

**“JSW Energy Limited -3QFY15 Earnings Conference Call”**

**February 02, 2015, 4:00pm IST**

- Speakers:** Mr. Sanjay Sagar, Jt. Managing Director & CEO  
Mr. Pramod Menon, Director Finance
- Call host:** Mr. Subhadip Mitra, Analyst, JM Financial
- Moderator:** Good evening ladies and gentlemen. I am Moumita, the moderator for this conference call. Welcome to the 3QFY15 results conference call of JSW Energy Limited hosted by JM Financial Institutional Securities. At this moment, all participant lines are in the listen only mode. Later we will conduct a question and answer session. At that time if you have any questions, please press \* and 1 on your telephone keypad. Please note that this conference is being recorded. I would now like to handover the floor to Mr. Subhadip Mitra. Please go ahead sir
- Subhadip Mitra:** Good afternoon everyone. JM Financial invite you all to this conference call with the JSW Energy management. At the outset I would like to thank the management for giving us this opportunity. I now handover the conference to Mr. Pritesh Vinay, Head of Investors Relations at the JSW Energy. Over to you Pritesh.
- Pritesh Vinay:** Thank you Subhadip. A very warm good evening to all the participants. On behalf of JSW Energy, I welcome all of you to the 3QFY15 results conference call. We have with us today the senior management team of JSW Energy, represented by Mr. Sanjay Sagar, the Joint Managing Director & CEO and Pramod Menon, Director Finance. So, we will begin the call with opening remarks by Pramod and then we will jump straight to Q&A and make it efficient. So, without much ado, Pramod over to you.
- Pramod Menon:** Good evening and welcome to JSW Energy’s 3QFY15 Earnings Conference Call. This quarter has been again an exceptional quarter for JSW Energy, wherein we have been able to outperform with the highest quarterly net generation of 5.36 billion units and also the highest quarterly PAT of Rs380 Crores, which is up by 87% on YoY basis. We recorded total income of Rs2,418 Crores for the quarter. This exceptional performance has primarily been on account of better PLFs that we have seen. As far as the operations are concerned, Ratnagiri improved significantly to 84% PLF as against 68% recorded in the corresponding quarter of the previous year and Vijayanagar continues to operate at 100% PLF. Besides this, the most redeeming feature in terms of the operations has been of Raj West Power Limited, wherein we have been able to handsomely gain the efficiencies of full loading of the plant, lower heat rate and as also lower auxiliary consumption. The company has been able to load the plant at 77% PLF. So, we are well on target for the current year, as far as Barmer is concerned, to achieve the normative generation capacity. Now we don’t have all those fuel related issues. So, we hope all the issues with respect to Barmer are behind us and we look forward to get the final tariffs in place.
- As far as the operations during the quarter were concerned, we had a sales mix of 47% on merchant basis and about 53% was the long term basis. And the average realization had dropped by about 12% on YoY basis from Rs4.81 per unit in 3QFY14 to

Rs4.25 per unit in 3QFY15. So, despite the reduction in the average realization, the company has excelled by reducing the O&M cost, we have been able to bring down the overall cost of O&M. And besides that we have also brought down the fuel cost. This is despite the fact that during the quarter the coal price indices fell by 3% but the rupee also depreciated by 3%. So despite the fact that there was hardly any movement on a QoQ basis, we have been able to reduce the fuel cost on per unit basis -a reduction of almost 4% and on the YoY basis the reduction has been to the extent of ~10%. This is reflected in terms of better EBITDA margins, EBITDA margin was 42% and EBITDA was of Rs1,012 crores for the quarter. And for the nine months, it was Rs2,929 crores of EBITDA with a margin of 40%.

Further, if you see the results, it reflects our thrust in terms of reducing the interest cost. Over the last three to four quarters, we have been working to reduce the acceptances and that is getting reflected in the reduced interest cost. So, you can see that interest cost has reduced from Rs337 Crores in 3QFY14 to Rs284 crores in 3QFY15. We have brought down the buyer's credit to a level of about \$175 million and you would see a further reduction in it going forward. So, with all these measures, we have been able to achieve a total profit after tax of Rs382 crores in 3QFY15. The company's balance sheet continues to look robust with the net debt at Rs8803 crores and net debt to equity of 1.16 times at the end of 31st December 2014.

