



## **“JSW Energy Limited Q4 FY12 Results Conference Call”**

**May 2, 2012**

**Moderators:** Mr. N. K. Jain – Vice Chairman, JSW Energy Ltd  
Mr. Pramod Menon – CFO, JSW Energy Ltd.  
Mr. Murari Rajan – ED Merger & Acquisitions & IR, JSW Energy Ltd.  
Mr. Amitav Chatterjee – Vice President, Investor Relations, JSW Energy Ltd.  
Mr. Subhadip Mitra – Analyst, JM Financial Institutional Securities Pvt. Ltd.



- Moderator** Good afternoon, ladies and gentlemen. Welcome to the Q4 FY12 Earnings Conference Call for JSW Energy Limited hosted by JM Financial Institutional Securities Private Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Subhadip Mitra. Thank you and over to you sir.
- Subhadip Mitra** Good afternoon, everyone. On behalf of JM Financial Institutional Securities Private Ltd., I welcome you all to this management conference call with the management of JSW Energy. We are today joined by the management represented by Mr. N.K. Jain – Vice-Chairman; Mr. Pramod Menon – Chief Financial Officer; Mr. Murari Rajan – Executive Director, M&A and Investor Relations; and Mr. Amitabh Chatterjee – Vice-President, Investor Relations. We will start with initial comments from the management followed by the Q&A. Thank you and over to you sir.
- N. K. Jain** Good morning, everybody. This is N. K. Jain, JSW Energy. The last quarter of the financial year 2011-12 is already over and also the year. I would say that the first and the last quarter of financial year have been always better than the other quarters for the Energy business and on account of that, yes, this quarter has witnessed reasonable upside in growth in the businesses as well as in the revenues of the company. I would request Mr. Pramod Menon to go into the details of the whole thing, but just to mention that the company has earned Rs. 225 crores PAT in this quarter in comparison of the first nine months there have been some losses. So, from that point of view, yes, it is a very good quarter to start with, and we definitely expect that the first quarter of the next financial year should be different, because the first quarter and the last quarter, I repeat again, are reasonably better quarters for the Energy business. We have currently 2,600 MW up and running operating capacity. We expect that the four Units of the Barmer project which are yet to be commissioned should be through in the next couple of months, and with this the total capacity of the company should be 3140 MW. We have other plans like enhancing capacities and also add to our business growth.
- During the year we have generated over 13.5 billion units, which is the highest ever that we have done, which is over 51% of the last previous year. That has been made possible on account of increase in the capacity at Ratnagiri as well as at Barmer. The total income also grew to 6,265 crores as against 4,428 crores last year, representing a growth of



42%. The other details, Mr. Pramod Menon, our CFO will be able to take you through, and after that if there are any questions from your side we would be very happy to answer that and I welcome you all for this conference call and thank you very much for participating in this. With this, I now request Pramod Menon to take you through point by point on the entire working of this quarter as well as the year which ended on March 31, 2012. Thank you very much once again.

**Pramod Menon**

Good afternoon all of you, and I welcome all of you to the analyst call of JSW Energy and I thank you for participating in the same. As mentioned in the keynote address by Mr. Jain, it has been a very good quarter which has seen the turnaround happening towards the last quarter, though we had some not so good quarters of Quarter 2 and Quarter 3. The key highlights, if you look at it, during the current quarter, we had the highest quarterly consolidated net generation of about 4618 million units and also we ended the year with 13.59 billion units generated.

Other key highlights, if you look at, we have been able to obtain the MOEF approval for the Chhattisgarh power project, and we are in the process of getting the subsequent all other necessary approvals to commence the work. Besides this, I think again as a justification for the kind of operating practices that we have been employing, the Vijayanagar unit of JSW Energy was again awarded for the 4<sup>th</sup> and the 5<sup>th</sup> consecutive years in bagging the Best Operating Power Plant Award from the Ministry of Power.

During the year, as of now, we have a capacity of 2600 MW and during the year we have added 870 MW, which has resulted in significant increase in the generation capacity. If you look at quarter-on-quarter basis we have increased the net generation from 3012 million units in the corresponding quarter of previous year to 4618 million units. Similarly, for the year we have seen a growth of 51% from 9 billion units to 13.594 billion units.

The operational performance has been very creditable during the Quarter 4 with very high plant load factors. The consolidated plant load factor, if you look at it, is close to 89% and individually, if you look at it the Vijayanagar plant operated at a PLF of 102%, Ratnagiri at a PLF of 85% and Barmer operated at PLF of 80%, resulting in a total net generation of 4618 million units.

We have sold 4723 million units during the quarter, of which the total merchant sales or short-term sales were 2566 million units and the total sale under the long-term was 2157 million units, which includes the power

that was generated on conversion basis as well. If we look at it on a quarter-on-quarter basis the percentage of the merchant sales has dropped down from 67% which was there in the corresponding quarter of the previous year to about 54% in this year, and for the year as a whole we have 64% being sold on merchant basis as against 67% in the previous year.

The realization during the quarter, if we look at it, the merchant realization was at Rs.4.33 per unit during this quarter compared to Rs.4.72 in the corresponding quarter of the previous year, which is a drop of about 8%. Similarly, for a year as a whole it has dropped by about 10% from Rs. 4.92 per unit to about Rs. 4.40 per unit. The realization from the long-term contracts for the quarter was Rs. 3.49 per unit as against Rs. 3.71 in the corresponding quarter of the previous year and Rs. 3.34 for the entire year as against Rs. 3.63 in the previous year. This has resulted into an average realization of Rs. 3.99 per unit for the current quarter and Rs. 4.08 per unit for the year as a whole. This has resulted into a total turnover including that of other income of 2107 crores for the quarter, an increase of 44% compared to corresponding quarter of the previous year and for the year we have had a total turnover of 6265 crores.

