



“JSW Energy Q3 FY2018 Investor
Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the JSW Energy Q3 FY2018 Investor Conference Call, hosted by Axis 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 phone. I would now like to hand the conference over to Mr. Bhavin Vithlani from Axis Capital Limited. Thank you and over to you Sir!

Bhavin Vithlani: Thank you Stanford. On behalf of Axis Capital, we are pleased to host the Q3 fiscal year 2018 earnings conference call of JSW Energy. From the management of JSW Energy we have with us today Mr. Prashant Jain, Joint Managing Director & CEO, Mr. Jyoti Kumar Agarwal, Director - Finance, and Mr. Pritesh Vinay, Vice President Investor Relations. Now, without much ado, I would like to hand over the call to Pritesh for his opening remarks post which we will open the floor for Q&A. Over to you Pritesh!

Pritesh Vinay: Thank you very much Bhavin. Very good evening to all the participants. On behalf of JSW Energy, I welcome all of you to the earnings call for the third quarter fiscal 2018 results. As Bhavin said, we have the senior management team of JSW Energy here. I am sure you all had a chance to go through the results, the press release and the investor presentation, which has been uploaded on the website. Our format is standard. We will start with a few minutes of opening remarks by Prashant and then we will open the floor to Q&A by the participants. I request all the participants to restrict their questions to two per participant to give everybody a fair opportunity. With that I hand the floor over to Prashant.

Prashant Jain: Thank you Pritesh. Good evening ladies and gentlemen. During the quarter for the current fiscal our total generation was up by 6%. Our EBITDA was down by 5% and profit after tax was up by over 120%. During this quarter as well as in the last nine months in the power market scenario we saw very interesting trends. In the Q1 of the current fiscal, we saw the demand grew by 5.1%, which grew by 5.8% in second quarter and in the third quarter the demand growth was 6.6% and for the nine-months it was 5.8%. The key driver of the demand growth for Q3 was growth in various states like Gujarat, which was 18%, MP

which was 24%, UP which is 9% and Telangana which is 8% and similar trend is seen for the nine-month period also.

This has been seen after a longtime that the demand is picking up on a pan India basis. If you combine it with the capacity addition per se, in the thermal space contraction of supplies has taken place. For the last two consecutive quarters, we saw that our total installed capacity in the thermal power plant has contracted. During the Q3FY18, 490-megawatt was eliminated. Previous quarter close to 1.2-gigawatt was eliminated. In the renewable space enthusiasm level is dying slowly and slowly. For the last two financial years we have been seeing whatever the plan, the actual capacity addition was more than that. Last financial year as against the plan of 20-gigawatt the actual capacity addition was over 23-gigawatt.

Current financial year, as against the planning of 20-gigawatt till date the capacity addition is only 5.6-gigawatt in renewable energy. This is causing the oversupply situation to contract slowly and slowly and that is what is reflecting in the merchant prices and during the current financial year, we had seen the merchant prices are in the range of Rs.3.15 for the nine-month period. In contrast with the last year average prices of Rs.2.69. So that makes us more and more confident on the green shoots seen in the demand and slowing capacity additions, more and more PPAs are going to take place in times to come.

When it comes to the financial performance of the company, as we talked in the last two quarters that the company is focusing on three pronged strategy, one is improving the working capital cycle, second is improvement in the financial gearing of the company and third is increase in the long-term portfolio of the company. On all three fronts during the quarter as well as in the last nine months' company has made a significant progress. During the quarter net debt was reduced by Rs. 783 Crores, for the nine-month period total debt reduction was Rs. 2490 Crores.

For the nine-month period, the average cost of the debt has reduced from 10.17% in the start of the year to 9.04% in the end of the third quarter and net debt to equity ratio from 1.29 to 1.04. During the quarter, two of our subsidiaries were also upgraded by the credit rating agency. Himachal Baspa subsidiary was upgraded by two notches, to AA- and Raj West Power was

upgraded by one notch to A+. During the quarter we added 208-megawatt of the long-term PPAs, 176-megawatt was added for Haryana, 32-megawatt was under Group captive. Another 200-megawatt is under the regulatory approval from Punjab. With this by end of the last quarter our long-term portfolio was 69.3%, which we expect to go up to 74% by end of the fiscal.