On the projects front, the company has commenced the work with respect to enabling work at Kutehr hydro project. We are well on way in terms of awarding the contracts for the commencement of work for the project, which hopefully should start by April 2015. With these opening remarks I now open the floor for Q&A. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again.

Sir, we have our first question from Mr. Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Congratulations for a good set of results.

Pramod Menon: Thank you.

Abhishek Puri: Sir, my question is regarding your auxiliary power consumption. Can you give us the details, because if I look at the gross generation data from CEA and the reverse calculations suggests that your Vijayanagar auxiliary power consumption was only 7%? That is the correct number?

Sanjay Sagar: Yes, it was 7.07% or something.

Pramod Menon: 7.07%.

Abhishek Puri: Okay. And Barmer 10.4 and Ratnagiri 9.7?

Sanjay Sagar: Please get this data from Pritesh, otherwise we will have to look at too many papers to be able to confirm to the right figure.

- Abhishek Puri: No worries sir, I will take it later. Sir, continuation to this, the auxiliary power consumption you said has come down and heat rate has come down in this current quarter, do you think further improvement is possible if the PLF goes up further or we are already at the optimal levels?
- Sanjay Sagar: Abhishek, bringing down these two parameters is a continuous effort. And we will continue to make efforts and we are confident that we may be able to improve them by bringing in more efficiency in operations. We have been able to improve it at Vijayanagar on QoQ basis even though we have been operating Vijayanagar units at close to 100% PLF almost continuously for the last one year or so. The marginal improvements are possible everywhere.
- Abhishek Puri: Sir, my second question will be on the Vijayanagar plant, if you have any contracts, merchant power contracts that you can share with us in terms of quantity at least, if not the price? And just a follow up on that as well that Andhra Pradesh is claiming that they are going to be power surplus in FY16. I think last one to one and a half years they have been buying too much into the merchant market in the Southern India markets. They are claiming that Hinduja and Krishnapatnam power projects are starting up by early next year, which will make them power surplus. What is your view on that?
- Pramod Menon: As far as the Southern market is concerned, our view is that the market continues to remain buoyant. Of course we expect some amount of the new generation capacities to come in place. But at the same time, the supply gap with respect to the demand or the deficit is simply large enough to accommodate merchant sales/capacities at least till December 2016 or March 2017. The way we are looking at it is that there is demand pull as far as the region is concerned and the corridor will take another 18 to 24 months to ease off, the prices will continue to remain buoyant and robust (maybe) up to March 2017, that is our view.
- Abhishek Puri: And any contracts that you can share?
- Pramod Menon: No, we have not been sharing any contract related details Abhishek, on any projects on the merchant side.
- Abhishek Puri: If I have further questions, I will come back in the queue. Thank you and all the very best.
- Sanjay Sagar: Thank you. Thanks Abhishek.
- Moderator: Thank you sir. Sir, we have the next question from Mr. Arun Kumar from HSBC. Please go ahead.
- Arun Kumar: Hi sir. Congratulations for the good numbers. I have two questions. First question was on the tariff revision in Barmer. Now, can you help us get what is the current tariff at Barmer, which we are getting? And the second question was on the landed coal cost ex-Barmer for the company as a whole?
- Pramod Menon: The current tariff, which is the provisional tariff, which has been granted, is Rs4.06 per unit for the company, which has a capacity charge of Rs.2.38 and fuel charge of Rs.1.68 per unit. The Rs1.68 per unit is the coal cost for the company which is a

regulated cost and approved by the regulator.