The fuel cost, if we look at it, has gone up by 33% on absolute basis compared to the corresponding quarter of the previous year, for the current quarter we were at Rs 1120 crores. However, on a per unit cost basis what we have seen is a reduction by about 5% on the sequential quarter basis. So, as compared to Quarter 3 there has been reduction in the fuel cost, which is basically driven on account of a fuel mix that we have had during the quarter, where the percentages of the usage of Indonesian coal has improved as compared to the corresponding quarter of the previous year as also during the Quarter 3. Further, there was also the company got some benefit with respect to some reduction in the prices though it was very marginal roughly to the extent of 1 or 2% as far as the imported coal prices were concerned, as also some amount of gain resulting from the appreciation of the rupee against the dollar.

During the quarter also the company has got a benefit which will get resulted in the results for FY13 and onwards what has been in the Union Budget in March 2012. The government has reduced the CVD on imported coal from 5% to 1% and has completely waived off the custom duty. So, on the imported coal that the company is procuring, it will be able to realize this benefit from FY13 onwards. For the year as a whole the total fuel cost was 3654 crores, an increase of 54% on a year-on-year basis.



If you look at the total EBITDA for the quarter, it was Rs 613 crores up by 35% compared to the corresponding quarter of the previous year, providing a margin of 29%, and for the year as a whole, we had a total EBITDA of Rs 1594 crores, an EBITDA margin of 25%. Because of the increases in the generation capacity which has come up, the interest and depreciation costs also have gone up, and during the current quarter we had an unrealized gain with respect to the currency movements, which has been classified as an exceptional gain.

Taking into account the interest, depreciation and the exchange fluctuation factor, we had a profit before tax of Rs 291 crores, up by 21% w.r.t the corresponding quarter of the previous year, and for the year as a whole, Rs 213 crores. The profit after tax after providing for minority interest for the quarter was at Rs 225 crores, up by about 9%, compared to the corresponding quarter of the previous year.

The Board has recommended for a dividend of 5% and this would be subject to the approval of the shareholders at the AGM. After providing for the proposed dividend the net worth of the company as of 31<sup>st</sup> March, 2012, stands at Rs 5700 crores and as consolidated debt of Rs 9995 crores, resulting in debt-equity of 1.75 times, and on a standalone basis the company has a total debt of Rs 5,368 crores, and on a standalone basis the total gearing is 0.85. With respect to the operations on the project as also the subsidiaries, in South Africa, we had a total raw coal manufacturing of 1,93,786 tonnes and the product which was sold out was 1,25,086 tonnes. With respect to the projects at Ratnagiri though we have completed all the leveraging stations we expect the FGDs also to now come into play all the four units as scheduled under the MOEF approval. At Barmer, apart from the four operating units we have synchronized Unit No. V and we are just in the course of getting the VI Unit also to synchronize. And as mentioned in the key note address, we expect all the eight units to be operational during the 2<sup>nd</sup> Quarter of the current fiscal.

At Kutehr, we just are expecting the forest stage II clearance to come through so as to commence the work on the project. With respect to the Barmer Lignite Mining Company Limited, the Kapurdi mines are operating pretty well and are able to completely meet the entire fuel requirements for the first four units, and efforts are on to ensure that we have the approvals to expand the lignite for a balance four units that is V to VIII which is expected shortly. For the Chhattisgarh project we have received the MOEF approval, and we are just now in the process of taking the possession of the land that has been procured as also getting the other

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necessary consent to commence the work as also undertaking process of the order placements.

With this I leave the floor now for the Q&A session. I request the participants to raise any queries that they may have. Thank you.

- Moderator** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press “\*” and “1” on their touchtone telephone. Participants are requested to use handsets while asking a question. Anyone who has a question at this time may press “\*” and “1”. We have the first question from the line of Harish Biyani from RBS. Please go-ahead.
- Harish Biyani** I have two similar types of questions on Vijayanagar and Ratnagiri plant. If you can help us with the average short-term realization for Vijayanagar as well as Ratnagiri, and the landed cost of coal at Vijayanagar for a particular fiscal year and any indication to FY13 and also for Ratnagiri?
- Pramod Menon** Average short-term realization, we are not giving you specific numbers, but for the units at Vijayanagar, it was better than the realizations at Ratnagiri is concerned. Ratnagiri was more in the region of about Rs 4.20 per unit as against Vijayanagar which was closer to about Rs 4.40 per unit. As far as the landed cost of coal is concerned, we had an average landed cost of coal which was at Rs 7882/t, we have blended the coal of South Africa and Indonesia, South African it was about Rs 7882/t and for Indonesian coal it was Rs. 4700/t and the blended consumption on a weighted average basis was about Rs 5500/t during the quarter as compared to the previous quarter of about Rs 6300/t.
- Harish Biyani** For the full-year?
- Pramod Menon** For the full-year we were at Indonesian 57% and South African 42%.
- Harish Biyani** And what’s the rate like?
- Pramod Menon** As far as last quarter was concerned, as I mentioned, we were roughly about Rs 7800/t and for the Indonesian we were about Rs 4700/t.
- Harish Biyani** That was the last quarter, but for the full-year I just wanted to understand.
- Pramod Menon** I will provide you during the course of the call.
- Harish Biyani** What is the indication in terms of blending for FY13?



