

“JSW Energy Limited -1QFY2015 Earnings Conference Call”

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Speakers: Mr. Sanjay Sagar, Jt. Managing Director & CEO
Mr. Pramod Menon, Director Finance
Mr. Pritesh Vinay, VP – Capital Markets & Group Investor Relations

Call host: Mr. Nalin Bhatt, Analyst, Motilal Oswal Securities

Moderator: Ladies and gentlemen, good day and welcome to JSW Energy’s 1QFY2015 results conference call hosted by Motilal Oswal Securities. For the duration of presentation, all participants’ lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressure “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nalin Bhatt from Motilal Oswal Securities. Thank you and over to you Mr. Bhatt!

Nalin Bhatt: Thank you so much. Let me take this opportunity to welcome Mr. Sagar and Mr. Menon on the call. We thank them also for giving us an opportunity to host the call. I will hand over the call to Mr. Pritesh Vinay – VP Capital Markets & Group Investor Relations to take the proceedings ahead, over to you Pritesh!

Pritesh Vinay: Thank you Nalin. A very good evening to all the participants. On behalf of JSW Energy, it is our pleasure to welcome you to discuss the first quarter fiscal 2015 results. We have with us today the senior management team of JSW Energy – represented by Mr. Sanjay Sagar, Joint Managing Director and CEO and Mr. Pramod Menon, Director Finance. So I would like to hand over the floor to Pramod for opening remarks where he can walk us through the key features of the results and we will subsequently open the floor for Q&A. So without much ado, over to you Pramod!

Pramod Menon: Good evening everyone and welcome to the Q1FY2015 analyst call. This particular quarter has continued to be an exceptional quarter for JSW Energy wherein we have achieved the highest ever quarterly sales of 5.6 billion units, also the highest ever quarterly total income from operations of Rs.2,558 crore.

On the operational front, it has been a mixed performance. We had an excellent performance coming out in Vijayanagar and Barmer where Vijayanagar achieved an average PLF of 98% for the quarter and Barmer achieved deemed PLF of 92%. However, the average PLF at Ratnagiri was lower at 68% primarily due to the continued weak demand in the western region.

Based on the aforesaid, the company achieved total net generation of 5,006 million units during the quarter. During the quarter, we also sold the entire balance of banked power aggregating to 599 million units – resulting in to the total sales of 5,605 million units. The sales mix was: 48% under short-term sales and 52% on the long-term PPA.

The company achieved an average realization of 4.21 per unit for the entire quantum

of unit sold of 5,605 million units. The turnover achieved by the company on consolidated basis was Rs.2,600 crore, which included other income of Rs.37 crore and a power sales income of Rs.2,370 crore.

During the quarter, the company achieved an EBITDA of Rs.948 crore at an EBITDA margin of 36%. After providing for an interest of Rs.293 crore and depreciation of Rs.195 crore, we had profit before tax of Rs.460 crore – up by about 51% compared to the corresponding quarter of the previous year.

The company has revised the depreciation rate for all the generation and transmission businesses based on CERC regulation. And for all the other businesses, it is following the part C of the Schedule II to the Companies Act, 2013.

The company continues to fully hedge its foreign currency exposure arising out of buyer's credit and accordingly there was no exceptional gain or loss during the quarter. After providing for the taxes, the company achieved a consolidated profit after tax of Rs.325 crore – up by 52% over that of the corresponding quarter of previous year. The debt equity ratio has come down to 1.45 times as of June 30, 2014 and during the quarter the company has repaid Rs.251 crore of debt.

Coming on the projects related update, we are going presently slow on the 240 MW in Kutehr project at Himachal Pradesh, until and unless we have all the approvals and also we get certain clarity on the PPA front. However, we are hopeful that during the course of the current calendar year, we should be in a position to commence work on this particular project.

