



“JSW Energy Limited Q4 FY2017
Earnings Conference Call”

May 02, 2017



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Moderator: Ladies and gentlemen, good day and welcome to JSW Energy Limited Q4 FY2017 Earning Conference Call hosted by IIFL Capital Limited. As a reminder, all participant lines will be in the listen only mode and 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 pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshavardhan Dole from IIFL Capital Limited. Thank you and over to you Sir!

Harshavardhan Dole: Thank you. Hello everyone. On behalf of IIFL, I welcome you all for the fourth quarter earnings call of JSW Energy. To discuss the results in detail and share the business outlook, today we have with us the senior management of the Company represented by Mr. Sanjay Sagar, Joint M.D. and CEO; Mr. Jyoti Kumar Agarwal, the CFO; and Mr. Pritesh Vinay who looks after the Finance and the Group Investor Relations. I would like to hand over the call to the management for their opening remarks post which we can have the floor open for Q&A. Over to you Sir!

Pritesh Vinay: Thank you Harsh. Very good morning to all the participants who have joined us today to discuss the fourth quarter and full year fiscal 2017 results of the JSW Energy. As you all must have tracked, the results were declared on Saturday and post which we have already uploaded the quarterly results presentation press release and results and you would have had sufficient time to process that. As Harsh mentioned, we have today the senior management team represented by Mr. Sagar and Mr. Agarwal. We will start with few minutes of opening remarks by Jyoti on the business and then we can get into Q&A. Over to you Jyoti!

Jyoti Kumar Agarwal: Thanks Pritesh. Good morning everyone and welcome to the fourth quarter conference call on the results of JSW Energy Limited. The quarter has seen continuation of the trend observed in the recent past of poor power demand translating into weak merchant offtake and lower tariffs. This impacted our standalone business particularly given a reasonable proportion of our capacity there is untied and dependent on merchant offtake.

At the consolidated level; however, our subsidiaries continue to bear strong pillars of support in this environment with fully tied up PPA; thereby insulating JSW Energy, to a large extent, from the current poor demand situation. On the positive side, during the quarter, I think fuel costs have seen stabilization and also the dollar movement has been favorable. During the quarter at the consolidated level the deemed PLF was 52% and this was about 17% lower than the corresponding quarter of previous year.

The company generated 4.1 billion units down 31% with the corresponding quarter of previous year. This was largely due to weak merchant offtake at Vijayanagar as well as Rathnagiri and more than expected back downs at Barmer.

The total operating income for the quarter was Rs.1862 Crores. The EBITDA before exceptional items were Rs.660 Crores. There were no exceptional items during this quarter and the Company earned profit after tax for the quarter of Rs.24 Crores. For the year as a whole, these figures are Rs.8263 Crores at the total income level. At the EBITDA level the company earned Rs.3541 Crores and at the PAT level the number was Rs.629 Crores.

The consolidated networth as at March 31, 2017 was Rs.10368 Crores, while the consolidated net debt was Rs.13384 Crores. Thereby resulting in a net debt to equity of 1.29 times, which in my opinion, will be lowest in the industry.

Some of the other highlights of the quarter were the tariff order for Karcham plant at Himachal, that came to on the March 30 and Rathnagiri unit was conferred with the Golden Peacock National Quality Award for the year 2017.

Another thing that shareholder should notice is that the Board has recommended a dividend of 5% for financial year 2017 subject to approval of members. With this I will now leave the floor open for questions on the results. Thank you.

Moderator:

Thank you. Ladies and gentlemen we will now begin with the question and answer session.

Harshavardhan Dole:

Before the queue assembles, I would like ask one specific question to Mr. Sagar and I am sure that this is the question that most of the investors are going to put forth to him. Sir, over the weekend we read in media reports whereby Mr. Piyush Goyal who was quoted saying that Rs.3 per unit will be the benchmark price for the power in short to medium term. We are keen to hear your views on how do we read into the statement and secondly how does this affect JSW's business plans in medium term? It will be great to have your views on this Sir.