- Arun Kumar: And the other question was on the coal cost ex-Barmer for the JSW Energy, the landed coal cost?
- Pramod Menon: Rs1.68 per unit.
- Arun Kumar: No, no, I understand. So, for the other projects what is the current, this quarter what has the coal cost come at or if you can give the coal cost?
- Pramod Menon: We have never been giving; we have not been giving the coal cost or any per unit cost for any of the specific plant or otherwise. But what I had indicated in my opening remark, the fuel cost on a sequential quarter basis has come down on a per unit basis. It has come off by 4 percentage point.
- Arun Kumar: Okay, as compared to the last quarter?
- Pramod Menon: Yes.
- Arun Kumar: Okay. Thanks.
- Moderator: Thank you sir. Sir, the next question comes from Mr. Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda: Good afternoon sir. Good set of numbers. If you can provide the Raj West net sales EBITDA, PAT number for the quarter and nine months?
- Pramod Menon: Just a minute. Bhavin, we will be able to share that with you offline.
- Bhavin Chheda: Okay. And the other question, since your other expense has come down substantially despite higher generation, so is it now structural or is there some part of one off? Because, you said obviously the auxiliary consumption were less and the Barmer heat rate were also lower. But, apart from it, is there any one off there?
- Pramod Menon: There is no one off expenses. There is nothing of one off nature during the quarter either on the income side or on the expenses side.
- Bhavin Chheda: Okay. And sir what was the power trading and the other transmission revenue numbers in the consolidated sales?
- Pramod Menon: Raj West revenue was Rs647 crores for the quarter and transmission revenue was about Rs26 crores. I think, the granular details can be taken from the IR team, you can pick the revenue and the EBITDA details from the team.
- Bhavin Chheda: Okay, no problem sir. Thanks a lot.
- Moderator: Thank you sir. We have the next question from Mr. Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar: Congratulations on a good set of numbers. Sir, my question pertains to the coal block auction. Are you going to participate for all the 1,460MW of power plants with open

capacity or are we going to participate only for 300MW open capacity at Ratnagiri?

- Sanjay Sagar: Mohit, the one thing which of course is very clear is that we can participate on the entire capacity that we have. However, what we will exactly participate for and what we will not participate for, I don't think those details I would like to get into on an open forum like this.
- Mohit Kumar: Okay, okay, I got it. Thank you sir. That is it.
- Moderator: Thank you sir. The next question comes from Mr. Deepak from Elara Capital. Please go ahead.
- Deepak: Hello?
- Pramod Menon: Yes Deepak.
- Deepak: Yeah, congrats sir for the excellent set of results.
- Pramod Menon: Thank you.
- Deepak: Yeah, my first question is, can you throw some light on the progress on the transaction with the Jaiprakash Power Ventures?
- Pramod Menon: As far as the transaction is concerned we had entered into a definitive agreement in the month of November. And pertaining to that JP has also filed for the schemes to transfer these two units in to an SPV. We understand that all the due steps are being taken well on time and the consents and approvals are also coming through.
- Deepak: So, you expect a closure by 31st of March?
- Pramod Menon: No, no, the closure was never expected by 31st of March, but we are fairly confident of getting the deal closed during the first quarter of FY16.
- Deepak: Okay. My second question is on Barmer. Now, have we started the entire mining for 7 million tons? Like in this year we expect it to reach that milestone?
- Pramod Menon: Yes.
- Deepak: So, that will help us to achieve PLF of about the normative level?
- Pramod Menon: Yes.
- Deepak: Okay. And my third question is, any headwind that has been progressing, like we have been working on this provisional tariff for quite some time but what is the regulator view on at least finalizing the entire tariff structure and move ahead to the full ROE?
- Sanjay Sagar: As far as the view of the regulator is concerned, we will discover that only when he passes the final order. However, at the moment the process is going on. And the necessary process is being followed. We are awaiting the comments from the stakeholders and then we will reply to those comments and the hearings will be conducted. So, it is a due process which is being followed. But, it has already started

and we are certainly expecting that the current regulator will get it expedited. We will not have the kind of delays that we were seeing earlier.

Deepak: Okay. And my last question is, can you comment on the quantum of supply that you have done to the group company JSW Steel, especially from the Ratnagiri plant?

Pramod Menon: They are under a long term PPA there. And to the group there it continues to flow at the rate of about 375MW (net) from the unit number three and four, which are designated to them.

Deepak: Okay, thank you.

Sanjay Sagar: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Thank you for the opportunity. I will limit my questions to two. The first one is the Chairman, at a recent interview, was saying that we are going to acquire 4,000 megawatt of additional capacity besides the two hydro projects of JPVL here and we will be raising up to 1 billion dollars of fresh equity. Looking at your release today and the board resolutions, could you just tie up the resolutions with the Chairman's comments please?