In respect of the mining at Barmer for the Kapurdi expansion to 7 million ton per annum, the company has completed a highly successful public hearing in the month of June and the item has been listed to be taken up at the Environmental Appraisal Committee meeting of MoEF scheduled on July 25, 2014. We are hopeful that once the approval comes from the MoEF, we will have enough lignite available from Kapurdi to meet not only the normative requirements but may be even for a higher PLF during the current year. Meanwhile, the lease transfer of the Jalipa mines is also under progress. We are hopeful that this process will also be completed during the course of this quarter. With this, I now open the floor for questions. Thank you.

- Moderator: Thank you very much. We will now begin the Q&A session. The first question is from the line of Prakash Goyal from ICICI Securities. Please go ahead.
- Prakash Goyal: Congratulation on very good set of numbers. Sir, I have couple of questions, the first with regard to merchant power, what is the guidance after this quarter for the year?
- Pramod Menon: The guidance I would say continues to be in the Rs.4.25 to 4.5 per unit range for the year FY2015.
- Prakash Goyal: Particularly given the background at Ratnagiri, utilization has come down, so will it tilt towards higher number given like you realized much higher merchant realization in south? Would there be any advances on account of mix change?
- Pramod Menon: As I mentioned, the demand in the west continues to be a bit weak and we are hopeful that we should be in this particular range given where the dynamics of the

markets are.

Prakash Goyal: My only thing I was wanting to know that if the demand remains the way it is in west and south demand continued to be high, which has reflected in the PLF of both the plant in the first quarter, would there be a positive surprise on the merchant realization side?

Pramod Menon: Let us walk down the path before we can take a call, and especially what I can suggest at this point of time - because our entire effort is to ensure that we are able to push the PLF higher even in Ratnagiri.

Prakash Goyal: The second question is with regard to the future projects. Like your company has one of the strongest balance sheets in the space. What is the path that company is likely to chart out because we are reading a lot of news in the newspaper with regard to acquisitions, so what kind of strategy will be there in terms of what are the things that you would look at before you evaluate taking up a plant?

Pramod Menon: I think, as we have been saying, we are looking at growth both organically and inorganically. However, we are also very clear about where we do not want to get into. We will be careful as far as inorganic opportunities are concerned. With the change of the federal government, there is a hope around policies and approval processes, and the outlook has changed. But as far as some of those building blocks with respect to the inorganic growth opportunities are concerned, we would not deviate from some of the principles that we have. So, something which can bring synergy is only what we will look at and we will be cautiously aggressive on those opportunity.

Moderator: Thank you very much. The next question is from the line of Anirudh Gangahar from Nomura Securities. Please go ahead.

Anirudh Gangahar: Thank you for the opportunity. Sir if you can just tell us any updates on the capacity tie-ups that you have from your coal-fired plants and till what extent overall, and also if you could help us with the coal consumption during the quarter, and the typical coal mix that we can expect for the full year?

Pramod Menon: I think there has not been any major change as far as the total tie-up is concerned, so all tie-ups are of short-term and currently there is no major change. As far as the total coal is concerned, the total coal consumed during the quarter was 1.6 million tonne of imported coal, of which 60% was high CV coal and 40% was low CV coal. The consumption in Vijayanagar was about 0.7 million tonne which was 100% of high CV coal and at Ratnagiri it was 0.95 million tons of which 70% was low CV and 30% was high CV. Going forward, I think it would depend upon how the indexes move. Let us say if the API index falls down then there could be a tendency towards higher quantum of high CV coal.

Anirudh Gangahar: Sir just a clarification on Vijayanagar 0.7 million tonnes, you said almost 100% of it was high CV. If I may just ask a clarification you mentioned that your guidance for the merchant rates is at 4.25 to 4.5. Previously we had said that for the first half you are looking at 4-4.25. So, going by your comment and even the commentary in the media release it seems that we are a bit more optimistic on the realization. Is it a fair assessment Sir.