Sanjay Sagar:

Well, I presume that the Minister's statement is based on the rates, which are prevailing in the exchanges for the last few months and I am not really sure if these would be the rates, which would prevail in the short-term and medium term tenders, which are likely to come out in the near future. At the end of the day, it is going to be a feature of how much demand gets generated in the system. The Minister has also gone on record to say that the Government is making all kinds of efforts to increase the demand for power across the country, which has been at a very dismally low level over the last couple of years.

UP has already taken the initiative and announced concrete steps to provide 24/7 power to its entire population in about a year and half from now. In fact even less, I think the deadline is September 2018. Now this is a very positive step and I am sure that UP cannot be the one-off state, which does this and once UP has taken an initiative the other states are bound to follow. In addition to that we are now seeing on the ground impacts of UDAY is

starting to trickle in. The first impact that we are seeing is an improvement in the paying abilities of the various utilities across the country and I sure the next one is going to be the uptick in demand where they start buying more and more power. Yes I agree with what the minister states that in the near term, given the kind of rates that we are getting in the exchange and huge short-term tenders that we are seeing, this could be a realistic number. But I would not agree that in the medium term this number is going to sustain at that level and the generating companies can continue to supply power at the fuel cost levels or just above the fuel cost level. So, in my opinion, there has got to be a correction in the medium term and in the medium term and I would put the pan India number at anything between Rs.3.75 to Rs.4.00.

Harshavardhan Dole: The other part of the question was basically what your plans are; does this scenario alter your business plans in medium term?

Sanjay Sagar: Well it certainly does. It does not alter the medium plan; rather our business plans for sometime has been that we aim to tie up more and more of our capacities into the long-term PPAs or at least medium term PPAs, but unfortunately the opportunities have not been coming our way so far. From what I outlined to you just a few minutes back, I am expecting that we would very shortly start seeing medium term PPAs in the market as more and more states start trying to achieve 24/7 power for all and subsequently the next logical step would be long-term PPAs. During this period, the Company is striving to bring down its cost and we have taken a few steps in that direction. The foremost being that we have taken permission from the Ministry of Environment for blending our imported coal based plant with at least 50% domestic coal, which would open up the opportunity to us of being able to utilize the excess coal in the system, which is being offered by Coal India through e-auction. So that would hedge our exposure to the volatilities of the international coal market, while simultaneously leaving us with the option of picking up the imported coal as and when it starts making more sense as compared to the domestic coal. So it gives us a lot of flexibility for fuel mix, which you will agree, is the major cost of power as far as we are concerned.

Harshavardhan Dole: Thank you very much.

Moderator: Thank you. We take the first question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good morning Sir. Thanks for taking my question. One clarification, since we have taken the approval for MoEF for using the domestic coal, have we started using the domestic coal in the Vijayanagar Power Plant in the last quarter or is there any progress on the same?

- Sanjay Sagar:** No, we have not yet started the use of domestic coal in the Vijayanagar or in the Ratnagiri plant. We have just taken the clearance from MoEF. The case has been approved by the empowered committee and we are awaiting the formal letter from MoEF in case of Vijayanagar and Ratnagiri. So the moment we get the letter then we will start procuring the domestic coal as and when it is offered by CIL and then use it. So the last quarter does not reflect any domestic coal.
- Mohit Kumar:** Second question Sir, since you have got this cut from tariff order is there any adjustment required to be done on since the cost approval is slightly lower than the cost incurred and the second part of the question is have you started supply to Punjab from the power plant since you have got this tariff order now?
- Sanjay Sagar:** As far as the first part of your question is concerned, when we acquired the project we had taken into account tariff for a similar capital cost, so it does not have any surprises for us. As far as the balance power is concerned, the PTC is the party to whom we had committed the capacity of 704 megawatts and they have taken it up with Punjab for picking up this power and I am hopeful that within the next few days the flow of power will start either to Punjab or to some other customers through PTC.
- Mohit Kumar:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Rahul Modi from Antique. Please go ahead.
- Rahul Modi:** Good morning Sir. Thank you for taking my question. Sir, couple of questions, firstly we have seen the fuel cost at historically high levels on the standalone basis at around Rs.3.2. So can you just throw some light as in what we see going ahead and how has been the procurement in terms of South African and Indonesian coal for the quarter?
- Jyoti Kumar Agarwal:** I think the fuel cost has been high in the international markets and we have traditionally been sourcing the high CV coal mainly from South Africa. But with persistent high cost of that high CV coal, we have been exploring blending of the high CV with low CV coal across various markets and we have done that on a proactive basis over the last three to four months. So, we have been blending high CV coal from South Africa with low CV from Indonesia and even on the high CV side, we have been exploring other markets like Canada as well as Mozambique. If you take a look at all the indices across the various grades of coal and you take a look at the year-on-year increase, and if you do the analysis in terms of our fuel cost increase on a year-and-year basis, you will see that our fuel cost increase has been much lesser than how the coal prices have behaved. Some of it is because of old stock, which kind of got used up by the third quarter, but much of it is because of the blending that we have been doing on a proactive basis. Now going forward as Mr. Sagar outlined, not only will we be looking at arbitrages on the import coal front, but we are also going to be