Sanjay Sagar: The Chairman had sort of expressed an intent to do both these things during his interview at Davos. And in line with what the Chairman stated during the interview, we have today taken an enabling resolution from the board to raise approximately upto Rs.5,000 crores of equity. And as far as the acquisition of assets is concerned, it is no secret that JSW Energy is in the market to acquire stressed assets. And both I and the Chairman have been on record saying that it is our desire to acquire anything between 3,000 to 4,000 megawatt of assets. And as soon as the deals will crystallize, you will get to know.

Anirudh Gangahar: Sir, just to clarify, Rs.5,000 crores limit is for equity only to tie up with what the Chairman said. It is not the debentures, it would be pretty much equity, equity or equity, quasi equity?

Pramod Menon: Good afternoon Anirudh. It is only an enabling resolution and in what form, which instrument, whether it would be – nothing has been crystallized. It would be decided as and when an opportunity arises. Whatever capital raising that we may want to do, as we have mentioned in the note, would be for organic and/or inorganic growth and/or to meet certain CAPEX requirements and/or for general corporate purposes. Besides that, what is the opportunity today? If you look at the power sector, this sector is very ripe for consolidation at this particular point in time. And there are certain assets which are stressed. At the same time, JSW Energy is well positioned to buy out such assets; if at all any deal materializes. So, as and when an opportunity arises, we would want to capitalize. And we are keeping ourselves ready if such an opportunity comes through. So as and when such an opportunity will arise, we will look at the various markets and various kind of instruments at our disposal. We have kept all the options open with this enabling resolution. The company has been taking this kind of enabling resolution at every year end. And it is to ensure that in case any

opportunity arises which we believe is very much possible over the next 6 to 12 months, we keep ourselves in the complete state of readiness. I don't think there is anything beyond it.

Anirudh Gangahar: Right sir. Thank you. And sir, the second question was back on the O&M. Sir, please correct me if I am wrong, but O&M would not be impacted by auxiliary and heat rate reduction. So, the O&M would have been, reduction would have been realized on certain other synergies. And you mentioned that we can still gather, we can have some more upside or rather downside to the O&M cost in our existing operations. Is my understanding correct sir?

Sanjay Sagar: Your understanding is absolutely correct Anirudh. We never said that the O&M has improved, because of the auxiliary and the heat rate. What we said that there has been an improvement on all three parameters that is the O&M, auxiliary and the heat rate. As I mentioned a few minutes earlier, there is always a scope for improvement.

Anirudh Gangahar: Right sir. Thank you. I will get back in the queue. Thank you so much.

Moderator: Thank you sir. We have the next question from Mr. Giriraj Daga from Insync Capital. Please go ahead.

Giriraj Daga: Sir, good evening. Sir, couple of questions; what will be the targeted debt to EBITDA that we have in our mind as we are on acquisition spree what will the targeted debt to EBITDA sir?

Pramod Menon: In terms of any acquisition or anything that we may do, we would like to keep a long term sustainable net debt to equity at around 2.5times. There could be intermittent breaches when a deal gets concluded. But, on a sustainable basis we would like to keep it at 2½ levels.

Giriraj Daga: 2-1/2 on the equity?

Pramod Menon: 2.5 times in terms of net debt to net worth.

Giriraj Daga: Okay. What I was looking for is, as a company as a whole, any particular target you have like debt to EBITDA for the company not to breach?

Pramod Menon: The target that we have is terms of net debt to net worth.

Giriraj Daga: Okay. My second question is related to like you said 4% coal cost has come down, what is the current quarter as compared to last quarter average, any rough percentage downturn...?

Pramod Menon: We have been importing coal completely on index pricing. We have not covered ourselves as far as coal prices are concerned. Given the fact where coal indices are, proportion of the South African coal in terms of overall coal consumption is bound to get higher and proportion of Indonesian coal will come down.

Giriraj Daga: Okay. And my last question is in terms of the Barmer, more benefit is likely to flow from the higher mining, has there been any benefit in quarter three also from higher mining in Barmer?

