Agarwal: I think we are comfortable with the repayment schedule of the debt. I don't think we have an issue with that. It is just that the pricing of the loans are a bit high right now being GMR asset and in 'D' rated category, so we will only be looking at repricing the loans and not we will increase much with the repayment schedule.



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Rahul Modi: And the 150 megawatt pilot 2 scheme where we have got L1, sir what are the timelines you are expecting that to commence if once it signed?

Prashant Jain: This pilot 2 scheme has recently been concluded and now we have to see how the Discoms are working on that side, but you will get the visibility in next 2 to 3 months' timeframe, but given the tariff which has been discovered, I think it is very attractive tariff for the distribution companies because the merchant tariff for such a washout year for 2018 and 2019 is close to Rs. Rs 3.5 and Rs. 3.10 , and it has been as the time when there was very poor economic activity and then there was a power demand de-growth taking place. At that point of time also, the power tariff was ~Rs. 3.00 and this tariff of Rs. 3.26 is a 3-year fixed tariff without any kind of a change in law for coal prices or anything, so it is very effective tariff and I think Discoms should lap up this but we will be able to get the good visibility between next 6 to 12 weeks' timeframe.

Moderator: Thank you. The next question is from the line of Santosh Hiredesai from SBICAP Securities. Please go ahead.

Santosh Hiredesai: Just couple of questions. You have given us Rs. 940 crores as the contribution from the existing long-term PPAs, I am just trying to understand the trajectory of this number because we really don't have the tariff going into the next 15-18 years, I just want to broad sense as to how this will behave let us say going into the next 2-3 years? Will it keep decreasing by let us say 2%-3%, how should one look at this contribution?

Jyoti Kumar Agarwal: As per the standard bidding document case one PPA because it goes down by 2% and certain component of O&M goes up by certain percentage of WPI index so it will be going up. I think our team will be able to provide you if you can connect offline, they will help you to provide this detail, but it is typical like case one PPAs.

Santosh Hiredesai: This was bid under the previous regime even before the new bidding documents came and where you actually had to quote a tariff of 25 years as such. I am sure there would be some sense of how this will pan out, anyway I will take it offline that should not be a problem. Second question I had was, Bihar for the PPA you said it is Rs. 1.52, but I was just looking at the tariff order, it is Rs. 1.3 ?

Jyoti Kumar Agarwal: Variable cost is Rs. 1.52

Santosh Hiredesai: Correct, so variable you say is Rs 1.52, but I was just looking at the tariff order, it says Rs. 1.3 and even the merit portal of course it is now not showing up, but I recollect looking at it in December it shows Rs. 1.3 only, so is there something that I am missing here?

Prashant Jain: Yes, this is including change in law, it is including whatever the change in law with claims which have been approved and on top of it, there will be the coal pass-through which will be also coming up.



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Santosh Hiredesai: So this Rs 1.52 includes all those things, but currently it is not billed to the Discoms at this rate?

Prashant Jain: It is billed.

Santosh Hiredesai: And sir, last but again you have got Rs 125 crores as contribution coming in from open capacity?

Prashant Jain: I think you should look at this way, with the recent all orders which have been coming, there is no coal variable cost under recovery in this asset. So whatever is my fixed cost recovery, I will be getting that subjected to that we have a complete working capital and we are making unit available for scheduling of the power, so that is why it is very important that so far this asset was not being made available completely because of the working capital deficiencies, number one that will go away and then the contribution of Rs. 940 crores will be very clearly visibly coming. Number two, because of the various orders come recently in last couple of weeks on the APTEL, all tariff disputes for under recovery on account of variable cost or coal pass-through have been settled and that is why we say that there will be no under recovery in the variable cost.