blending domestic coal and I think this will be a very potent weapon in our toolbox to be able to take care in case the international coal prices shoot up.

Rahul Modi: Thank you. Also we have seen some power purchases that we have happened in the quarter, so is that for supply to the MSEDCL PPA from Ratnagiri?

Sanjay Sagar: Yes, you are absolutely right. We had to purchase some power because the unit was under shutdown for some time. So, to meet our obligations we had to purchase the power and supply it.

Rahul Modi: We cannot supply from any other unit at Ratnagiri or we have to source it separately from the exchange or something?

Sanjay Sagar: No, it was a purely commercial decision.

Rahul Modi: Fair enough Sir. I will get back in the queue for more questions. Thank you so much.

Moderator: Thank you. We take the next question from the line of Aditya Kiran from L&T Mutual Fund. Please go ahead.

Aditya Kiran: Thanks for taking our question. Just one observation on the funding cost, which is there it still seems to be quite high at 10% plus kind of a number given that there is a huge refinancing possibly on the NCD side, which is coming up in September may or around 2000 Crores or plus, so what are refinancing plans for you going forward in this year and where do you see the funding cost going in this financial year given that a lot of MCLR cuts have happened over last year? Thank you.

Jyoti Kumar Agarwal: Aditya thanks for your question. You are right. On a blended basis our financing cost are still above 10%. Bulk of our financing book is on the loan side where the MCLR resetting, etc., happens at the periodic interval. Some of them happen annually, the others are on half yearly basis. We will be getting the full benefit of this reduction in MCLR across the banks only during the course of financial year 2017-2018. In addition, we have been taking a proactive approach to refinancing so that we can reduce our financing cost. Some of that has already happened, the benefit of which should be seen through in 2017-2018, some of it will happen as we go along. We expect us to be able to reduce our borrowing cost to somewhere in the middle of 9% and 10%; so let us say around 9.5% by the end of this year.

Aditya Kiran: Sir as a proxy if you can indicate what would be the possible incremental funding cost that you have been able to raise the funds at?

Jyoti Kumar Agarwal: For the last public NCD that we did was in the month of December, it was a three-year NCD, which we did at 8.65%, so that is the public indication of where we are borrowing currently from the market.

Aditya Kiran: Thank you very much.

Moderator: Thank you. We take the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: There are three questions. One is if you could give us the update on the two MoUs signed for the acquisition, Bina and Jindal. Second is would you be participating in the upcoming auctions for the coal linkages and if that will change any of your medium term plans? And the third question is, if you could give us an update on the supplies to the JSW Steel from the Ratnagiri plant – what was the quantum in the fourth quarter and last year and how do we see in FY2018? Thank you, those are all my questions.

Sanjay Sagar: To answer your first question as far as the MoUs are concerned, the original longstop date for the MoU for Bina is May 31. However, given that JPVL is under debt restructuring at the moment, we are likely to extend this by a few months and we will let the market know once it is done. As far as the MoU for JSPL, 1000 megawatts plant of Jindal Steel and Power is concerned, the long-stop date is June-2018. So, there is plenty of time for us to move on that. As far as your second question is concerned, I think I have already answered that in my opening remarks. So, I do not think I need to repeat the answer on that and I have already said what I had to say on that and your third question was on?