- Pramod Menon: Yes.
- Anirudh Gangahar: Thank you very much Sir. I will go right back in the queue.
- Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar: Thank you for the opportunity. Sir, can you please provide the breakup of revenue, EBITDA and PAT subsidiary wise?
- Pramod Menon: Mohit, I would suggest that you can be in touch with Sandep and Pritesh from our IR team . They will be able to provide you with the complete break-up. As far as Raj West is concerned, on standalone basis, it had a total income from operation of Rs.661 crore and EBITDA of Rs.364 crore and PAT of Rs.95 crore.
- Mohit Kumar: My second question pertains to MERC order, I think we have applied for tariff revision right for our case-2 bid. There was an order, the order was not clear. Can you throw some light whether we would be able to get any kind of compensation?
- Pramod Menon: As far as the petition is concerned of the company, it is still before MERC on the compensatory tariff. So, I would say that we would expect the entire process to get completed but I can only say, based on the precedence both at CERC and MERC, ideally the commission should be considering something similar to what they have considered for similar kind of case.
- Mohit Kumar: So have you approached the MERC again after the order?
- Pramod Menon: Yes.
- Mohit Kumar: That is it from my side. Thank you Sir.
- Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda: Good evening Sir. Good set of numbers. Sir, few questions, you said that this case is before MERC, is this for the 300 MW signed with Maharashtra State SEB?
- Pramod Menon: This is right.
- Bhavin Chheda: What is the tariff and what are you asking for?
- Pramod Menon: The tariff now is as per whatever we have bid, and what we have sought is something that commission will have to decide based on formula decided by it. So, I think we have to wait for disposal of the petition before we can have any perspective on it.
- Bhavin Chheda: Your case is also based on change in some Indonesia law or currency fluctuation where you are asking for compensation?
- Pramod Menon: It is similar to the related hardship issue.
- Bhavin Chheda: The other thing, have you accounted Barmer tariff at 4.06 as per the latest order?

- Pramod Menon: Yes.
- Bhavin Chheda: What would be the retrospective impact of this order? Because whatever the tariff is, it has a retrospective impact, right?
- Pramod Menon: This is only an ad-hoc tariff which is applied prospectively. So, when the final tariff will come then they will take into account all the retrospective related issues.
- Bhavin Chheda: In the FY 2014 and 2013 Raj West results, you are still not accounting for the last tariff. Your tariff, I think, I believe, has gone from 2.74 to 4.06 in matter of two and a half years. So, each time when the order comes you just account it prospectively. Just to save our time, Pramod if you can tell us the number if how much would be the receivable based on 4.06 of two year at Raj West?
- Pramod Menon: I do not think we have computed that. We will be waiting for the final tariff to come through and then compute the arrears because there will be too much of complications in that.
- Bhavin Chheda: This number has not been accounted in balance sheet. So it will run above Rs.500 crore? Right?
- Pramod Menon: I have not computed so I do not want to guess the number.
- Bhavin Chheda: Last question if I can have a sales breakup of power transmission revenue and the other revenue in the sales in the quarter?
- Pramod Menon: Bhavin, I would suggest, all the similar details (on the breakup) can be taken from Pritesh or Sandep immediately after the call.
- Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani: Congratulation for great set of numbers. My question is pertaining to the Karnataka tender for Case-1 and Kerala. So, if you can help us on when the finalization of these tender should happen, and what is our strategy, what kind of quantum we want to lock-in on longer term basis and when, what proportion we want to keep open?
- Pramod Menon: To answer the first part of your question, the final documents have still not been put up on the website for the tender of Karnataka. So, I cannot comment on the timelines. And as we have said in the past that it is our endeavour to try and move towards long term tie-ups, so depending on the quantum of electricity that is finally tendered for, we will decide the quantum that we bid for.
- Bhavin Vithlani: If you can help us from your understanding, we saw that in the TANGEDCO bids, the capacity charge, which were being quoted at around Rs.2 per kilowatt hour, it is our guesstimate I understand, you believe the capacity charges would be higher or lower than the TANGEDCO bids?
- Pramod Menon: I do not think it is a fair question to ask a prospective bidder.
- Bhavin Vithlani: Just last bit what we see is that the PLF at Ratnagiri has been lower in the last few

quarters, are we also planning to connect from STU to CTU so that we can have higher proportion of merchant sales to the other states?