As we discussed about the debtors cycle, during the quarter also further reduction of the debtors was by another Rs. 454 Crores. With this now we have come down to 56 days of the debtors cycle. Last quarter we talked about 36-megawatt of the new PPAs for thermal space for JSW Cement. There we have ordered all major equipments and the plants will get commissioned by September 2019. Last quarter we talked about 7-megawatt of the solar capacity, which we will be adding for the group companies. During the quarter, we added another 10-megawatt of the solar capacity in pipeline thereby our total portfolio in pipeline has become 17-megawatt.

Major equipments have been ordered and this capacity will get commissioned in phases by September 2018. The interesting thing in this solar portfolio is that we are building the capabilities in all three types of the solar plants - floating, rooftop as well as ground mounted. We also see very interesting signs of stress in the renewable energy by various anecdotal evidences. Therefore we are building these capabilities while we are looking at these stress signs in the renewable space, which is also reflected by my initial remark that as against the planning of 20-gigawatt in the current financial year only 5.6-gigawatt has been added up because lot of bids have taken place where people have made the bid, but the orders have not been placed because of the viability issues of those projects at that tariff.

Primarily because of the above two reasons, the thermal power price has gone up significantly in the last six to eight month period. Secondly there are various clouds over the policy environment in view of the recommendation by DG Safeguard for 70% safeguard duty on solar panels, antidumping investigations and various investigations by custom authorities to declare solar panel as a generator and levy 7.5% custom duty on that. We are keenly watching that space.

As regards to electric vehicle, we have made significant progress in the capacity building as well as technological evaluation and development of the product strategy. We are on track to launch our product in the next three to four year timeframe as far as the electric vehicle is concerned. With this I conclude my opening remarks and we open the floor for the discussion.

Moderator: Thank you very much Sir. We will now begin with the question and answer session. We take the first question from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Sir, my first question is.... sorry I missed initial five minutes, so pardon if I am repeating the key things, can you just help us understand what is the status of the loan given to Jaiprakash Power of Rs. 1000 Crores, have you received it back?

Jyoti K Agarwal: This is Jyoti Agarwal, the CFO of JSW Energy. Against a Rs. 1000 Crores loan given to JPVL at the end of the quarter, we have adjusted Rs. 240 Crores and as of date we have adjusted Rs. 248 Crores out of the tariff differential recovery that we are getting from the Discoms. Now as we have been maintaining that this loan is being serviced regularly and we have been in discussions with both JPVL as well as the various lenders that this loan will be accorded a special treatment and will not be a part of any kind of debt restructuring that may entail in the JPVL resolution plans that are being contemplated right now. Now, in terms of the recovery of the balance there are some more pending tariff differential payments, which are to be received on behalf of JPVL, so some recovery will happen through that route. Further there are some contingent payments to be made to JPVL on an account of certain events like for example we will be filing a petition for the CERC tariff order for capital cost, which will be higher than what the approved cost and if that is approved some more money could be set off against this loan, then we will also be filing for an increase in the capacity of the projects by 91-megawatt and as per SPA some consideration is payable to JPVL on account of that and as many of you may be aware that JPVL right now is under restructuring where various resolution plants are being contemplated. We are also keenly watching and may participate in terms of the resolution depending upon how it pans out. We feel that once the whole resolution clarity is there as to what the plan would be then

there will be better clarity in terms of how our balance money will be paid, what will be the period and what will be the mechanism under which it will be repaid. As of now we feel that it is a question of when and how rather than whether and we feel that we are reasonably confident of recovery, the sooner the better for which we are regularly engaged with both the company and the lenders.

Deepak Agarwal: So basically as of now, so it is Rs. 240 and this Rs. 248 is what we have already recovered or adjusted through the tariff and balance Rs.500 odd Crores will be recoverable in the future either through tariffs or through a combination of repayment?

Prashant Jain: The current amount, which has been adjusted is Rs.248 Crores.

Deepak Agarwal: Rs.248 Crores?

Prashant Jain: The balance Rs.752 Crores is still outstanding as a loan, which will be adjusted in the various ways that I have just alluded to.

Deepak Agarwal: Just a followup when we closed the transactions, I think in September 2016, so then all this were part of that closure of the deal because then you are saying that if you are going for another CERC petition for Baspa and then for another 91-megawatt is it not that part of the deal that when the deal was closed?

