JSW Energy Limited

Press Release November 01, 2017

Financial Results for the Quarter ended September 30, 2017

Mumbai, India: JSW Energy Limited ("JSW Energy" or the "Company") today reported its results for the second quarter ("Q2 FY18" or the "Quarter") ended 30th September, 2017.

Key Highlights of Q2 FY18 (Consolidated):

- JSW Energy, Vijayanagar conferred with "Excellence in Energy Management" award by CII & "Unnatha Suraksha Puraskara" award by National Safety Council, Karnataka
- Karcham Wangtoo & Baspa II Hydro plants achieved highest ever half-yearly generation during H1FY18 at 4775 MUs
- Q2FY18 consolidated EBITDA firms up to ₹ 1,053 crore (up ~4%YoY) supported by operational efficiency measures while PAT jumps ~37%YoY to ₹ 297 crore
- Effective net debt reduction of ₹ 1,705 crore in H1FY18; cost of debt drops by 84bps by end of Q2FY18
- Proposes to set up new thermal power generation capacity of 36MW
- Embarks on building renewable energy capability – plans to set-up 7MW solar capacity with long term PPA tie-up

Consolidated Operational Performance:

During the quarter, consolidated deemed PLF was 72% as against 77% in the corresponding quarter of the previous year.

PLF achieved during Q2 FY18 at the respective locations was as under:

- **Vijayanagar:** The plant achieved an average PLF of 43% as against 31% in the corresponding quarter of the previous year led by healthy merchant demand.
- **Ratnagiri:** The plant operated at an average deemed PLF of 61% as against an average deemed PLF of 82% in the corresponding quarter of the previous year due to shutdowns during the quarter.
- **Barmer**: The plant operations remained steady achieving an average deemed PLF of 83% as against an average deemed PLF of 86% in the corresponding quarter of the previous year.
- **Himachal Pradesh**: The plant achieved robust PLF at an average of 90% for the current quarter against 94% in the corresponding quarter of the previous year.

The net generation at different locations was as under:

(Figures in million units)

Location	**Q2' FY 17-18**	**Q2' FY 16-17**
Vijayanagar	760	533
Ratnagiri	1,361	1,699
Barmer	1,430	1,377
Himachal Pradesh	2,565	2,667
Total	**6,117**	**6,276**

The merchant sales during the quarter were 1,182 million units.

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Consolidated Financial Performance Review and Analysis:

During the quarter, total Income from Operations was ₹ 2,220 crore as against ₹2,099 crore in the corresponding quarter of the previous year, an increase of 6%, largely due to better merchant realisations and increase in other income.

The fuel cost for the quarter increased by 8% YoY to ₹ 936 crore, primarily due to increase in international prices of coal.

EBIDTA before exceptional items for the quarter was ₹ 1,053 crore as against ₹ 1,014 crore in the corresponding quarter of the previous year, an increase of 4%, primarily due to better merchant realisations, higher other income and savings in operation and maintenance costs, partly offset by higher fuel costs.

Finance costs have declined to ₹ 391 crore from ₹ 436 crore in the corresponding quarter of the previous year primarily due to interest rate reductions achieved through refinancing arrangements as well as prepayment/repayment of borrowings.

Led by the above and lower effective tax rate, the Company earned a Net Profit of ₹ 297 crore as against ₹ 217 crore in the corresponding quarter of the previous year. Total Comprehensive Income of the Company for the quarter stood at ₹ 612 crore as against ₹ 398 crore in the corresponding period of the previous year.

The Consolidated Net Worth and Consolidated Net Debt as at September 30, 2017 were ₹ 11,259 crore and ₹ 12,679 crore respectively resulting in a low Net Debt to Equity ratio of 1.13 times.

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Update on EV Business:

During Q2FY18, the Company signed an MoU with the state government of Gujarat for setting up facilities for manufacture of electric car and storage battery. The Company is in the process of developing its product & technology strategies, business partnerships for technology and engineering as well as building the organisational set-up and core capabilities. A suitable SPV for the project is also being planned.

New Initiatives:

The Board of JSWEL has approved capex budget for setting up new thermal generation capacity of 36MW for JSW Cement under long term PPA. The Company is working towards developing capability in the Renewable Energy space and plans to set up 7MW solar power units consisting of 6MW capacity for JSW Cement under long term PPA and 1MW capacity for JSW Energy's captive consumption. The Company is also pleased to announce securing a ₹ 600 crore line of credit at attractive interest rate from SBI in partnership with World Bank for funding rooftop solar power projects.

Outlook:

India's industrial production growth has been range bound for the last one year thereby constraining power demand. In the near term, industrial production has been affected by the destocking led by GST introduction and slowdown in exports. With the GST transition nearing completion and exports picking up in Sep-2017 (merchandise exports rose ~26%YoY), these headwinds are likely to be receding.

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On the macroeconomic front, the government's package of ₹ 2.11 trillion announced last week to recapitalize PSU banks and proposed banking reforms are likely to boost lending and aid economic growth. Simultaneously, the government has also approved the biggest highway construction plan so far of ₹ 6.9 trillion over next 5 years providing further impetus to growth prospects going ahead.

Indian power demand grew at a steady ~5% in H1FY18. With capacity growth reversing its trajectory and declining by 975MW QoQ (excluding renewable energy capacity changes), supply side pressures abated to some extent for the sector. Merchant volumes and tariff showed healthy upward movement. In the longer term, led by the economy boosting measures mentioned above, benefits of the GST regime, steady operational improvement under UDAY Scheme, "Power for All" by 2019 initiative (including the household electrification scheme, "Saubhaya", announced in September 2017 to provide electricity connections to 40mn unconnected rural households by Dec 2018), power demand is expected to grow steadily. With capacity addition head-winds receding, a better demand-supply scenario is expected in the medium term for the power sector.

<u>Forward looking and Cautionary Statements:</u>

Certain statements in this release concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Power Industry including those factors which may affect our cost advantage, wage increases in India, our ability to

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attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for Power, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the company.

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