- Pramod Menon** FY13 is concerned, I think in a non-monsoon period you will find us doing about 50:50 in Vijayanagar, about 75% Indonesian and 25% South African during the normal period and during the monsoon period the blend in Ratnagiri will be a bit more higher. However, all these blends will be a function of what kind of prices are there in different regions, and if there are significant movements with respect to the prices in the South African or high CV coal vis-à-vis the low CV coal then there would be moderation. So, I would say that this will be a function of also the pricing, which will happen, but if everything remains the same then it will be about 75% Indonesian & 25% South African in Ratnagiri and about 50:50 at Vijayanagar.
- Harish Biyani** For full-year 50:50 for Vijayanagar and 75:25 for Ratnagiri?
- Pramod Menon** Ratnagiri in the non-monsoon period, during the monsoon period the blend of South African would be a bit higher.
- Harish Biyani** For Vijayanagar specifically, what is the proportion of power to be sold under conversion agreement in FY13 and what is the kind of realization of the margin that we will make over here?
- Pramod Menon** As far as the power which has been converted is completely a function, which is dependent on the gas which has been provided. As of now the indication is that they will continue to provide between 80 to 100 MW equivalent of generation, which may happen from gas.
- Harish Biyani** And the margin over here?
- Pramod Menon** The margin over here is being maintained, under the PPA which was giving us an ROE about 20%, so it's only the fixed cost part which is getting done.
- Harish Biyani** For Ratnagiri specifically on the Unit I what is the status of the dispute with MSEDCL, Unit III on 275 megawatt was the kind of cost which is there because of a) the captive power duty of Rs. 1.5 per unit, and also what is the amount that we have received from JSW Ispat in the past by selling 26% stake, and Unit II and IV was the merchant sales, entire thing will be on merchant sales and what are we doing on that?
- Pramod Menon** As far as the issues with MSEDCL are concerned there are matters which are like at MERC as also there are certain matters at APTEL. So, we are going through the process of complying with the legal requirements and once these processes are over then we will be able to have a

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- confirmation of what exactly are the views of the APTEL or the MERC on specific issues.
- Harish Biyani** But till that point in time we will be selling at the MSEDCL rates?
- Pramod Menon** We are currently selling at MSEDCL rates and that is the rate at which we are booking also. As far as JSW Ispat is concerned your question was with respect to captive?
- Harish Biyani** Yeah, 275 MW, what is the rate at which you are selling because of the captive power duty Rs 1.5 per unit and like the cost will be almost Rs. 4 per unit, so is that a correct understanding and what is the amount that we have received by selling that 26% stake to JSW Ispat?
- Pramod Menon** As far as the sale of 26%, the company has not diluted its equity share capital, so they have basically procured it from the secondary market itself to comply with the 26% requirement for one unit. There is no captive duty currently which is applicable and the power is being sold to them on a cost plus 20% ROE basis.
- Harish Biyani** I wanted to understand in little more details, this will be under the captive power sale arrangement, is that correct understanding?
- Pramod Menon** There is an approval which is being provided by the MSEDCL under an open access for self use. So, this is a specific approval, and it is under that approval the entire power is being sold to them. And during the last quarter the approval was for 220 MW, and from April 1, 2012 onwards the approval is for 275 MW.
- Harish Biyani** So, basically this captive power duty is not there then we will get our cost plus from this particular unit?
- Pramod Menon** Correct. And if at all captive duty tomorrow comes through it will be on the consumer and not on the generator.
- Harish Biyani** And that cost plus would be around 16%?
- Pramod Menon** It is 20%.
- Harish Biyani** And II and IV it are on merchant?
- Pramod Menon** II and IV currently are on merchant, yes.
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- Harish Biyani** My final question would be basically in the last quarter Concall you had said that we're looking for some medium to long term coal deals, and investors have been waiting on this particular issue for quite some time, so any particular indication of this how things are moving ahead would be great?
- Pramod Menon** Currently I don't think we have any specific target which has been identified though we continue to pursue on various coal-related targets, but at this point in time I don't think we have come to a stage wherein we can with concrete say that we will be able to achieve something in the 1<sup>st</sup> or 2<sup>nd</sup> Quarter.
- Harish Biyani** Not on the acquisition, it is basically on any long-term coal deal, to secure our fuel supplies and fix the rate for the fuel cost for this particular year.
- Pramod Menon** I would say, in terms of pricing, no, but in terms of quantity basis, yes, contracts which are running up to December of this year with the major traders with whom we have finalized, at the same time we are also trying to increase the breadth with respect to the direct coal miners from whom we can procure and also from other fuel sources. So, I would typically put it about 50% to 60% is more or less identified, with another 40% which we are keeping open with respect to identifying the miners from whom we intend to procure.
- Harish Biyani** And it is based on any specific coal index?
- Pramod Menon** As far as the South African coal is concerned it is being procured on API4 index only. And as far as Indonesian one is concerned, I would say it is more negotiated rather than based on any particular index.
- Moderator** Thank you. The next question is from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari** Just wanted to recheck the net generation and the merchant sale and long-term PPA sale kWh numbers. So net generation the quarter was 4617 million and the merchant sale was 2461 million excluding the banking energy, banking energy was 49 million?
- Pramod Menon** In the press release, there was some error, that's why I wanted to reiterate again, the total net generation was 4617 million units, the total sale that we have done was 4723 million units, of which the merchant sale is 2566 million units.



- Atul Tiwari** This includes the banking energy?
- Pramod Menon** Yeah, this includes the banking energies of 49 million units plus we have sold additional 56 million units which we have received under reverse banking arrangement, so the total sale was about 105 million units related to bank I would say.
- Atul Tiwari** So, on top of these 49 million units received in banking energy, you have sold additional?
- Pramod Menon** Additional 56 million units, these both are included when I say 2566 million units and the long-term we have sold 2157 million units.
- Atul Tiwari** So the quantity mentioned is presently 1749 million units?
- Pramod Menon** That is wrong; it should be 2157 million units. Even though these statements are including the power conversion, the power conversion was left out to be added there.
- Atul Tiwari** And other question is on what was the income from SACMH revenue number?
- Pramod Menon** Rs 58 crores.
- Atul Tiwari** And the conversion fee from Rs 53 crores is that the right number, power conversion fee?
- Pramod Menon** I will tell you the breakup for your total revenue of Rs 2107 crores, it includes from the sale of power Rs 1699 crores, from power conversion it is Rs 53 crores, from external power traded is Rs 175 crores, the transmission income is about Rs 50 crores, on account of sale of coal by SACMH is Rs 58 crores and they have got another operating income of about 2 crores plus we have the income coming from O&M and PMC which was about Rs 36 crores, and the total other income was Rs 26 crores, which basically would aggregate to Rs 2107 crs.
- Atul Tiwari** In your notes to accounts there is a statement which says that the company has lent money to employee welfare fund for buying shares in the market and later you will issue a stock option, so what is the amount that has been lent?
- Pramod Menon** The total amount as of 31<sup>st</sup> of March 2012 is Rs 89 crore.
- Atul Tiwari** And this was lent during the quarter?