Prashant Jain: Let me just explain. The Karcham transaction got consummated in September 2015 and the payments, which I am talking about are part of that transaction, Karcham and Baspa whereas the Rs.1000 Crores loan that we had given was part of the Bina SPA that we had signed and to that extent now we are adjusting the payable to JPVL in the earlier SPA that we had signed for Himachal - the Karcham and Baspa Projects - against the loan that we have advanced to the Bina project.

Deepak Agarwal: My second question now that you have made a very humble beginning in solar with 17-megawatt pipeline and how much do we expect addition to this pipeline let us say in FY2019 as per your plans and to what extent capex that you have set aside for growing this portfolio because we are already assuming around Rs.1200 Crores to Rs.1500 Crores of capex in the electric vehicle piece

of the business, so any incremental capex if you can just shed some light in FY2019?

Prashant Jain: We would not like to give any kind of a guidance in terms of how much capacity we will be adding up because it depends on various policy, environment, and type of project and opportunities we continue to get. As we mentioned earlier that are not running after the capacity addition. We are running after the improvement on our ROE. So that is our focus area, so as and when anywhere, any part, any opportunity we find, we will continue to add the capacity.

Deepak Agarwal: My last bookkeeping question. In your opening remarks you mentioned that the receivables are down by over Rs.400 Crores, so it is fair enough to assume this because primarily linked to the Karcham Wangtoo asset because this is where most of the receivables are stuck actually?

Prashant Jain: Across the board.

Deepak Agarwal: Across the board? Fair enough Sir. I will join back in the queue.

Prashant Jain: During the nine-month period we have reduced our debtors by more than Rs.780 Crores.

Deepak Agarwal: Thanks.

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

Mohit Kumar: Good evening Sir. Sir a couple of questions; first regarding the other income, the other income is quite high from the last two to three quarters? Can you please explain this other income given the fact that the cash balance was quite low? I expect it was some Rs. 2.5 billion or 3 billion at the end of the Q2 FY2018?

Jyoti K Agarwal: Mohit, Jyoti here. I think the difference in the other income can primarily be explained from the interest income that we are earning on the loan that we have given to JSPL as well as JPVL. As you know we have given Rs.1000 Crore loan to JPVL, which was not there a year back and we have given a current

outstanding of around Rs.400 Crores loan to JSPL, which was a small number by the December quarter last year, so the interest income on both these loans has been booked only in this quarter, but it is not reflected in the corresponding quarter of last year. In addition to that there are some advances to subsidiaries or to some of the associate companies that we have made, which are interest bearing and to the extent that they are not part of a the JSW consolidated there is an increase of other income on that respect, but primarily the other income is explained by the interest income on JPVL and JSPL loan.

Mohit Kumar: Sir my second question pertains to the interest cost? Let us say the interest cost has declined from 10% odd to 9% odd it is regular reset or refinancing or have you made any prepayment? Have you made any prepayment charge for this?

Jyoti K Agarwal: This is combination of all of it. We have been able to refinance some of our loans. We have been able to reprice some of the loans and so far we have not paid any prepayment charges, but the way we are looking at it, Mohit is that at the end of the day the cost benefit analysis has to stand in favour of taking a decision, so even if let us say after adjusting for prepayment charges if I am making a substantial saving then there is no point in continuing with the current loan and go for a new loan, so I do not think prepayment charges are relevant from that point of view. We continue to look at opportunities to reduce our cost of financing. A lot of work has already happened as you can see, but we expect some more improvement over the next one or two quarters.

Mohit Kumar: I am asking this question because in QOQ there has been a decline of Rs.50 Crores, what is the reason for this sharp drop?

Jyoti K Agarwal: You are right. The reason why on a sequential basis there has been a sharp decline in bulk of the repricing as well as refinancing actually got bunched up in the September and October period, so you are seeing for the first time the benefit of that flowing through in this quarter. Some of it is not fully accounted for in this quarter and you will see the improvement on a quarterly run rate basis going forward.

Mohit Kumar: Last question Sir is the PPA for Haryana and the captive - have both the PPA commenced in the December quarter or is it still to be commenced?

Prashant Jain: Haryana PPA - it has already commenced and Punjab is under regulatory approval.