Santosh Hiredesai: Noted sir. Again going back to the last slide you talked about Rs. 125 crores contribution coming in from the open capacity and Rs. 125 crores more if we get a linkage coal, but I was just trying to get a sense if this medium term tariff we were to go by that which was discovered and you mentioned that for the linkage coal, your variable cost of generation is in the range of about Rs 1.30 to Rs 1.50, in that range, so do you foresee, I mean this incremental Rs 125 crores coming in because you have locked in that tariff, just wanted to get your sense on that as to what is the arrangement right now for coal and so on and so forth?

Prashant Jain: Long-term PPA when we talk about, we look at this way that if you want to in a normative case we have considered Re. 1 dark spread, but in a long-term PPA consideration, we considered Rs. 2 dark spread. At Rs. 1.30 to Rs. 1.50 kind of a variable cost if you are doing it, at least CTU bus, if you are selling power at Rs. 3.40, Rs. 3.50 you will be making Rs. 2 dark spread and that is where the situation has changed. And in case of like you look at Bihar, the fixed cost is Rs. 1.90, Rs. 1.87 for this fifth year. So Rs. 3.40 CTU power is delivered at Rs 3.90 to the distribution company which is in the bottom quartile of the power and that is what we are taking. If you consider a pilot 2 scheme, the tariff is Rs. 3.26 and a coal linkage you will be having Rs. 1.50, so you will be making close to Rs. 1.75 contribution. So you will be able to recover that 75% or 80% of the upside with this pilot 2 scheme, but we would like to do a PPA for balance 25 years or 20 years' life of the plant and that is where we are envisaging that we will be looking for a new PPA.

Santosh Hiredesai: Basically, you don't have to bid for this linkage coal, so it is at notified price that will be made available into the current medium-term PPA, is that understanding correct?

Prashant Jain: No, we have to make a bid for the coal linkage. We have already secured 50% of the coal linkage that means out of the balance 150 megawatt of the open capacity, for 75 megawatt capacity we



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have already secured in the first week of February. There was a coal linkage and from the Talcher area, we have already secured for 75 megawatt. Balance 75 megawatt, we are envisaging in next 6 months timeframe. Until that time, we will be buying coal in the advance e-auction because these are the pithead mine plants and one more thing which is very important for you to take a note that maximum capacity is coming up in the MCL region. In next 3 years timeframe, 100 million tonne coal production will be increased in the MCL region. Second point is maximum capacity for the commercial mining is coming in the MCL region, therefore it is fitting in our strategy for both Ind-Barath as well as this that we are having a full security of the fuel supply and the visibility is there for the future also whatever coal is the shortfall, you can secure at a very low cost because the coal supply will be the maximum.

Moderator: Thank you. The next question is from the line of Parag Thakkar from ICICI Prudential. Please go ahead.

Parag Thakkar: I just wanted to ask about the receivable payment cycle in Orissa, how is the Discom positioned and overall Discom payment situation for the entire country, I just wanted your view?

Prashant Jain: As far as this asset is concerned, this asset has been securing while it was for GMR, they have been getting the advance for their working capital management, so there are no delays in the payment other than the disputed receivable because it is a very low cost power for them. If you look at Odisha, the delivered power cost is Rs. 3.11 paisa or Rs. 3.20 paisa and Haryana it is below Rs. 3 is the CTU and including that, Rs. 3.30 paisa will be the delivered cost to the power for Haryana, so it is very attractive for them and Haryana has been giving advance to them in order to make this power available to the Discom. And if you look at the country situation, what is happening is after the recent order by the Ministry of Power, the current payment has become on time for general as an industry; however, the past receivables have not been cleared and they are to the tune of Rs 92,000 crores. The situation is becoming worse for the renewable power because it is a must schedule power and there the payments are getting delayed more and more and that is what is the trend which we are observing. For thermal generators, the current bills are being paid on time after the LCs had been put in place, so that is the situation as an industry per se, but we believe the only method by which you can mitigate this kind of a risk is only one, it should be the low cost power and should be the bottom quartile for the purchase basket of the distribution company. Then only you will get a merit order dispatch and then only distribution company will have a threat that you will discontinue the power supply and serve a default notice and offer that power to some other Discom and that is what is the stated strategy of JSW Energy.