Bhavin Vithlani: The supplies to JSW Steel from Ratnagiri plant?

Sanjay Sagar: For Steel, we have got a PPA with them for 473 odd megawatts and we continue to supply that capacity to them.

Bhavin Vithlani: So whether 470 megawatt completely utilized or was that part utilized because the plant was in a ramp up stage?

Sanjay Sagar: We got paid for 473 megawatts as far as the fixed cost in concerned.

Bhavin Vithlani: Thank you so much.

Moderator: Thank you. We take the next question from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Thanks my questions are answered.

Moderator: Thank you. We take the next question from the line of Deepak Agarwala from Elara Capital. Please go ahead.

Deepak Agarwala: My first question is regarding this PPA with JSW Steel; like if I recollect one year back you mentioned that this PPA would ramp up to almost 550 odd megawatts because the JSW Steel has completed their expansion at Dolvi. So has it not happened so far?

Sanjay Sagar: It has not happened so far, but we are expecting to happen shortly as soon as their demand picks up.

Deepak Agarwala: So in FY2018 we can see it is going up to 550?

Sanjay Sagar: Well let me not give you a specific date on that, it is likely to happen shortly.

Deepak Agarwala: My second question is, we have seen this imported coal price cycles across various years and several times in the past seven to eight years the imported coal price had jumped up, but for the first time we have seen in our parent numbers that fuel cost is over Rs.3. So, is there any specific reason in this quarter to see such a sharp price?

Jyoti Kumar Agarwal: There are two factors to the imported coal price. It is also the exchange rate of the dollar. So, I think you are only factoring one of them and not the other one. If you were to do your maths with both of them you will probably find an answer to your question.

Deepak Agarwala: I will do that and the last thing is on the receivables. Our receivables have somewhat eased off, which is a good sign. So, can you help us, which are the states where we have seen the receivables position actually coming down?

Jyoti Kumar Agarwal: Let me not give you names or specific states, but as I said in my opening remarks we have started seeing the impact of UDAY trickling and I had said that in my opening remarks that we have seen better receipts from various states. So, it is across spectrum; let me not name specific states.

Deepak Agarwala: Thanks.

Moderator: Thank you. Next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: We heard you on the CNBC saying that in the short term PPA with Karnataka that ends in May, there is an option to extend. If you could give us some colour on what is the extension possibility and which are the states in which you are seeing medium term and short term PPAs.

- Sanjay Sagar:** Sorry, the second part of your question please.
- Bhavin Vithlani:** Which are the states where you are seeing medium term and short term PPAs likely over the next three to six months.
- Sanjay Sagar:** Well as far as the first part of your question is concerned, I do not think I can add anything to what I have said on CNBC. I said the contract has the option for extension and given the shortage of power and the severe drought conditions that that area is facing, we are expecting it to get extended. As far as your second question is concerned, let me just say your guess is as good as mine because there is no way of predicating, which state is going to come out with the short term or a medium term tender. So UP is of course is likely to do it because they have cancelled the long-term tender and coupled with their declaration of providing all time power to the citizens, I am sure they will either come out with a short-term or a medium term tender of a fairly large quantum.
- Bhavin Vithlani:** Sir my last question is we see that there is one or two units of the Vijayanagar shut down and the CEA report mentions because of water shortage. So, is this actually impacting the generation and if you can give us some colour as to whether this will be a short term or medium term impact?
- Sanjay Sagar:** No, I do not know from where CEA has got that information. One of the units were shut down for normal maintenance – that was 130 megawatt unit and one of the other 130 megawatt unit is operating intermittently because of nonavailability of schedule. But I do not know where CEA has got the information that any of the units has been shut down due to water shortage.
- Bhavin Vithlani:** Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Inderjeet Singh from Macquarie. Please go ahead.
- Inderjeet Singh:** Thank you gentlemen for the opportunity. My first question is on this option or opportunity to use domestic coal. Based on the existing Coal India and the international prices how much of arbitrage is there in terms of cost given the transportation cost and technically how much blending we can do? If you just give us some colour on that?
- Sanjay Sagar:** I had mentioned in the beginning that we have taken permission to blend up to 50% of the domestic coal. So we now have the flexibility of blending up to 50% of domestic coal. As far as cost is concerned, you are aware that various subsidiaries of Coal India have got different prices. I can only sort of assure you that as and when we pick up the coal, we will ensure that we do it only if there is sufficient arbitrage available to us failing which we will

not do it.