Mohit Kumar: The 32-megawatt captive?

Prashant Jain: That has commenced.

Mohit Kumar: Thank you.

Moderator: Thank you. We take the next question from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Thank you Sir and congratulations on continuing very strong cash flows generation in the business. Sir my question is on your plans for electric vehicles - when can we expect some more color on who your technology partner will be, etc?

Prashant Jain: As we mentioned last time also that these are various proprietary things and we would not be disclosing every single information on quarterly calls, so you will be getting more and more colour in our annual reports or as and when any meaningful development is taking place, but what I can tell you is two things that in terms of the capacity building, in terms of laying out our product portfolio strategy, product features strategy, and engineering strategy all building blocks are progressing well in time and we are progressing well to launch our first vehicle between three to four years from now.

Atul Tiwari: Sir in the consolidated P&L there is a large loss associated to associates - this is the JSW Toshiba JV just confirming?

Jyoti K Agarwal: No. It is not JSW Toshiba. So we have in this quarter also commissioned the Jalipa Mine. We have two mines viz. the two lignite mines allocation that we have for the Raj WestPower project. We have commissioned Jalipa Mines. As you know when a mine is commissioned the early extraction rate is very, very low and to that extent we feel that the petition price in terms of a recovery of the cost, some of which are time based, for a very low extraction quantity would be very, very high and while we will be petitioning the full cost, because under the regulations we are entitled to recover that, we are following prudent and conservative accounting principles. We feel that there is a possibility that

we may not be getting the full recovery of these time based costs because on a per tonne given the extraction rate is very poor the lignite price is very high, so we have adjusted for that in this quarter. The net impact at a consolidated PAT would be about Rs.20 Crores. We expect that this mine should reach steady state operations or extraction rate more like March or April, so there is a possibility that there could be some underrecoveries on this account even for the quarter ending March, but after that we feel that the full ramp up steady state of about 3 to 3.25 million tonnes should be achieved thereafter these losses would not be coming. If we do get a visibility that we will get full recovery of this, then we will accordingly adjust the provisions in the books of accounts.

Atul Tiwari: My last one is on the Ratnagiri Project, so now that we have received approval for using domestic coal when shall we actually start using the domestic coal and what would be the landed cost or effective fuel cost for the present?

Prashant Jain: Basically what is happening is right now the new linkages are getting auctioned and the government has already identified various mines and we do not have the time table and schedule when it will be auctioned, but we are expecting in the current quarter sometime the auction will start and as and when the auction will start we will be participating because we have already registered on those auctions.

Atul Tiwari: Thank you. Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Anuj Upadhyay from Emkay Global. Please go ahead.

Anuj Upadhyay: Good evening Sir. Thanks for the opportunity. Good evening. Sir you mentioned about the 200-megawatt long-term PPA, which we are scouting, which is now pending with the regulator any clue Sir by when can that be consummated?

Prashant Jain: Current financial year, by March 31, 2018.

Anuj Upadhyay: Sir if we look at the current quarter the merchant rates have now come down again to the Q1 level. It is somewhere close to Rs.3 to Rs.3.25 and last quarter

it had gone up to around Rs.4 to Rs.4.25 any outlook Sir what we are anticipating for next another one or two quarter? How the scenario actually is bidding?

Prashant Jain: I do not have any outlook and view on merchant prices, but I have a very clear outlook and a view on demand as well as the contraction in the oversupply situation. Demand and supply mismatch will continue to contract and I am confident that more and more PPAs will be happening in times to come because no new capacity is getting added up and if GDP is going to grow to 7.5% then what demand growth we are seeing now 6.6% will actually overshoot and you may be seeing as a higher power demand growth, but all these we will see it over a period of time with a cautious approach, so we believe that because of that more and more PPAs will happen.

Anuj Upadhyay: Sir in the opening remark you did mention that we have made significant progress in the EV space, so could you just elaborate what exactly are those progress?

Prashant Jain: As I mentioned to the previous participant also that we will not be giving the complete detail in every quarter. As and when there is material information we would like to share at that point of time, we will be telling you because whatever the progress is taking place is in terms of our product strategy and engineering strategy and those are proprietary things, which need not to be disclosed because of the confidentiality reasons, so that is why we are making the statement and we are giving a colour to you is that we are progressing well in order to launch our vehicle in between three to four years timeframe.