- Sanjay Sagar: As Pramod said in his opening remarks, the improved PLF reflects the benefit that has flowed from the higher mining. And also, as mentioned a few minutes earlier, we would like to certainly achieve the normative PLF.
- Giriraj Daga: Okay, thanks a lot.
- Moderator: Thank you sir. The next question comes from Mr. Murtuza from Kotak Securities. Please go ahead.
- Murtuza: Hi sir, just wanted to check on the Barmer provisional tariff of 2.38, is there a regulated equity that has been taken in the computation or it is purely provisional?
- Sanjay Sagar: This one is purely provisional.
- Murtuza: Okay. So, there is no math around the regulated equity which has been considered.
- Sanjay Sagar: No, there is no math around that.
- Pramod Menon: It is lower than the regulated ROE of 15.5%.
- Murtuza: Okay. For your own purpose, what is the submission that you would have made to the regulator? What is the regulated equity that you have considered?
- Pramod Menon: 25% of the project cost.
- Murtuza: Alright, thank you.
- Moderator: Thank you sir. The next question comes from Mr. Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri: Yes sir, thank you for the opportunity again.
- Pramod Menon: That was a short queue Abhishek.
- Abhishek Puri: You have answered all the questions well sir. Sir, on the power trading side, you have decided to demerge the business, what is the logic and consideration if any, for transferring these assets? Are any other existing assets and investment which are outside of trading business?
- Pramod Menon: As it has been mentioned in the press note also, the rationale is to ensure that the power trading company focuses on the power trading business. And whatever all the investments are concerned, we are consolidating those all at the JSW Energy level. So, it is basically small business restructuring which is getting done in terms of the balance sheet.
- Abhishek Puri: Will there be any consideration which will come to us?
- Pramod Menon: There is consideration, in the sense that whatever are the investments and other asset those will get consolidated at the JSW Energy level. So, it is basically the subsidiary getting merged. There is no consideration otherwise.



- Abhishek Puri: Okay, understood. Sir, last thing, in terms of the merchant outlook, would you retain your guidance of 4.25-4.50, or you want to increase that now or any indication if you want to give us on the first half for the next year, for us to modulate better?
- Pramod Menon: Yeah, I think if you look at the last nine months, yes, it was definitely on the higher end of the guidance that we have indicated for the current year or slightly reached the 4.50 kind of level. And based on where we are currently sitting, I would say that it looks to be better for FY16 than FY15.
- Abhishek Puri: And in terms of volume also can we assume that 100% of the volumes will be there? I am not asking about individual contracts, but we are sure of that entire volume will go for next year?
- Pramod Menon: We are fairly confident on that, one will also have to look at the environment prevailing. Overall there seems to be an uptick and we expect the economic activities to improve further over the next 12 to 15 months. So, if you look at it, we are fairly confident, yes, our PLF should be improving.
- Sanjay Sagar: PLF should not look worse than what they are currently. And we expect that with all the positive signals that are coming from the Government and the step that the Government is taking, it can only go up from there.
- Pramod Menon: And I think another interesting fact is that we will also have to wait for this big event which is expected to unfold as far as the power sector is concerned, in terms of coal auctions during the course of this month, which I would say would be a big indicator and the following Case-I bids. So, I would say there would definitely be a convergence of the merchant rates over time which may happen over long term. But, as far as the long term rates are concerned, the question that where it will settle, whether it will be settling at 4 or plus or minus, is something that is not clear. I think a lot of things will get revealed over the next three to six months time.
- Abhishek Puri: In terms of the coal mining, if I may just squeeze in one more question, are your equipments designed for imported coal? Can they handle domestic coal? Or you can do some blending of the domestic coal or we can use 100% domestic coal also in there?
- Sanjay Sagar: The equipments are designed to give a lot of flexibility in terms of the coal that we use. And we will sort of take a call, which is in the best interest of the equipments and best economic interest of the company.
- Abhishek Puri: Alright sir. Thank you very much.
- Moderator: Thank you sir. The next question comes from Mr. Rahul Modi from Antique Stock Broking. Please go ahead.
- Rahul Modi: Good afternoon sir. Congrats on a good set of numbers. Sir, my first question would be, are you continuing to sell electricity to the JSW Steel at Vijayanagar? You were doing it at low rate earlier.
- Pramod Menon: I think this last quarter also we had replied to it that it is only as and when they take a shutdown. During the last quarter there has not been any annual maintenance or

shutdown taken by JSW Steel. So hence there has not been any sale of power to JSW Steel.