- Pramod Menon** No, this was done during the entire year.
- Atul Tiwari** What was the selling price of the coal from SACMH mine in the quarter?
- Pramod Menon** That has been linked to the API coal and only they are selling at API coal only.
- Atul Tiwari** So roughly \$110 or lower than that?
- Pramod Menon** No, it was definitely not \$110 during the last quarter it has been moving between \$100 to \$105 I would say.
- Moderator** Thank you. The next question is from the line of Prakash Goyal from ICICI Securities. Please go-ahead.
- Prakash Goyal** Just like to know on the breakup of the sale, you said the total was adding up to Rs 2107 crs, I missed out item it seems because it was not adding up to Rs 2107 crs, can you repeat that number, the number sale of power was Rs 1699 crores?
- Pramod Menon** Power conversion Rs 53 crores, power trading Rs 175 crores, income from transmission Rs 50 crores, then about Rs 58 crores is the SACMH pure sale of coal, then they have about Rs 2 crores coming from their other operating income, then we have income of about Rs 8 crores which is coming from the JSW Energy Center of Excellence and also under the service agreements with Toshiba, then we have the O&M and project management fee all put together coming to about Rs 36 crores and other income Rs 26 crores.
- Prakash Goyal** So it adds up to Rs 2107?
- Pramod Menon** Yeah.
- Prakash Goyal** The other question which I had was performance of a key subsidiary, the difference between the standalone and consolidated in terms of EBITDA and PAT, if you can say that that will be great?
- Pramod Menon** The EBITDA for the various subsidiaries, for Energy was Rs 471 crores, for Raj West was Rs 121 crores, for power trading it was about Rs 1 crore, for the transmission companies at Rs 48 crores, then you have South African consolidated amount which is coming about Rs 6-odd crores, giving a total of Rs 647 then our consolidated



adjustments about Rs 35 crores leading to Rs 613 crores of consolidated EBITDA.

**Prakash Goyal**

So this is EBITDA and same number on the PAT level?

**Pramod Menon**

PAT level energy was Rs 229 crores, Raj West consolidated level loss of Rs 18 crores, PTC about Rs 75 lakhs, for JPTL Transmission Company about Rs 20 crores, you had SACMH consolidated coming to about Rs 3 crores of loss and others are insignificant. So, all this will be about Rs 230 crores, adjustments are there to the extent of Rs 5 crores, resulting in a consolidated PAT of Rs 225 crores for the quarter.

**Prakash Goyal**

The next thing which I wanted to understand to have a flavor on the merchant trade contracts that you have signed and for the first two quarters any kind of guidance that you can give?

**Pramod Menon**

Our guidance for the year as a whole is that we believe that merchant trades would be in the region of about 4 to 4.25, maybe slightly at this point in time towards the higher end of the band, but that's what the forecast is there for the next fiscal at this point in time.

**Prakash Goyal**

Any contract that you have signed; any indicative rates or the contract that you have been able to sign?

**Pramod Menon**

We have contracts, but I don't think we have been giving the rates though, and as I mentioned, for the fiscal it would be at this point in time, basis the contracts that we have in place, I would say that we are reasonably confident of maybe coming into this particular band.

**Prakash Goyal**

Just last question with regard to there was a news article suggesting that the Ministry of Power is going to come out with a guideline for short-term power purchase, any significant change in the operating environment?

**Pramod Menon**

I don't think so there is any significant change, only thing is over the last couple of years if you look at it, more or less all the discoms have moved today into a completely tender-based procurement. The major procurers are concerned may be when the system started off 4 to 5 years back there were more of bilateral trade, I think that has completely gone out, so today it is completely governed by an open tender route. So, most of the discoms are procuring in a completely transparent basis.

**Prakash Goyal**

This open tender route in case you are interested to track this down, is there any internet website which carries this like in a case-to-case basis?



- Pramod Menon** I don't think so there is any document which is being made public by the discoms at this point in time.
- Moderator** Thank you. The next question is from the line of Abhishek Tyagi from CLSA. Please go ahead.
- Abhishek Tyagi** A couple of questions regarding the four units of Barmer which are yet to be commissioned, what is the schedule you are looking at for all those units?
- Pramod Menon** We expect these units to become operational in the next 2 to 3 months. We're just waiting for certain consents on the Lignite front, then immediately we will be able to start off two units and other two units should be completed by June-July. So, we should have all these units as I mentioned the entire project is getting completed in the 2<sup>nd</sup> Quarter of FY13.
- Abhishek Tyagi** Regarding this ad hoc tariff you are booking revenues at, what kind of loss per unit are you making as of now and what would be the cost plus tariff, the whole project cost gets approved by the regulator?
- Pramod Menon** We have filed based on the minimum operational capacity, let us say, if we have to operate today in the first year at 70% and second year at 72% since most of the units will be operating in this particular band at which we are required to cover the entire fixed cost including the return on equity. We have filed the petition at Rs 4.86 per unit and based on that the regulator has provided us the fixed cost and variable cost at 70% and 65% respectively of the fixed component and the energy component.
- Abhishek Tyagi** And how does the ad hoc tariff compared to Rs 4.86 as of now?
- Pramod Menon** It is Rs 3.34 per unit. So, basically, yes, on the fixed cost element if you look at it we have got under recovery on certain element of the depreciation. Let us say at about 195 paise per unit as against 184 which they have provided, we should be in a position to cover the entire cost.
- Abhishek Tyagi** What is the landed cost of lignite at the project?
- Pramod Menon** At the project it is again regulated by the regulator. As of now the regulator has given a rate of Rs 1190 per ton, so entire booking is being done on that same basis.
- Abhishek Tyagi** And actual cost how different are they? This is the one you are looking at.