Anuj Upadhyay: Fine Sir. Thank you.

Moderator: Thank you. We will take the next question from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Thank you. Sir firstly on our capex plan what was the capex spend for mining FY2018 and what is the plan for FY2019 including the capex for our EV business?

Jyoti K Agarwal: Dhruv, this is Jyoti here. We typically on a steady state basis have a maintenance capex of around Rs.100 Crores. We do not give guidance in terms of the capex, but that is a steady state maintenance capex of our current operation. On the EV we have already announced that the expected capex over the next three to four years would be around Rs.3500 to 4000 Crores, that number is getting revised and we are developing and finalizing the plan, so we will of course be preparing our business plan for next year and then these numbers will be finalized. So we will let you know in the next financial year when we make a final business plan that how much capital expenditure will be there as regards to EV in the next mutual year.

Dhruv Muchhal: Secondly was the Himachal operation, Himachal plants, Sir EBITDA this quarter has declined from over Rs.250 Crores last quarter to about Rs.170 Crores this quarter on a YoY basis. Sir I believe the merchant power prices were much better than what they were in the last quarter. So why is this decline? Is there some true up or something which I am missing?

Jyoti K Agarwal: So you are absolutely right Dhruv, there has been tariff provisions that we have made. Now there are two things here, one is that Baspa has come for mid-term true up petitioning. So we have finalized the numbers and we have filed a petition with the regulator and some true up provisions had to be made this quarter because of Baspa. Then you know corresponding quarter of last year, we actually had to revise some provisions, which we had made in the first two quarters of the last financial year because we had improved visibility of the CERC order by then. You might recollect the CERC order had come in March 2017 and so by around the November, December time we had a good visibility of what the order is likely going to be and we are reasonably conservative in our approach and accordingly we had made some provisions in the first two quarters of the last financial year, which had to be revised, so the steady state EBITDA for let us say Himachal Baspa for December quarter is reflected in the current numbers, but adjusted for the Baspa true up provision of about Rs. 10 Crores, which we have provided this quarter, the rest of the difference can be explained by the revision in the provisions that we made in the corresponding quarter of the last year.

Dhruv Muchhal: Any number to that provision amount is it will help me?

Jyoti K Agarwal: You can look at the difference between the two EBITDAs and I have already told you that about Rs. 10 Crores in each bulk of the balance is explained by the provision reversal.

Dhruv Muchhal: Just last question was on the standalone operations. Sir, if we see our standalone operations are doing well pretty well considering the fuel cost increase. Standalone we have Ratnagiri, in Maharashtra PPA there is an underrecoveries in our fuel cost as the coal prices increasing, the imported coal price. Still EBITDA is improving. So I believe some is due to the O&M improvements, which we have done. Is there something else, which I am missing, or it is a regular flow of operations?

Prashant Jain: It is primarily because of the volumes.

Dhruv Muchhal: Sir because even if the Ratnagiri volumes increase still you should have some under recovery in Maharashtra, I believe, the under recovery in Maharashtra should increase as the fuel price increase?

Prashant Jain: You are missing one point that close to 500-megawatt in Ratnagiri is under the group captive model, which is on two-part basis. So I am at least agnostic as far as fuel prices are concerned. In Vijayanagar also there is a reasonable amount of supply, which I give to steel, which is on two-part basis, and some supply, which is on the fixed cost basis as well. So you know I am getting my fixed cost recovery irrespective of the fuel prices and it is pass through and as far as you know unit one is concerned, the way we have hinted over coal requirements, we are not making any contribution loss for the power that we are supplying to the MSEDCL under unit one, of course we are not recovering our full fixed costs but at a contribution level for every unit of power sold, I am making some small amount of money, but primarily it is explained by the fact that I have reasonably large quantum of power between Vijayanagar and Ratnagiri which is on a two part basis where I am agnostic to the coal prices.

Dhruv Muchhal: Sure Sir. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Thank you for the opportunity. First question is that if I look at the numbers for Raj West and revenue and realization comes to be around 3.6. A couple of quarters back, we had mentioned that we started marking certain provisions on account of being conservative that the true up may not happen on account of certain prior tariff orders. Has there been any provisioning made in the current quarter number as well, that is December quarter numbers that will be my first question?