Moderator: Thank you. The next question is from the line of Puneet from IDFC. Please go ahead.

Puneet: What is the expected amount of working capital adjustment?



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- Jyoti Kumar Agarwal:** The working capital adjustment would happen closer to the closing date, but we are anticipating a range between Rs. 150 to 250 crores as a negative working capital adjustment, so the working capital will actually be negative, the liabilities being higher than the assets.
- Puneet:** And the second question is that to whose account the EBITDA will accrue from today that is the opportunity in execution date till the actual date of transfer of share? Will it be to the account of GMR or will it be to the account of JSW?
- Jyoti Kumar Agarwal:** It is to the account of GMR, but there is certain date by which if the closing can happen, then we can take the EBITDA from that date till the closing date onto our account, but for all practical purposes till the time of closing, the profit and losses of the target asset belong to GMR, but there is a governance mechanism here just so that you are aware whereby all key decisions to be taken as far as the target asset is concerned will be in consultation and with our due approval so that we get alignment of objectives from today rather than from the time the asset comes in our hands.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC. Please go ahead.
- Mohit Kumar:** Sir, how much is the trade receivables at the GMR Kamalanga as it is today and is there any of the amount disputed as of now and when do you expect all the amounts to come back to GMR or you and how will this record in the sense whether the entire trade receivable will come to you or part of depending on, is there any either amount which will go to GMR?
- Jyoti Kumar Agarwal:** There are certain receivables which are there, those are due and those are disputed receivables and they have been quantified and they belong to JSW Energy and there are certain contingent liabilities also. As we mentioned that net of the contingent liability, these receivables will be a positive cash flow to JSW Energy which we have not considered while we have announced our enterprise value at Rs. 5,321 crores. In all probability, this enterprise value will go down once we realize all these and settle all these receivables as well as the contingent liability. We expect in next 6 to 24 months timeframe all these things will get settled and there will be a positive cash flow which will be coming towards that.
- Mohit Kumar:** And just sir, how much is the trade receivable at December 31st 2019?
- Prashant Jain:** Disputed one?
- Mohit Kumar:** No, total amount.
- Prashant Jain:** As I am saying that the receivables other than disputed are not due.
- Mohit Kumar:** In the sense what is the trade receivable at the end of third quarter?
- Jyoti Kumar Agarwal:** We will have to come back to you on that data.



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- Mohit Kumar:** Secondly sir, on the fuel side you said that there is 2.1mtpa of regular coal linkage and 1.5 million tonne is the regular SHAKTI linkage and then there is again 0.4 million tonne, is it additional which you have won recently in the second round of SHAKTI coal auction?
- Prashant Jain:** Yes, last one is that. That is pursuant to the open capacity for which we are tying up. That 400,000 tonnes is the recent auction in SHAKTI in February this month and that will be used for pilot 2 scheme or for future capacity tie up.
- Mohit Kumar:** And thirdly sir, there is Rs 4.1 billion of promoter debt on the entity if I am right, this completely will go away, am I right?
- Jyoti Kumar Agarwal:** Yes, so the balance consideration includes the promoter debt as well. And the way to look at it is the promoter debt goes away and the balance consideration is the equity consideration or if the promoter debt is paid to that extent, the balance consideration goes down and the net balance becomes the equity consideration.
- Moderator:** Thank you. The next question is from Ashutosh Mehta from Edelweiss. Please go ahead.
- Swarnim Maheshwari:** Sir, this is Swarnim here. Just one question, so in the presentation you have mentioned that you require couple of approvals from CCI, from Discoms and from Odisha also, so just wanted to understand the timelines when do we expect this transaction to get consummated?
- Prashant Jain:** We are targeting 31st March 2020.
- Swarnim Maheshwari:** So that implies from 1st April the consolidation should start actually?
- Prashant Jain:** Yes, we are striving for that.
- Moderator:** Thank you very much. That was the last question. As there are no further questions, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.