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- Pramod Menon** The actual cost is concerned is on BLMCL, there is no actual cost, the actual cost what is being the cost of lignite is being decided by the regulator. So, we are procuring from the BLMCL at this rate and after meeting all the expenses, BLMCL is paying the residue to the MDO.
- Abhishek Tyagi** On the balance sheet side have the fixed assets being reinstated since September '11 because there is a drop in the fixed assets value, there was Rs 14,900 crores in September '11 and it is Rs 14,615 crores in March '12?
- Pramod Menon** That is only on account of restatement as far as the revised schedule VI is concerned. It requires the capital advances to be moved out of capital working progress. To that extent only the adjustment has been carried out, otherwise the total quantum per se has gone up.
- Abhishek Tyagi** So that is part of the current assets here you're saying?
- Pramod Menon** Long term current assets.
- Moderator** Thank you. The next question is from the line of Sumangal Nevatia from Macquarie. Please go ahead.
- Indrajeet** This is Indrajeet here from Macquarie. A couple of questions from my side; first is on this Chhattisgarh, earlier the company has been talking about going slow on new CAPEX and new projects. So how soon are we likely to move or how aggressive we are likely to move on this Chhattisgarh CAPEX plan, and what is the eventually your plan about having a merchant PPA kind of a mix here on this project?
- Pramod Menon** As mentioned, the company has been maintaining, on two fronts we are going aggressively, one is on obtaining all the consents which are required and second is to procure the land. As far as the actual start of this project is concerned, as mentioned we are looking at certain other approvals, also which include certain approvals on the coal front. So, once we have all the consents in place then only we will be in a position to start, and I can only mention in that we are not looking at any major CAPEX at least in the first six months as far as this particular project is concerned because that much time we believe will still go in terms of getting all the necessary consents.
- Indrajeet** And in terms of Merchant PPA mix from these projects
- Pramod Menon** As far as the projects are concerned as a stated objective we have always been mentioning that as we go forward, our intention is to bring
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down the basket of our merchant generation to closer to about 25% level. But, that is again a function of how the case 1 bids will now start coming through for which we are awaiting the revised standard bidding documents. So as a company and also on a project basis, we would now look at about 75 to 80% getting covered on long-term PPAs.

**Indrajeet** Regarding South African coal mine, any sense that you can give us about what is the likely production in FY13 and what is the kind of cash cost at this point of time in that project?

**Pramod Menon** As far as FY13 is concerned I can only say is that currently they were doing the mining on two different leases, one was an underground mine and another was an opencast mine. The opencast mine, the existing pit they have exhausted the coal and they have to now move into a separate pit for which they are awaiting the environmental clearances. So, currently, the production, if you look at during the course of FY12 they had produced about 4,55,000 tonnes of coal during the entire year which was roughly at a run rate of 45,000 tonnes or thereabouts on a per month basis. Currently, because one of the opencast mines will not be operational from April onwards, we expect the total coal production to be at about 20,000 tonnes per month basis till such time we are able to get the environmental approvals. We understand that it should come in about 4 to 5 months or so, by September we expect it to come. As far as the cash cost front is concerned, we have charge-off on account of the mine charges and certain other cost non-cash related expenses, which is basically resulting into a negative profit, and considering the reduction in the total production, they are also reducing the total manpower strength especially on some of the wash plants and also on the mine front. So, the cost will be kept under control, but however, we will be seeing the drop in terms of the total coal production from SACMH over the next two quarters.

**Indrajeet** Is that likely to be a one-time hit or something like that on closure of this mine or retrenchment of manpower there in the next two quarters or so?

**Pramod Menon** We don't expect any one-time hit emanating from these factors.

**Indrajeet** And last question, any timeline or any sense from the regulator on the Barmer tariff?

**Pramod Menon** That's a very tough one. We're just going through the process and the regulator is also hearing the issues now on a more regular basis, we don't want definitely to give a timeline because we have filed it in January and we are already in May of the subsequent year. So I don't want to

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hazard any guess, but I will only say that the regulator is undertaking the due process.

**Moderator** Thank you. We have the next question from the line Abhishek Puri from Deutsche Bank. Please go-ahead.

**Abhishek Puri** Thank you for providing the opportunity. Just a couple of things, on the CAPEX front, in FY12 how much CAPEX have we done and FY13 how much we expect to do?

**Pramod Menon** In the last year we have seen about Rs 1000 crores of CAPEX coming through in terms of the projects in FY12 is concerned. And as far as the total CAPEX during the current year including those which we have yet to do would be roughly in the region of about another Rs 1000-1200 crores for the existing projects, which is basically in Barmer and Ratnagiri for the FGD as well as for the balance four units. I don't think there is any further CAPEX.

**Abhishek Puri** The Barmer Lignite mine you said, about Rs 600 crores is required there?

**Pramod Menon** Roughly, I would say Rs 600 crores for Barmer and about Rs 600 crores for Ratnagiri.

**Abhishek Puri** Just wanted to understand this Rs 1800 crores the total CAPEX of the two coal mines, has the regulator accepted the entire cost because I understand there is a huge increase in the cost, the costing which has been done? And secondly, what is the overall proportion of CAPEX which JSW is spending, and what the other party is spending, RSMML spending?