Inderjeet Singh:

Second thing is you commented that you expect medium term PPAs to kind of come, so obviously without trying to guess, which states will happen, my question why is there such as optimism given that under UDAY none of the state governments have actually raised tariffs and they are also asked to maintain a discipline in terms of the financials, which is kind of limited the power demand till now, so why do you think that situation will change going forward?

Sanjay Sagar:

Indrajeet, I have been sort of maintaining and I think talking to all of you on this for a very long time. My own personal feeling in this regard is that power is not just an economic issue as far as this country is concerned, it is a socioeconomic issue. We cannot have a permanent situation where 70% of the people are not able to access 24/7 power or even say 20/7 power or 18/7 power and we go around merrily along our way. We have a situation in the country where 30% of the people have not seen what electricity is in their lives! Out of the balance, 70% does not receive 24/7 power! The reason why we were seeing very subdued demand in this country for the last couple of years is because the discoms were acutely short of finances. They were asked to exercise a lot of fiscal discipline, but added to that fiscal discipline was the nonavailability of funds. And if you look back at the history of the country, you will find that every seven to eight years the discoms managed to run themselves under and this being a socioeconomic issue, the government does come out with a package to revive them. UDAY is the latest package in that series. Now the packages keep getting tighter and tighter every time and UDAY is so far the tightest of them all. But the end result is that once the discoms has access to money then the governments certainly come under the social pressure and start supplying more power to the citizens as and how they demand it. That is one number. Number two, as I mentioned in the beginning, that UP has made a great start. They have made a very, very firm declaration that they will supply 24/7 power to all their citizens within a year and quarter and I do not see UP being one-off state, which can do it in the country and the other states can afford to sit back and look at UP. So that is where my optimism comes from and I am seriously expecting that other states will have to follow suit and power demand in the country will go up because the situation has to be corrected. A country like India cannot afford to continue in a situation where 70% of the people are not getting 24/7 power.

Inderjeet Singh:

Thanks. If I may squeeze in one more now the government has talked about this 24/7 power and various other initiatives like improving coal situation. Is there at any forum there has been discussions about trying to get the power plants, which do not have long term PPAs some kind of dispensation for them something on those lines is that being discussed at this point in time?

- Sanjay Sagar:** No there is no specific dispensation for any power plant, which does not have a long term PPA; however, the government very rightly is making effort in the direction of increasing the demand for power in the country and once that happens the rest of it will fall in place automatically.
- Inderjeet Singh:** Thanks a lot Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Good morning Sir. How much of the current capacity is now actually tied up in the bilateral contracts apart from the one you have a Karnataka contract, which is till May 17.
- Sanjay Sagar:** Repeat that question.
- Bhavin Chheda:** No sir how much of the total capacity, which is open is tied up in bilateral contracts and how much actually you have been selling on the exchanges.
- Jyoti Kumar Agarwal:** I think at a consolidated level about two-thirds of our capacity is tied up in long-term. This includes of course our group captive in Ratnagiri with JSW Steel, Himachal Baspa where a fair bit of it is tied up and more will get tied up after the tariff order is out; Raj West and Vijayanagar. At Vijayanagar we have very little tied up. So overall I think we are about two-thirds tied up and one third is open.
- Bhavin Chheda:** You do not have as of now any bilateral contracts, which will go beyond May 31, 2017 right.
- Sanjay Sagar:** No at the moment no.
- Bhavin Chheda:** Are you giving any guidance on generation for FY2018.
- Sanjay Sagar:** No I am not giving any guidance on generation.
- Bhavin Chheda:** Ok thank you sir.
- Moderator:** Thank you. We take the next question from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** Hi Sir thank you. Sir just wanted to understand the market balance for Karnataka. So on one hand we have Bellary unit, which is out because of water shortage. That creates a position for us to probably supply, but on the other hand we also have new transmission lines

connecting South. You have Angul-Srikakulam and Wardha-Nizamabad. Probably the plants in the central and western region can supply at a lower cost. So, how does the situation look for us in Karnataka then because although the capacity is going out, new transmission line is also coming in?