Pramod Menon: At the moment, the connectivity is available through the state grid, so we do not really see any need for dedicated connection to CTU.

Moderator: Thank you very much. The next question is from the line of Vishal Periwal from Batliwala and Karani Securities. Please go ahead.

Vishal Periwal: One question from my side. You have mentioned that 598 MUs were sold under the banking energy, so can you give a broad numbers on at what tariff it has been sold at?

Pramod Menon: We do not provide any rate on specific transactions or units.

Vishal Periwal: That is it from my side. Thank you.

Moderator: Thank you very much. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Good evening Sir. Most of the questions have been answered. Just one thing, can you comment on the loss of associates?

Pramod Menon: The loss of associates is primarily from joint venture with Toshiba. There is a Rs.9 Crore loss during the course of the current quarter, the supplies from Toshiba JSW is expected to commence from the second half of this fiscal and from there onwards we expect the numbers to turnaround – as per the current year's business plan provided by the JV.

Deepak Agarwal: On a full year basis we expect it to break even and profitable?

Pramod Menon: That is the plan or target as presently provided.

Deepak Agarwal: Secondly why the tax rate was slightly on the higher side? The tax has been lower, so in this quarter particularly the tax seems to be in the higher side?

Pramod Menon: It is primarily on account of the provision for deferred tax liability. In case of Raj West, there has been reversal of deferred tax asset which was there in the previous year.

Deepak Agarwal: Any hedging cost that of significant nature that you have booked in the interest?

Pramod Menon: Hedging cost is already sitting as part of the interest cost and there is nothing significant. It is all in the normal course of business where we are fully hedging all the foreign currency exposure.

Deepak Agarwal: That is it from me. Thank you.

Moderator: Thank you very much. The next question is from the line of Girish Nair from BNP Paribas. Please go ahead.

Girish Nair: Thanks a lot Sir for taking my questions. My first question is it has been two months since the new government has taken power and you must have been interacting with

the Power Ministry, so I just wanted to know what in your opinion, what sort of reform can most likely come out in the next six months from the government, I mean your assessment based on your interaction if you have any idea. That will be very helpful if you could enlighten us on this?

Sanjay Sagar: Based on our interaction, I can only say that the new Power Minister is at the moment busy in trying to understand the problems which are plaguing the sector and as such there have not been any specific individual discussions on the policy front other than the suggestions given to him by various bodies including the APP. Broadly, we have been telling him to: one is the domestic coal situation and secondly to bring in measures to boost the demand for electricity which has been weak for sometime now.

Girish Nair: It would involve Discom reforms?

Sanjay Sagar: Yes it would involve Discom reforms, certainly and also measures to boost up the economy which in turn will increase the demand for power.

Girish Nair: The second question I have is, you have been looking out for acquisition opportunities in the power and basically apart from hydro if you look at the thermal asset, do you think there are attractive opportunities available because when you look at that if there is a power plant that does not have a coal linkage then unless you can bring a cheaper coal there is no value in buying that asset, so I mean most of the assets are of this kind or some sort of clearance is missing, so do you see the attractive opportunities or is my assessment correct that there are not many opportunities out there?

Sanjay Sagar: As Pramod said that at the moment we are busy taking a careful look at various assets across the country which are available and once after having a careful look at them if we decide that they are attractive then we will acquire and you will know., So, till we actually make an acquisition, the assets are not attractive.

Girish Nair: Thanks for taking my questions.

Moderator: Thank you very much. The next question is from the line of Akash Fadia from SBI Cap Securities. Please go ahead.

