JSW Energy Limited

Press Release February 06, 2018

Financial Results for the Quarter ended December 31, 2017

Mumbai, India: JSW Energy Limited ("JSW Energy" or the "Company") today reported its results for the third quarter ("Q3 FY18" or the "Quarter") ended 31st December, 2017.

Key Highlights of Q3FY18 (Consolidated):

- JSW Energy, Vijayanagar conferred with "Power Awards 2017" by Govt. of Karnataka, Department of Energy
- JSW Energy - Vijayanagar & Ratnagiri conferred with "IPPAI Power Awards 2017" for outstanding achiever in power sector for energy conservation by Independent Power Producer Association of India
- Long term PPA (LTPPA) tie-up proportion continues to move up - reaches 69.3% in Q3FY18, up from 64.6% in Q2FY18, driven by signing of 176MW LTPPA with Haryana discom
- Q3FY18 consolidated EBITDA at ₹ 673 crore while PAT at ₹ 47 crore aided by sharp decline in interest cost. Net debt effectively reduced by ~ ₹ 2,490 crore in 9MFY18; average cost of debt dips from 10.17% in Q4FY17 to 9.04% in Q3FY18
- Long term credit rating upgrade of HBPCL from A+ to AA- and RWPL from A to A+ reflecting improved business fundamentals
- Secured approvals to blend domestic coal at Ratnagiri plant
- Formation of Solar SPV; added ~10MW of solar projects thereby enhancing presence in RE segment

- Proactive working capital management: Consolidated debtors and debtor days reduce by ~ ₹ 780 crore and 26 days respectively over Q4FY17 levels
- Efficiency measures drove O&M cost savings in 9MFY18 – working to sustain these levels
- Termination of Bina transaction

Consolidated Operational Performance:

During the quarter, consolidated deemed PLF was 58% as against 56% in the corresponding quarter of the previous year.

PLF achieved during Q3 FY18 at the respective locations was as under:

- **Vijayanagar:** The plant achieved an average PLF of 51% as compared to 53% in the corresponding quarter of the previous year.
- **Ratnagiri:** The plant operated at an average deemed PLF of 78% as against an average deemed PLF of 65% in the corresponding quarter of the previous year primarily due to healthy merchant offtake.
- **Barmer**: The plant operations remained broadly steady achieving an average deemed PLF of 82% as against an average deemed PLF of 85% in the corresponding quarter of the previous year.
- **Himachal Pradesh**: The plant achieved average PLF of 24% for the current quarter which was same in the corresponding quarter of the previous year.

The net generation at different locations was as under:

(Figures in million units)

Location	**Q3' FY 17-18**	**Q3' FY 16-17**
Vijayanagar	896	928
Ratnagiri	1,757	1,407
Barmer	1,594	1,628
Himachal Pradesh	697	682
Total	**4,944**	**4,644**

The merchant sales during the quarter were 1,155 million units, up strongly from the level of 699MU in Q3FY17 due to the buoyant short term market.

Consolidated Financial Performance Review and Analysis:

During the quarter, total Income from Operations was ₹ 2,081 crore as against ₹1,955 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 18% YoY to ₹ 1,171 crore, primarily due to increase in international prices of coal.

EBIDTA before exceptional items for the quarter was ₹ 673 crore as against ₹ 708 crore in the corresponding quarter of the previous year, a decrease of 5%, primarily due to true-up provisions.

Finance costs have declined to ₹ 341 crore from ₹ 423 crore in the corresponding quarter of the previous year primarily due to interest rate reductions as well as prepayment/repayment/refinancing of borrowings.

Led by the above and lower effective tax rate, the Company earned a Net Profit of ₹ 47 crore as against ₹ 21 crore in the corresponding quarter of the previous year. Total Comprehensive Income of the Company for the quarter stood at ₹ 189 crore as against ₹ (34) crore in the corresponding period of the previous year.

The Consolidated Net Worth and Consolidated Net Debt as at December 31, 2017 were ₹ 11,469 crore and ₹ 11,896 crore respectively resulting in a low Net Debt to Equity ratio of 1.04 times, a substantial decline from 1.29 times at the end of Q4FY17. Net debt effectively reduced by ~ ₹ 2,490 crore in 9MFY18 while average cost of debt sharply reduced from 10.17% in Q4FY17 to 9.04% in Q3FY18.

New Initiatives:

An SPV for pursuing renewable energy opportunities viz. JSW Solar Ltd. has been formed. The Board of JSWEL has approved capex budget for setting up additional ~10MW solar power projects implying total solar power projects of ~17MW under implementation. These projects consist of 4MW of floating type, 3MW of rooftop type and 10MW of ground mounted type and major equipment for the same has been already ordered. The entire capacity is secured by long term PPAs and is expected to be ready, in phases, by end of September 2018.

We continue to make steady progress towards putting together the building blocks in respect of product & technology strategies; business partnerships and organisation structure for our EV business. The positive developments in the market environment and strong government push provide encouraging tailwinds to our efforts in this respect.

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Business Environment:

Indian power demand growth picked up to 6.6% in Q3FY18 compared to 5.1% & 5.8% respectively in the previous two quarters. On the supply side, thermal power capacity declined 490MW QoQ in Q3FY18 following the QoQ decline of 1,126MW in Q2FY18 thereby enabling a better demand-supply situation. Led by higher demand and supply side moderation, thermal PLF inched up from 59.3% in 9MFY17 to 59.9% in 9MFY18.

Outlook:

The economic survey of the Indian government indicates that the worst is behind for the economy. The survey expects GDP growth rate to pick up to 7.0%-7.5% in FY19, up from an estimate of 6.75% for FY18 led by the structural policy reforms undertaken by the Govt. of India. The downside risks to India's growth are trade protectionism, spike in crude oil prices and tighter global monetary conditions.

We have seen green shoots in India's industrial production growth which hit a 2-year high of 8.4%YoY in November 2017 but its inherent volatility entails a wait-and-watch approach. Nevertheless, the disruptive effects of introduction of GST in July 2017 seem to be waning. India's manufacturing PMI has also seen an increasing trend post GST– after falling below 50 in mid 2017, PMI has rebounded touching a 5 year high of 55 in December 2017 albeit with some moderation to 52.4 in January 2018. The 2018 Union Budget proposals are also pro-growth with focus on rural development and infrastructure. The government has outlined ~21%YoY increase in funds for infrastructure in FY19.

Over the next 3 to 5 years, we expect power demand to grow steadily considering the various macro-economic reforms and measures taken by the government -

steady operational improvement under UDAY Scheme, "Power for All" by 2019 initiative and the "Saubhaghya" scheme, to name a few. With limited capacity addition, which is likely to be significantly below targets, PLFs may firm up over the medium to long term. This may also provide more visibility on signing of new long term PPAs. We are also likely to see consolidation in the power sector in this phase which will further aid the demand-supply balancing. However, higher coal prices and constrained availability of coal, especially for private sector power plants, continue to remain key concerns to watch for.

Forward looking and Cautionary Statements:

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 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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