**Pramod Menon** As far as the cost for BLMCL is concerned, the regulator has yet to give the consent on the final cost which will come through when he is deciding the final tariff or the provisional tariff also when it decides now will be the capital cost of the Kapurdi mine will also be taken into consideration. So, this is all being done on a complete basis when he is deciding the provisional tariff.

**N. K. Jain** Basically as far as the project cost of the BLMCL is concerned; the regulator has no choice but to accept it because it is the Government of Rajasthan who has created this project cost. Out of the total project cost, 95% is the land cost, which is determined by the Rajasthan government, so we have not added anything as far as the project cost is concerned in BLMCL. This is entirely the project cost related to the land acquisition and the interest thereon, that's it.





- Abhishek Puri** In terms of the proportion of CAPEX, have they provided for 51% of the CAPEX?
- Pramod Menon** This project has come under the implementation agreement. As per the implementation agreement the entire cost which is to be incurred in BLMCL it has to be incurred by Raj West Ltd. No cash which is being infused by RSMML apart from they being an equity holder.
- Abhishek Puri** So RSMML will not be putting any equity?
- Pramod Menon** They don't have any financial consideration to be put in.
- Abhishek Puri** The recovery of ROE would accrue to us on a 100% basis or would it go to RSMML in the proportion of shareholding?
- Pramod Menon** If you look at BLMCL we have maintained the capital structuring is such that the equity there is only about 20 crores and the balanced amount of funding is being done by way of subordinated debt by Raj West Power in that. So the ROE which is getting lost if at all is on 11 crores which is their holding about 51% of the Rs 20 crores equity.
- Abhishek Puri** But the subordinate debt of RWPL has been supplied by JSW Energy or...?
- Pramod Menon** Yeah, in turn, because Raj West per se does not have, to that extent additional equity has been provided by or additional funding has been provided by JSW Energy Ltd.
- Abhishek Puri** So, would it be right to assume that Rs 6800 crores is the cost of RWPL, which is given in the presentations, does that also include the sub-debt cost or this is only the cost of the project?
- Pramod Menon** That is only the cost of the power project, it does not include the investment into BLMCL equity or debt.
- Abhishek Puri** How much would be the amount of the sub-debts if you can share with us, and whether we are earning any interest on that?
- Pramod Menon** The amount of investment into BLMCL is about Rs 380-odd crores, of which roughly about Rs 370-odd crores would be sub-debt.
- Abhishek Puri** And we are earning any interest on that?

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- Pramod Menon** It carries an interest of 10% and similarly also charged by Raj West into BLMCL also.
- Abhishek Puri** That interest would be a pass-through in the coal costing what regulator will approve?
- Pramod Menon** Yes.
- Abhishek Puri** Just a last thing on given the lignite availability from the Kapurdi mine, what is the capacity utilization rate that the company will be targeting for RWPL plant in FY13?
- Pramod Menon** As of now what we have seen in terms of the performance is the units have very well stabilized on the lignite, and we don't see any issues in terms of operating at this, but our primary consideration would be to ensure all the eight units are fed with lignite and our commitment is to ensure that we have to operate in the second year at about 72.5%, so that would be the bare minimum that we will be definitely trying to achieve during the course of FY13, that would be the first target, and, of course, our desire would definitely be to improve the PLF to the best possible extent and the guidance would be at the minimum PLF only.
- Abhishek Puri** Minimum 72.5%. And in terms of the lignite coal mining that the company has done that covers a fair bit of ground in last year, how much mining of lignite is expected in '13 if you can share that?
- Pramod Menon** Roughly at around 72.5% we need about 5.6 million tonnes of lignite to be mined during the course of the year. So that is what we are expecting all the consents to come through and we should be able to get that.
- Abhishek Puri** The mining plan has been approved for that or we are still awaiting approval for that?
- Pramod Menon** We have asked for some enhancements because of the delay in Jalipa, right now we have in Kapurdi 3 million tonnes, which is what we are seeking for an enhancement till Jalipa comes through on an interim basis.
- Abhishek Puri** And we expect Jalipa to start by next year FY14?
- Pramod Menon** In FY14 it will start, not at the beginning but somewhere during FY14.
- Moderator** Thank you. We have the next question from the line of Anirudh Gangahar from Nomura. Please go-ahead.
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**Anirudh Gangahar** If you could please provide the revenue breakdown if possible for FY12, just like you did for 4<sup>th</sup> Quarter that will be very helpful? And if you could just clarify that the conversion agreement is still continuing because last I heard with the JSW Steel setting up their own capacity so that arrangement would stop, if could you clarify that please?

**Pramod Menon** The revenue breakup from sale of power was Rs 5179 crores, from power conversion was Rs 116 crores, from power traded it is about Rs 359 crores, income from transmission was Rs 94 crores, from sale of coal SACMH was Rs 232 crores, and then Rs 8 crores under the service agreements with Toshiba and Centre of Excellence, close to Rs 130 crores of O&M, project management fee related income and other operating income so totaling to about Rs 6,118 crores. The total of the other income was Rs 147 crores, totaling to Rs 6,265 crores.

**Anirudh Gangahar** On the conversion agreement is this likely to continue for the full-year for FY13?

**Pramod Menon** Till date we have not changed the arrangement, they are continuing to provide us gas and that gas is getting converted and being provided to them as far as the Power is concerned.

**Anirudh Gangahar** And this is at 1.3 itself like we have been doing for the last two quarters or so?

**Pramod Menon** Yes.

**Moderator** Thank you. The next question is from the line of Bhargav Budhhadev from Ambit Capital, please go ahead.

**Bhargav Budhhadev** Would it be possible to give the landed cost of your raw material, both South African and Indonesian breakup into power plants like acquisition at Ratnagiri for FY12?

**Pramod Menon** Bhargav, you can work that out, but roughly as we are mentioning we are importing as far as the South African coals are concerned on the indexes itself, and similarly Indonesia is not much different as far as the procurements are concerned, we are procuring from the market itself. In both the plants only differential factor is the freight related elements.