Akash Fadia: Most of my questions have been answered. One pertinent question is on the fuel cost, if I just look up on the Indonesian Coal Reference Price and also the Newcastle Index though this indexes have been nearly 5% down or nearly 6% down on an average for the last one quarter. Now if that is not reflecting in the fuel cost for JSW, despite what is the amount I read in the press release that there has been some amount of foreign exchange variation, but then how much has been the variation in the rupee terms as well, not that significant, but is there any exceptional item in the fuel cost relating to this exceptional Forex item that you are mentioning?

Pramod Menon: There is no foreign exchange. I do not think in the press release we have mentioned about any foreign exchange fluctuation rather than in fact if you look at it there is no foreign exchange fluctuation at all as far as this quarter is concerned. We only had hedging cost which is sitting as part of interest cost. If you look at the indexes that may have come off by about 6% to 7% during the course of the quarter, but if you look at the rupee it has gone down. During the corresponding quarter of the previous year the

rupee was in the band of about 54.40 to about 58 and currently in this particular quarter we were more or less in the region of about 60. So, it is a comparative between the corresponding quarters of those two periods. So this increase in fuel cost is not on a sequential basis but with the corresponding quarter of previous year.

Akash Fadia: My second question would be primarily related to the possible expansion that you might be looking at to buyout another power plant in the country. Would you be looking at totally a regulated plant having a total tie up with an X percent ROE, which is nearing completion or totally is looking at where you are ready to accelerate to deploy additional equity or additional capex in that particular plant?

Pramod Menon: We are looking at all kinds of plants. There are plants in various stages of construction, completion, with tie-ups, without tie-ups, which are at the moment stressed and which are available. We are looking at a whole range of plants and the decision whether to acquire or not will depend on various factors, it will be the whole package which will ultimately be looked at and which will influence our decision to acquire or not.

Akash Fadia: What could the company be comfortable with - is something that you are not to be interested in?

Pramod Menon: We will be comfortable with profit making plant, which were available very cheaply. I do not think it is very fair for me to answer that question at this stage, but we have told you that we are looking at various types of plants.

Akash Fadia: Thank you.

Moderator: Thank you very much. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Good evening. Congratulations for good set of numbers. Sir couple of things, firstly can you tell us what would be the tariff for MSEDCL BPPA that you have? As far as my data is concerned, it should be 2.85 at the current coal price levels, is that correct?

Pramod Menon: You people have the PPA and you have the indices. We do not give any rate for any particular PPA. You can make your estimate based on the public information.

Abhishek Puri: Sir just one query on the annual report, I think when I am looking at the related party transaction, JSW Ispat Power sale is seemingly showing zero sales in the last year FY 2014, versus almost from Rs.920 Crore sales in FY 2013, so is that PPA still valid or are we able to sell power to them?

Pramod Menon: That is primarily because of the merger of ISPAT into JSW Steel. During the corresponding quarter of the previous year, ISPAT was a standalone entity but after the merger with JSW Steel, it is all being shown as sale to JSW Steel.

Abhishek Puri: JSW Steel, which is Rs.892 crore that you mentioned. Sir secondly regarding the Vijayanagar tariff that we have right now whatever we have reported, are the tariffs fixed for full year at the same level or the tariff keeps changing every season?

Pramod Menon: There will be some change in tariff every three to six months depending upon

different nature of contracts.

Abhishek Puri: But I thought you mentioned till June 2015?

Pramod Menon: Underlying tariff may be changing.

Abhishek Puri: Every three to six months there is some reset, which will happen?

Pramod Menon: Correct.

Abhishek Puri: Lastly if I ask on the capex plan if you have any? For organic projects you may not have but for JSW Toshiba I read in your annual report that it is doubling capacities?

Pramod Menon: That is what they have planned. At this point of time, no proposal has been brought to the board of JV Company. At this point of time, neither any investment is planned nor any capex being done into the JV Company.

Abhishek Puri: For JSW Energy is there any other capex apart from this or just a maintenance capex?