Sanjay Sagar: In the near term, any expected addition to the transmission sector will happen only by the end of 2017 or 2018. You would be aware that a lot of this transmission capacity, which is getting added is only booked for the long term PPAs that have been entered into by Tamil Nadu, Kerala, and Andhra Pradesh and the priority will be given to the long-term access customers. This will have an impact on the Tamil Nadu sector, but the impact is not expected to be as pronounced. So as I said that I am not expecting the addition to the transmission capacity in the short term, short to medium term to have a very major impact on the merchant or the short-term tariffs. And as far as Karnataka is concerned, it is not only BTPS, but this time they are also carrying out some repairs to the Sharavathi Dam as a result of which the Sharavathi hydropower would also not be available to them during the peak season.

Dhruv Muchhal: Even if the transmission lines are contracted for the long-term, I believe Telangana, Andhra, and Tamil Nadu were big buyers in the short term market, in the IEX market at least. So, that capacity is now free, which can probably supply to Karnataka, which can be in deficit, so I was looking at that scenario.

Sanjay Sagar: As far as Karnataka is concerned, we are a local unit and therefore we certainly have a degree of advantage.

Dhruv Muchhal: On the Bina transaction I believe it is getting a bit delayed, so could there be a change in the acquisition cost or terms for the acquisition or it is just a procedural delay.

Sanjay Sagar: At the moment, we are not seeing any change in terms.

Dhruv Muchhal: Thank you so much. Thank you.

Moderator: Thank you. We take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thanks a lot for taking my question Sir. Most of them have been answered. Just one continuation to one of the questions asked previously. Assuming that you blend the domestic coal with the imported coal what is the kind of distance that coal would need to travel for both the Vijayanagar and for Ratnagiri? Any rough estimate would be helpful.

Sanjay Sagar: It would depend on where we pick up the coal from. So it is very difficult for me to give

you a direct answer to that question because if we were to pick it up from say SECL, then the distance would be fairly short and if we were to pick it up from Mahanadi Coal Field, the distance is likely to be longer and with Mahanadi we also have the option of using the sea route to take it to Ratnagiri. So, I do not think I would like to hazard a guess on that.

Pulkit Patni: But Sir just from a cost point of view would the differential be substantial that is what I am actually trying to come to?

Sanjay Sagar: I think when I was responding to Indrajeet, I had made it very clear that this is an option that we have and as a responsible corporate we will go in for this only if it makes commercial sense to us otherwise we would not go in for it. And the reason why we sort of took this permission is because at the moment we were seeing options where it was making a lot of commercial sense to get this permission for blending.

Pulkit Patni: Thank you.

Moderator: Thank you. We take the next question from the line of Archit Singhal from Nomura. Please go ahead.

Archit Singhal: Thanks for the opportunity. Sir two questions one on if you could provide the coal consumption in fourth quarter as well as the mix between the low and high GCV?

Jyoti Kumar Agarwal: So for the quarter the mix between high GCV and low GCV was roughly 60:40.

Archit Singhal: Sir total quantum consumed?

Sanjay Sagar: It is about 1.07 million tons.

Archit Singhal: Sir what is the outlook on the imported coal prices?

Sanjay Sagar: The imported coal prices have sort of eased off a little over the last couple of months and we are seeing a very slight downtrend, a very slight easing of the markets especially the high CV coal. And I think we would expect to see this trend continue for the next few months. But the corrections are not very major or very pronounced at the moment. There are very slight corrections, but they are happening steadily and we expect this trend to continue.

Archit Singhal: Sir final thing we have spoken about cost of debt in terms of the debt refinancing are we also looking to increase the duration of loan repayment?

Jyoti Kumar Agarwal: Yes as part of the refinancing, we are also looking at optimizing the terms and conditions of

those loans both in terms of let us say some of the covenant requirements and opportunities to extend the duration of those loans. Yes we are exploring that.

Archit Singhal: Sir is it for the entire quantum of debt or any particular quantum?