Rahul Modi: Okay, fair enough sir. And sir, just in terms of the GCV high to low grade, can you give us in terms of percentage or the breakup of the imported coal?

Pramod Menon: The total tonnage of the imported coal during the quarter was 1.723 million tons. The fuel mix for Vijayanagar was of about 71% being the South African coal and about 29% was the Indonesian coal.

Rahul Modi: Okay. So, that is a fair point. Just my final question is, sir the thought process in terms of bidding for the auctions. Sir, are we looking at more towards the Chhattisgarh mines or Orissa or what is the strategy like?

Pramod Menon: I think let the coal auction unfold and I think you will have it.

Rahul Modi: Okay, fair enough sir. Thank you so much and all the best.

Pritesh Vinay: Operator, maybe we will have time for last one or two questions.

Moderator: Sure sir. Sir, our next question comes from Mr. Anirudh Gangahar from Nomura. Please go ahead sir.

Anirudh Gangahar: Thank you for the opportunity again. Sir, just to clarify, you have mentioned that our merchant rate realization will be higher in the next year versus this year. And our PLF will be better or at best as worse at these current levels next year versus this year. Is that correct sir?

Pramod Menon: Yes, we expect it to be better. And one thing which I think you also need to see as far as the current quarter numbers are concerned that do not fully reflect the reduction in the fuel cost that has come off. And in case if the energy prices continue to remain subdued, those are the additional kind of improvements in terms of margins which is expected to also come off going forward.

Anirudh Gangahar: Right, surely sir, surely. Sir my second clarification was that you have mentioned that we have got fuel from South Africa and Indonesia. Am I to understand that the South Africa is a proxy for high GCV and Indonesia low GCV or are changing the way we are giving out the fuel mix?

Pramod Menon: Yeah, it is high GCV and low GCV only.

Anirudh Gangahar: Right. And sir, if possible, last quarter you had given us the split for Vijayanagar and Ratnagiri as well. Is it possible to get that split for this quarter as well?

Pramod Menon: There has not been much of a difference. In the case of Vijayanagar, it was 79-21 in favor of high GCV and in case of Ratnagiri it was 26-74.

Anirudh Gangahar: And 26 was high GCV?

Pramod Menon: Yeah.

- Anirudh Gangahar: And sir the final question is, the Kutehr we are awarding the contract sir, what would be the overall sir, approximate organic CAPEX for the company for the next two years?
- Pramod Menon: This total project cost that we are targeting for Kutehr project is roughly in the region of about Rs2,000 Crores. And this is the project that should take three to four years kind of time. So, typically in the first two years you can assume a CAPEX to the extent of, on a thumb rule basis close to 50% to 60% of the total anticipated amount, which would be spent in the form of debt to equity ratio of 75:25.
- Anirudh Gangahar: Right. Thank you very much sir. Thank you.
- Moderator: Thank you sir. Sir, the next question we have is from Ms. Deepika Mundra from JP Morgan. Please go ahead.
- Deepika Mundra: Good evening sir. My question is regarding Ratnagiri. I believe that you are supposed to ramp up the PPA to ISPAT from 375 megawatt to 550 megawatt. From which quarter do you expect that to happen?
- Pramod Menon: I think I really don't know when the JSW Steel is going to ramp. But, it is expected to happen somewhere in FY16. So as and when that happens, we will communicate it to the market. Currently the PPA stands for the existing levels only.
- Deepika Mundra: Okay. And sir, regarding the merchant rate, you were saying that you are seeing better trends currently, is that only in the South or in Maharashtra as well?
- Pramod Menon: I was giving color overall. It is not only for a particular market.
- Deepika Mundra: Okay. And sir my last question is on the MSEDCL PPA within Ratnagiri itself. What would be the under recovery at this point and if you could give us an exact tariff also at this point?
- Pramod Menon: We continue to under recover there. I don't think we have been giving any specific number in terms of the under recovery. But yes, under recovery continues.
- Deepika Mundra: Okay sir, alright. Thank you.
- Moderator: Thank you. Sir, the next question comes from Mr. Abhinav Sharma from HDFC Securities. Please go ahead.
- Abhinav Sharma: Good afternoon sir.
- Pramod Menon: Good afternoon.
- Abhinav Sharma: Sir, could you comment on the funding arrangement for the deal which is with Jaiprakash?
- Pramod Menon: As far as the deal with Jaiprakash is concerned, we are looking at the total consideration which is expected to be in the region of about Rs9,700 crores. And the way we are looking to fund it; maybe by raising a debt of about close to Rs7,500 crores to Rs7,700 crores at the project level/ the SPV level. And the balance consideration of about Rs2,000 crores, JSW Energy would use internal accruals/cash to extent Rs1,200