Pramod Menon: Only maintenance capex until unless we start off with Kutehr as I mentioned in the opening remark.

Abhishek Puri: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Vikas Garg from L&T Mutual Fund. Please go ahead.

Vikas Garg: Thanks for taking my question, just a small question, on that Kapurdi mine you said that it is for the hearing with Expert Appraisal Committee on July 25, can you just indicate what could be the timeframe and the processes after that in terms of you being able to finally migrate into a higher capacity?

Sanjay Sagar: Well the timeframe can actually be only given by Ministry but we are hoping that with a lot of hara-kiri in last government due to delays in environmental clearances, this government should be much more energetic about it and we should get it in one and a half month of the hearing. That is what we are hoping for.

Vikas Garg: In terms of the whole process that is the only thing that is pending now. On July 25 we will get to know basically what is the process, how much the time? One more question how much is the cash balance or the liquid investments as on June end?

Pramod Menon: Below Rs.1000 crore. We are in three digits not in four digits.

Vikas Garg: I was just looking at the numbers of March 2014 so liquid investments plus the cash would be around Rs.1200 odd crore or something, so that number would have gone up?

Pramod Menon: As I mentioned, it has slightly come off.

Vikas Garg: Thank you very much.

- Moderator: Thank you very much. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda: Sir regarding the Jalipa mine, how much time it would take because now you said lease transfer will be over by this quarter and the land is also under possession?
- Sanjay Sagar: As of now, we are planning to mobilize the Jalipa mine in the first week of August.
- Bhavin Chheda: What are the procedures after that to start the mine?
- Sanjay Sagar: Nothing, that is when I plan to start the mine, all procedures are over.
- Bhavin Chheda: So you can actually mine lignite from Jalipa from August.
- Sanjay Sagar: I can mine the overburden from Jalipa as of August, getting to the lignite will take some time.
- Bhavin Chheda: What could be that time?
- Sanjay Sagar: That depends on the kind of pit structure that we decide at that stage, so that is the decision that we will probably take after a week or so.
- Bhavin Chheda: Regarding the Raj West if I try to divide the sales of 661 by 1687 net generation though NSR was 3.92, so what is the catch there, it should have been 4.06.
- Sanjay Sagar: I will tell you what the catch is there. We have generated beyond the normative PLF. All generation beyond the normative PLF gets us an incentive of 0.30 paise and not the full tariff.
- Bhavin Chheda: Thank you.
- Moderator: Thank you very much. The next question is from the line of as a follow up question from Anirudh Gangahar form Nomura Securities. Please go ahead.
- Anirudh Gangahar: Thank you once again for the opportunity. Just on the capacity tie-ups and the prospective tie-up with the Dolvi expansion of JSW ISPAT, when can we expect this kind of PPA if at all we tie up at the earliest that is my first question? Second question is just a confirmation how much buyers credit do we have outstanding right now and you mentioned you have repaid about Rs.261 crore of debt, the full year target was about Rs.1200 crore, is that still the case?
- Pramod Menon: I think as far as the second part of the question is concerned the buyers credit at the end of June was \$180 million, we have brought it down from \$219 million which was there as on March 31. So, there has been a payout of about Rs.240 crore on the buyers' credit side. Over and above this, there was a repayment of Rs.251 crore. And for the year as a whole Rs.1200 crore number on a consolidated level remains unchanged.
- Anirudh Gangahar: The Dolvi plant expansion.... and whether we will be able to supply part of our offtake from Ratnagiri to that particular plant. When can that materialized?