Jyoti K Agarwal: Yes Anirudh you are right. I think we continue to evaluate the status in the Raj West. There are multiple petitions pending before the APTEL, before Supreme Court and before RERC on the capital cost as well as on the variable cost, on orders that have been passed. Now every quarter we do evaluate as to what is the likelihood of those petitions being adjudicated our way or otherwise, almost every week there is one hearing or the other, so this quarter also based on our assessment, based on the legal opinion we got from our council it is our own internal legal view and our business view, we felt that it is prudent from point of view being conservative to provide for a potential under recovery or potential adjudication of some of the petitions against us. So we have provided almost entirely the difference between the EBITDA of last quarter last year and this year can be explained by the provision. Now going forward, we feel that is depending upon how it evolves there may be further provisions as of now we feel that the current level of provisions is sufficient, over the long-term, when I say long-term I feel over a 12 to 18 month period, we definitely feel that some of the petitions or some of the cases will be adjudicated in our favour. If we have decent enough visibility, then we will reverse these provisions or we will do it after the actual order comes in our favour and we follow this conservative accounting as a matter of principle. If there is a reasonable probability of potential need for a provision then we provide that, but in terms of gains, you know the standards are slightly different, we need to have a very high level of certainty or reliability of those gains.

Anirudh Gangahar: Thank you very much for the detailed answer. The second question would be continuing on what was mentioned in the previous earnings calls that we do have matrix for certain plants, which we are looking it in terms of inorganic growth, there has been no announcement, so I am assuming nothing is finalised, but you did mention that you may go ahead and do look at the JPVL

assets as well, is the subset of the assets that you are looking at still very much in the market or has the thought process changed, that will be my second question.

Prashant Jain: We are very keen on lot of assets and we see a lot of opportunities given the size of our balance sheet and then deleveraging, which we have done and as I mentioned that we are quite confident based on the current demand for growth as well as contraction in the supply which is taking place we feel that this will be an opportune time for consolidation in the sector. So we continue to evaluate the opportunities. We continue to engage in most of the opportunities wherever it makes sense at the right value and so we will keep you posted as soon as anything materializes.

Anirudh Gangahar: Thank you. Just one followup on the first question that was asked the Rs.248 Crores tariff differential that has been adjusted, this is not actual repayment of debt, we had to make the payment of Rs. 248 Crores to JPVL which we are not making and hence this will be set off, is that the way I should understand it.

Jyoti K Agarwal: Yes that is the way to understand it, but you know this is based on actual recovery of this tariff from the Discoms so as and when we are recovering this differential tariffs from the various Discoms from Karcham, we are supposed to make that payment to JPVL, instead of making the payment we are setting it off against these loans, so you are right, your understanding is correct.

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

Moderator: Thank you. The next question is from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: Thank you for the opportunity. Two questions, one is you know you mentioned that on the imported coal you are largely hedged, can you give us a sense on because of the two part tariffs in our fuel pass through. Can you tell us on the larger 2000 odd megawatt which currently runs on imported coal what is the extent to which you have the fuel pass through, is it for longer duration or is it short-term? That's my first question. Second is on the Jalipa mine, you highlighted that you just started extraction and therefore there is an impact of Rs. 20 Crores order for loss, is there a chance that this number could increase

as you ramp up, because traditionally the understanding was that whatever the regulator approves accordingly the entire backward costing is done in terms of the entire value chain which is Raj West, the mining company and minor, so if you could clarify on that how this thing will play out?

Prashant Jain: I will answer the first question and second question I will ask Jyoti to speak. As regards to PPA, whichever PPAs we are having for imported coal based power plants out of 2000-megawatts all are completely pass through. When I say completely pass through means the landed price of the fuel based on the exchange rates as well as on the index of the coal actually purchased. It is completely pass through, so you recover your fixed cost based on the availability of that station and that is how it works and with regard to Jalpa I will ask Jyoti to answer.

Murtuza Arsiwala: Sir, sorry to interrupt, but what I meant is out of the 2000-megawatt what is the quantum of capacity on which you have just pass through?

Prashant Jain: So right now, out of Ratnagiri close to 800 megawatts was totally tied up at least from the time and in case of Vijayanagar it is approximately 100-megawatts, which is tied up.