**Bhargav Budhhadev** Would it be possible to give that?

**Pramod Menon** I don't think we are giving any granulated breakup with respect to the cost.



**Bhargav Budhhadev** In terms of Vijayanagar we have seen significant improvement in the PLF so obviously Q3 and Q4 do you expect this to continue even in FY13 as well?

**Pramod Menon** Our endeavor would be to maintain a very high PLF and to that extent we have contracts, but only one thing which we had seen during the course of the last year was even though we had contracts in place, at certain times and especially in the non-peak season, there have been requests with respect to back down at certain odd hours. Now, if that is something which continues, then, yes, our ability to maintain the PLF will not be there because under the short-term PPAs they have a right to seek a minimum kind of a capacity. So, even I have got 100 short-term contracts like in case of the long-term contracts also, stipulate a minimum PLF which I have to operate and minimum off-take that they have to do. So, similar 80% or 85% are also applicable in terms of the short-term contracts. So, under those contracts if they demand for power or they need to back down on certain odd hours that can only lead to a reduction in terms of the PLF. Otherwise I think the way we have been operating we believe that we should be able to do about 90% or 91% on a consolidated level. I would say that would be a safer number to presume.

**Bhargav Budhhadev** Vijayanagar right now the short-term contracts which we have entered what could be the tenure if you could share that?

**Pramod Menon** We have tenures; medium term tenure extending up to June 2013 as far as Vijayanagar is concerned.

**Bhargav Budhhadev** And this is for the entire capacity, is it?

**Pramod Menon** No, that's not for the entire capacity.

**Bhargav Budhhadev** So would that be possible to share or...?

**Pramod Menon** We have covered let us say about 60% of our capacity at that.

**Bhargav Budhhadev** Balance is all open as of now?

**Pramod Menon** Balance is covered for something is there up to June and something is there up to the end of this current quarter we have more or less covered.

**Moderator** Thank you. The next question is from the line of Harshit Shukla from Emkay Global. Please go ahead.



- Harshit Shukla** More or less most of the questions are answered. Only one thing if you can provide the breakup of fixed assets in terms of gross block and CWIP?
- Pramod Menon** Rs. 10974 crores is fixed assets and Rs. 3670 crores is CWIP.
- Harshit Shukla** So this does not include the long-term advances which are there?
- Pramod Menon** This does not include.
- Harshit Shukla** And lastly have you find anything on Chhattisgarh or the projects which we had abandoned or deferred?
- Pramod Menon** We have spent money for acquiring the land, definitely yes, and also may be getting for some consents and approvals and other stuff.
- Harshit Shukla** So rough cut figure in this CWIP of 3670 crores how much would be for the projects which are not in construction?
- Pramod Menon** I would request you to kindly refer to our presentation which is there on our website. It gives the total expenses across each of these projects what has been spent to-date, so it will be better in terms of the time that it is all given in terms of the presentation, it has already been uploaded before the call.
- Moderator** Thank you. We have the next question from the line of Devang Modi from Equirus Securities. Please go ahead.
- Devang Modi** We wanted some clarity on the imported coal cost, basically what we wanted to understand was that what is the current mix of South African and Indonesian coal that we are having?
- Pramod Menon** Currently, we are doing about 50-50 with respect to Vijayanagar plant and we are doing 75% Indonesian and 25% South African for the Ratnagiri plant.
- Devang Modi** Broadly, what is the station heat which you consider for Vijayanagar and Ratnagiri respectively?
- Pramod Menon** The Vijayanagar is slightly more efficient in terms of having stabilized, so we can consider something in the region of about 2250 to 2300, and we can consider anywhere between 2300 to 2350 for Ratnagiri.



- Devang Modi** You would consider this 50-50 mix of Indonesian and South African to be sustainable going ahead or this mix to alter in either direction going ahead?
- Pramod Menon** It will completely alter based on where the prices are, but at this point in time given where the prices are maybe this is a sustainable blend. So, it is all a function of what kind of prices prevails for different products.
- Devang Modi** So, what level the Indonesian coal, we can take it up to 50-50 or even higher in favour of Indonesian coal?
- Pramod Menon** Up to 50-50 is what we believe given the logistical challenges and so many other factors as well. It would be a reasonable extent to consider for Vijayanagar.
- Devang Modi** What would be the appropriate kilo calorific value to take at 50-50, South Africa would be broadly 6000 and Indonesia would be 4000, right?
- Pramod Menon** On a blended basis maybe a bit higher for the Indonesian grade coal, maybe in the 4200.
- Devang Modi** And South African at 6000 is decent or it will be around 5500 slightly lower probably?
- Pramod Menon** South African as I mentioned we are all procuring under RB1 spec, so it is about 6200.
- Devang Modi** And broadly, for the next year this would mean that you will be requiring to source around 6 million tonnes of imported coal. So any particular plan that we have in place for this?
- Pramod Menon** As somebody has raised earlier in this particular call, what we have briefed is, we have, let us say coverage of about close to 50% or 60% which is identified through the mix of 4 or 5 major miners through whom we have been importing now, and balance is about 40% is being kept open, so what we have assurances are more in terms of a quantum. And as far as the prices are concerned they are more or less linked to the indexes.
- Devang Modi** We should consider broadly an additional freight and local transport cost of around \$30 on top of the prices?
- Pramod Menon** Depending upon plant to plant.