- Pramod Menon: I think, it should get materialized during the course of this particular quarter. It will be linked to the increase in the requirement of steel. We will be in a position to supply. We are waiting for the firming-up of the requirement from JSW Steel Dolvi.
- Anirudh Gangahar: What was the maximum capacity if you can give any indication that can be tied up on this?
- Pramod Menon: As I mentioned, it is linked to JSW Steel's ramp-up schedule. I think, they will ramp-up over a period of time as they have got different units coming up at different point of time. We understand, at best over a period of next two years or something, it may go up to about 550 odd megawatt.
- Anirudh Gangahar: Thank you very much.
- Moderator: Thank you very much. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha: Thanks for the opportunity and congratulations on good set of numbers. Sir my question is: I just wanted to understand was there any impact of election during the last quarter basically on our merchant realization?
- Pramod Menon: Absolutely no.
- Amit Sinha: Because of the lower hydro generation especially in the southern states, do we see basically the increased merchant demand in southern states?
- Pramod Menon: Even if it is there, I do not think, we would get impacted by either positively or negatively.
- Amit Sinha: Thanks a lot.
- Moderator: Thank you very much. The next question is from the line of Devam Modi from Equirus Securities. Please go ahead.
- Raj: This is Raj here. just one question, can you share us some information related to the energy bank like what was the total number of units involved and was there any inventory at the end of the quarter?
- Pramod Menon: There is no inventory at the end of the quarter. Entire quantity has been sold out.
- Raj: What are the numbers of units involved?
- Pramod Menon: Total number of units involved was 599.
- Raj: Thank you.
- Moderator: The next question is from the line of Mr. Shankar K from Edelweiss. Please go ahead.
- Shankar K: Thanks a lot for taking my question. Just wanted to clarify the Dolvi tie-up that we will do, does it mean that the entire open capacity will entirely be directed towards them eventually?

- Pramod Menon: We have spoken about 550 MW at max and our open capacity is about 900 MW, which is not tied up.
- Shankar K: You are saying that you are including the 300 which are already tied up so incremental 250. So one unit will still be open eventually at the maximum and just to get a clarification this output that you will start selling to ISPAT on an incremental basis starting next quarter or starting Q3 marginally with marginal ramp up?
- Pramod Menon: In this coming quarter, I mean September quarter onwards.
- Shankar K: The model will be largely similar to the existing 300?
- Pramod Menon: It will be in accordance with, let us say on the CERC pricing or arm's length pricing. Those commercial terms will have to be agreed upon.
- Shankar K: So will it be different from what you have in 300 or it will be similar or it will be based only on CERC?
- Pramod Menon: I think, one can assume at this point in time is only similar until unless it has been cleared by the boards of both the companies?
- Shankar K: Sir directionally just wanted to have your sense about how the southern market sometimes that we were all expecting once the grid connectivity happens because of the two transmission line getting connected, there was an expectation that the market most likely change, what is the sense that you are getting?
- Sanjay Sagar: Well your assumption is correct. We are still expecting that once the grid connectivity happens, the market will get corrected to a certain extent, but so far the grid connectivity has not stabilized or it has not happened. So that is why there has been no major change in the southern market.
- Shankar K: So the point is some of the news reports indicate by the time it stabilizes, it will easily take another one and a half to two years. Is that also correct or it is incorrect?
- Sanjay Sagar: That is very difficult for me to answer, but because they were expecting to stabilize the first line somewhere in May then in June and now we are not getting any dates from Power Grid. What I do understand is that they are having some stabilization problems. So it is very difficult to give a date for that.
- Shankar K: So the market will continue to remain firm.
- Sanjay Sagar: Unless the grid gets fully connected and the second line also comes in place.
- Shankar K: Sir the other thing which is slightly linked to the same thing it seems that Tamil Nadu has cornered bulk of the incremental capacity that is flowing in via the connectivity while at the same time Karnataka and Kerala also had short-term bids. So do you think that the markets or the prices can continue to remain firm or slightly higher because of this kind of cornering stuff?
- Sanjay Sagar: I have sort of indicated to you. Last quarter also the first line had a carrying capacity of about 1200 MW or so and as you said most of it has already been cornered by Tamil

Nadu. And in any case the priority will be given to long-term contracts. As far as JSW is concerned, it is in the merchant power market. In short-term market, I do not think there is going to be any major impact.