to 1,500 Crores and balance of about Rs.500 to 800 Crores is what we will look to leverage at parent level because the balance sheet has got enough strength or firepower to maintain the net debt to net worth below 2.5x level. So, currently if you look at JSW Energy, we are well positioned at 1.16 times. Even if I look at it on a consol basis, after taking about Rs.8,500 crores of debt to fund this particular acquisition, I expect the gearing to be in the region of about 2.25 to 2.3 times only.

Abhinav Sharma: Sir, thank you very much.

Pritesh Vinay: Operator, we will take the last question please.

Moderator: Yes sir. Sir, we have the last question from Mr. Satyam Thakur from Morgan Stanley. Please go ahead.

Satyam Thakur: Good evening everyone. I just had one question on the balance sheet line items. So, the net debt number has been flat quarter on quarter at Rs.8,800 crores, while you would have generated a cash of around Rs580 crores in the quarter, of which we are assuming like Rs300 crores would have been paid off as advance to JPVL. So, could you just explain where the remaining cash has been used up in the quarter?

Pramod Menon: If you look at the balance sheet, there is reduction in the buyers' credit also. And there has been repayment also. But at the same time, we have taken a drawdown of debt to the extent of Rs150 crores for Barmer. So, there has been an actual cash repayment plus we have also brought down the buyers credit.

Satyam Thakur: Sir, the buyers' credit is outside the net debt number reported?

Pramod Menon: Of course.

Satyam Thakur: Okay. And sir why has the net fixed asset number moved up by almost 220 crores?

Pramod Menon: Net fixed asset, I think it includes also the CWIP number. And it is to the extent of, as I mentioned in the case of Barmer, we have incurred an expenditure over Rs180 odd crores in terms of shifting of the National Highway, which is expected to pass through the Jalipa mine. So, that is getting shifted in order for us to open up the Jalipa mine.

Satyam Thakur: Okay. Thank you.

Moderator: Thank you sir. Sir, there are no further questions. Now, I hand over the floor to the management team for closing comments. Please go ahead sir.

Pramod Menon: Good evening and thanks to all of you for an active participation. As you would have observed from the results, JSW Energy is well placed to take leap from here. As far as this particular sector is concerned, we are very much focused in terms of being a very serious player in this sector. And at the same time our endeavor is to ensure that we continue to operate our plants in the most efficient manner. With the easing of the commodity prices/the energy prices, we expect the profitability to further improve as we move forward. And as I mentioned during the Q&A, we believe the sector is going to throw up interesting opportunities, JSW Energy is well poised and we will capitalize on the forthcoming opportunities with an aim to make this company stronger. We will work to bring down the quantum of merchant sales and increase the proportion of



long term PPAs. We will ensure and will get into the projects, which give us stable kind of cash flows and reduce earnings volatility. Thanks a lot for your active participation. Our IR team led by Pritesh would be there to provide you any further details. Thank you.

Moderator: Thank you sir. Subhadip sir, any closing comments from your end?

Subhadip Mitra: We would like to thank the management for giving us this opportunity. And thank you everyone for participating in this call.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation. You may disconnect your lines now.