- Devang Modi** So for Vijayanagar it will come to around \$30?
- Pramod Menon** That is the ocean trade or only the inland.
- Devang Modi** Local plus railways I am saying Rs. 1 per kilometer and the international freight cost.
- Pramod Menon** Correct.
- Devang Modi** And just one more clarification on what was the current quantity of lignite that we mined in Barmer during the year?
- Pramod Menon** 1.67 is the total quantum of lignite which was mined during the period of last year since we have started commencement in the month of October.
- Devang Modi** For moving this 1.67 to 5.6 we basically need an enhancement at the Kapurdi mines, and other mine is still not operational?
- Pramod Menon** As far as the enhancement is concerned it will not be an issue at all, because more or less they are geared; only what we are awaiting is certain consents. What we have tested out during the last quarter was also to get to a ramp up capacity to about 12,000 to 13,000 tonnes of lignite on a per day basis, which has all been demonstrated. So, I would say the only thing which we are awaiting is to have the consents so that we can then scale up the production.
- Moderator** Thank you. We have the next question from the line of Santosh Hiredesai from Edelweiss Securities. Please go ahead.
- Santosh Hiredesai** I would like to have the broad direction from you, not necessarily JSW Energy specifics, about the merchant market that the way you are seeing it. One is that we notice that except the southern region most of the other regions are trading at below or between 3 to 4 bucks tending towards closer to 3 bucks while only the southern region seems to be trading at a rising high rate. I just want to know what is your sense, how do you read this and despite this why are you guiding for close to 4 to 4.25 range for the entire unit?
- Pramod Menon** As far as the merchant prices, of course, what you are stating is with respect of the exchanges, exchanges anyways are not trading in a significant quantum, these are all the day rate kind of quantum which is basically available with the generators and which is being procured by the distribution utilities and these are being procured where they have not planned, let us say they have planned for certain load shedding, but in

case if they are going to get cheaper then they will buy to a certain extent. But, as far as their base load demands of most of the power utilities are concerned and they are trying to meet from their own generation plant requirements or from the central procurement and to the extent that they have a gap in their base load that they generally procure in advance through short-term tenders. But what we are generally seeing is that more or less we are seeing regulators suggesting that to do the pricing in and around Rs. 4 and at best that we have seen and most of the contracts and biddings are taking place, the landed cost of power to most of the home states are in the region of about 4.25 to 4.50 max.

- Santosh Hiredesai** 4.25 to 4.50 means net of whole to the developer?
- Pramod Menon** Depending upon from where the developer is. If it is in the home state then there will not be any major change at all. But, in case, if somebody has to come from across the region then to that extent and whether he is connected to which particular line and all so there will be reduction in the transmission charges and cost.
- Santosh Hiredesai** By and large it is safe to assume that at least at the developer level it will be in the region of 3.75 to 4, net to the developer, irrespective of wherever he does it, broadly?
- Pramod Menon** Correct.
- Santosh Hiredesai** The second part once again basically whatever we are noticing over the last 6-8 months that has happened in the entire system, one is that you have noticed most of the guys have tariff hikes, and secondly, the recent APTEL order or the Ministry of Power directive to CERC saying that ensure that open access is done. Do you see on the ground positive vibes from the SEBs procuring power at a much more cheaper rate or a competitive rate, and are they willing to buy it at even a de-sustainable rates or only for a short-term basis you are doing this and over the longer term you find rate correcting significantly, what are the sense that you are seeing?
- Pramod Menon** At this point in time what we are seeing is the distribution utilities, they are not going on a buying sweep, so only to the extent that they have a demand they are coming and buying and they are not buying at a very high rate. As mentioned they are trying to be in a band at max if they are getting the quotation beyond 4.50 I would say most of the discoms are then clearly taking call that they won't want to buy at that particular rate. So, they are buying at rates which makes sense for them and they are able to realize those kinds of rates within the respective kind of revenue



model that they have. As far as over the next 12 to 18 months or 24 months we are getting into an election year, so it will be very difficult to suggest how the rates will move, but we believe that the DISCOMs will continue to exercise restraint and they will continue to move in this particular band and how the rates will function is also dependent upon how much of capacity comes through, what are the various factors which are impacting, because if we talk to the DISCOM they have taken so much of power to come through, but those powers are not coming through and it is also making their plans go awry. So over time generally, everybody expects it to rationalize, but on the other side there are also cost push factors which are coming through. So at this particular point in time we believe that 4 to 4.25 is where it would be at least during FY13 at this particular point in time. But it's an evolving thing; there are a couple of event related factors which will also determine how the prices move upwards or downwards.

**Santosh Hiredesai** Understandable. One more thing you mentioned that even some of the short-term contracts or a medium-term contract there seems to be a tendency to back down depending for a variety of reasons. During those situations what is the minimum amount do they still go ahead and pay the developer?

**Pramod Menon** At any point in time they cannot go down below the stipulated, let's say there is a contract which stipulates that minimum off-take will be 90%. So during the contract period they have to procure 90%. Till 90% there is no incentive or a penalty. Only the penalty clause will get triggered if it goes below 90% but that we have never seen any particular DISCOM breaching that so they will be well above that.

**Santosh Hiredesai** So let us assume that they don't want to purchase 90% then they have to at least pay you the fixed cost?

**Pramod Menon** It depends upon the terms of the contract. That contract stipulate, in case they don't procure at all what is the kind of penalty which is payable, so it is clearly stipulated by the DISCOMs when they are coming out with the tenders.

**N.K.Jain** But it is definitely equivalent to the fixed cost or higher than that.

**Santosh Hiredesai** Are you free to sell that power even on a day-ahead market because you know that for the next one day or the next certain time periods or 15 minutes block each they will not buy it so are you allowed to sell that?



- Pramod Menon** Yes, we are allowed to sell that and they normally will get as an open access warrant.
- Moderator** Thank you. That was the last question from the participants. I would now like to hand the floor back to Mr. Subhadip Mitra for closing comments.
- Subhadip Mitra** Thank you everyone for attending the call. On behalf of JM Financial Institutional Securities I would like to thank the management for allowing us this opportunity to host the call. Thank you so much.
- Pramod Menon** Thank you.
- Moderator** Thanking all on behalf of JM Financial Institutional Securities Limited. That concludes this conference call. Thank you for joining us, you may now disconnect your lines.

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