Shankar K: One small clarification on the cash, so one of the reason it has been reduced, you meant to say, is because of the payment of the working capital loan or the buyers credit?

Pramod Menon: That is one of the reasons and also there has been increase in the quantum of debtors also. These are the two reasons why it has slightly come off or let us say below Rs.1,000 crore.

Shankar K: So is it possible to spell out how much of the working capital loan largely funded through, which does not have corresponding loan against it, in other words to say it is funded through equity money types or cash types?

Pramod Menon: I would not say that we have anything of the working capital which is funded out of equity money, the entire working capital requirements are more or less taken care of by the buyer's credit itself - to a certain extent is funded by the buyer's credit.

Moderator: Thank you. Ladies and gentlemen we will take the last question for the day, which is from Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Just a follow-up on this south grid connectivity. I was reading in one of the regional power committee reports that the second circuit of this line has also been commissioned on June 30, 2014. The second circuit of the Raichur-Sholapur line has also been commissioned on June 30, 2014. Is there any impact after that has commissioned or it is still in the to be stabilized mode?

Sanjay Sagar: As I said this little bit earlier they are having some problems in stabilizing that line. So far continuous or a steady flow of power has not taken place to that link.

Abhishek Puri: So the first circuit was 1200 megawatt, second circuit is 2000 megawatt if I am not wrong?

Sanjay Sagar: The first line put together is about 1200 megawatt. The second line will be 2000 megawatt, there is a second line also coming up.

Abhishek Puri: Second line in the Raichur-Sholapur region you are saying?

Sanjay Sagar: Not in the Raichur-Sholapur region, that is another link, it is Kolhapur something.

Abhishek Puri: So these two circuits together for Power Grid as well as the one private party which has put up this line together is 1200 megawatt?

Sanjay Sagar: To the best of my knowledge at the moment it is 1200. I cannot be too sure. I think you better cross check your facts with the Power Grid website or something.

Moderator: Thank you. Mr. Nalin, you can go ahead with your question.

Nalin Bhatt: Thanks for the opportunity. I just wanted to check one thing on the Ratnagiri power

project, in FY 2013 we had a proportion of long-term to short-term from that project at about 51% which moved in favor of long-term to around 60% in FY 2014 and I am talking about standalone entity and when you look at this number for the first quarter FY 2013 it is close to two third which is 76%, so is this understanding correct and why is it so?

Pramod Menon: Can you just repeat that question?

Nalin Bhatt: When I look at standalone entity, Ratnagiri power project condition and this ratio between long-term to short-term, this used to be close to 51% in FY 2013 as a year, was 60% in FY 2014 and it is now looking like to be a number close to 76% for first quarter, so is there a very high proportion of power being sold out of that grid to long-term unit, is that understanding correct?

Pramod Menon: I do not know from where you have got the number with respect to Ratnagiri. There has not been any change at all as far as between FY 2014 and current quarter is concerned.

Nalin Bhatt: Just to clarify, the net generation from Ratnagiri is 1618, right?

Pramod Menon: Net generation is 1618.

Nalin Bhatt: If you look at split of another short-term versus long-term which is shared in the PPT. On the standalone entity you will have to sell, I mean basically it goes out of Ratnagiri only long-term power, so which is 1.2 billion units?

Pramod Menon: There is some amount of long-term which is getting sold from Vijayanagar also to JSW Cement and others.

Nalin Bhatt: I thought conversion which was happening from there which you said was there in the PPT?

Pramod Menon: There is no conversion happening any longer.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Bhatt for closing comments.

Nalin Bhatt: Thanks to the management for being on the call and giving us an opportunity to host the call. Pritesh, would you want to have any conclusion remarks?

Pritesh Vinay: I just want to thank all the participants for dialing into the call. In case there are any follow-ups, please feel free to get in touch with either Sandep Agrawal or myself. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.