Jyoti Kumar Agarwal: No it is a mix and match. For some of the debt, we are purely going ahead with the repricing of the debt where the terms etc., remain the same. For some of the debt, it is a full hog refinancing including change in terms and change in tenure etc. For some of the debts we are actually going to replace our loan debt with capital market debt. So, it is a mix and match of all of that.

Archit Singhal: That is all. Thank you.

Moderator: Thank you. We take the next question from the line of Sumit Kishore from J.P. Morgan. Please go ahead.

Sumit Kishore: Thanks for the opportunity. My first question is once again on the blending with domestic coal. What is the technical feasibility of blending with domestic coal can you blend up to 50% or would it have to be limited to a lower number to begin with?

Sanjay Sagar: If we were not able to do that we would not have taken the approvals of 50%. Obviously we are able to do that and I do not think MoEF would have given us the approval unless they were sure that technically we can do that. So we can do it to answer your question. Up to 50% we can do it.

Sumit Kishore: So you are waiting a letter final letter from the MoEF?

Sanjay Sagar: Yes we are waiting for the letter.

Sumit Kishore: Are there any steps you are taking to reduce the O&M cost on a per unit basis in your cost structure and is there a plan to bring that down further?

Sanjay Sagar: That is a constant exercise that we continue to do even the going has not been as tough as it has been over the last couple of quarters. That is a constant exercise that we have sort of been engaged in throughout the life of the company and we will continue to do that.

Sumit Kishore: My last question is could you please tell us about if there are overdue receivables at Karcham Wangtoo currently and what was the extent of these overdue receivables as of March 2017 and post the CERC order on March 31, is there any true up that would happen and how does that impact the cash flows?

Sanjay Sagar: Well the specific numbers I think you can take from the team, but yes there were certainly overdues. There are overdues even in the other businesses that we are doing not just Karcham Wangtoo. To answer your second question; yes, after the order has been announced because the supplies were being made on a purely ad hoc tariff so far, there are going to be true up implications and there would be a significant amount of receivables as a result of the order now.

Sumit Kishore: Thank you.

Moderator: Thank you. We take the next question from the line of Apurv Bahadur from ICICI Securities. Please go ahead.

Apurv Bahadur: Thank you for taking my question. It would be very helpful if you could share your thoughts on the merchant realization going forward? Could you share a number, a range we wish, so if you could help us for FY2018 and FY2019?

Sanjay Sagar: I think I gave you a guidance for the merchant realization and that applies to FY2017-2018. I do not think I should hazard a guess as far as into the future as 2018-2019 at this stage.

Apurv Bahadur: That will be all from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: Sir just wanted to clarify on this part that Utter Pradesh actually registered a demand of around 12200 megawatts last year. Now with this whole power initiative what kind of increase you would sort of expect from this base on year on year basis in 2018 and 2019?

Sanjay Sagar: I think that is a very difficult question for me to answer to be very honest because I think a better source for that should be CEA, because I am not sure how much of the population in UP is getting 24x7 power and so I would not be able to calculate and tell you how much.

Devam Modi: UP would typically have one of the higher residential composition around 35% would be residential and the population also per capita also is very low, so the industry consumption is pretty less.

Sanjay Sagar: This calculation will have to be done on the basis of how much percentage of the population is currently getting 24x7 power. So I do not have data on that. So it is very difficult for me to calculate how much the demand will go up, but it should go up significantly because to the best of my knowledge, I think there is a major part of the population in UP, which either does not have power or does not have 24x7 power.

Devam Modi: That is it from my side.

Moderator: Thank you. That was the last question. I now hand the floor over to Mr. Harshavardhan Dole for his closing comments.

Harshavardhan Dole: Thank you. On behalf of IIFL, I thank all of you for logging on to the call. Sincere thanks to the management for taking out their time and sharing the guidance. Thank you very much Sir. Any last comments that you want add?

Sanjay Sagar: I would just the opportunity to thank all those who attended the call and IIFL also for arranging the call for us. As I said in my opening remarks that yes the picture does look gloomy, but going forward the picture to our minds is not going to remain as gloomy as it has looked in the last couple of quarters. With that hope we would like to start off. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Capital Limited this concludes this conference. Thank you for joining. You may now disconnect your lines.