Jyoti K Agarwal: So overall 900 megawatts, 800-megawatts in Ratnagiri and about 100-ish megawatt in Vijayanagar. So, Vijayanagar you know the power will be supplied to steel as two-part tariff and that number is not hard quoted number and it varies on month-on-month basis, on an average about 100-megawatts you can take as tied up.

Murtuza Arsiwala: So we are about 50% covered and then in Ratnagiri there is the one, which goes to Maharashtra.

Prashant Jain: It includes Maharashtra because Maharashtra is also full pass through. The mechanism is not auto reset, it is formula where there is indexation.

Murtuza Arsiwala: Indexation right?

Prashant Jain: Yes so you get a pass through, it is not that you would not get a pass through it is a lag. Three-month lag to look at that.

Murtuza Arsiwala: But just correct me if I am wrong, on the Maharashtra one is there an element of under recovery because the base that you would have made and then the indexation may still lead to a differential between what has been compensated and the actual cost?

Prashant Jain: You are right Murtuza, we do because this is the way this particular PPA is structured. We also do our coal procurement accordingly; so for some portion of the coal we actually lock in at a fixed level based on the six-month impact and we were able to lock in this full year, calendar year, coal at a very decent level so there is no under recovery as of now, but there is a risk of under recovery your point is taken, we actively get that through our procurement strategy.

Murtuza Arsiwala: The second one Sir, on the Jalipa mine?

Jyoti K Agarwal: On Jalipa, the standard run rate of extraction is about 3.25 million tonnes, between 3 and 3.5 million tonnes and the mine got opened I think in the first week November, now we had anyway petitioned for this year given that this is the first year and still a lot of overburden and all that, we had petitioned for four months, the pro-rata run rate is 1.35 million tonnes, but we had petitioned about half a million tonnes, so anyways there are two components of cost, as you would know, there is a time based cost, which is amortized based on time and then there is an extraction based cost, so that is fixed cost was anyway petitioned at a very low quantity of lignite which was very high. So based on visibility right now in this quarter, we have only extracted about 10000 to 20000 tonnes. We expect that in this year we will be able to extract only about a lakh tonnes but our mine team feels that the way the ramp up is happening we are feeling very, very confident of being able to ramp up to 3 million and 3.5 million tonnes next year so I do not think there is a risk that this loss can go up. In fact, like I was explaining earlier, technically I am supposed to get full recovery of this irrespective what the capacity ramp up I do but because the quantity is less, the transfer prices of lignite looks obnoxiously large so we feel that there is a possibility that the regulator may not allow that so following the principle of conservatism we have provided for these losses - there is a likelihood that we will be able to recover a large portion of this loss going forward.

Murtuza Arsiwala: Would it be fair to say that this number would be a diminishing number and may turn into profit as you ramp up your mines?

Jyoti K Agarwal: I think for this year, the number the quarterly loss that we have taken this year will be little bit similar to next quarter, but from the next year onwards we feel that this number should not be there probably we will convert in to little bit of profit, but look I mean the quarter has just started and it is about a month, so I do not want to give you guidance in this aspect but there could be some losses because the ramp up is taking little bit of time as you would imagine so we may eventually decide to take some more provisions in this quarter but we will cross this when we come to it.

Murtuza Arsiwala: But the Rs.20 Crores would be the sort of the highest loss that you could have seen because you do not need ramp up and therefore the under recovery will reduce?

Jyoti K Agarwal: You are trying to put words in my mouth now. Let us see how the quarter shapes up, we will get through the number when we announce it next quarter.

Murtuza Arsiwala: Thank you so much Sir.

Moderator: Thank you. We will take the next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

Bhargav Buddhadev: Thank you for the opportunity. Sir my first question is that generation for Ratnagiri has increased in the third quarter; so that is on back of any short-term PPA signed with MSEDCL and if yes what could be the tenure for that?

Prashant Jain: So there are two reasons on year-on-year basis, if we see, one is of course merchant environment this year has been much better than the merchant environment in the corresponding quarter of the last year and then last year for the MSEDCL unit #1, there was a shut down due to breakdown of 45 days and to that extent you know only unit #1 was operational only for half the quarter well - this particular year it has been operational for full quarter so that explains why the PLF from the units has been higher this quarter.

Bhargav Buddhadev: Secondly Sir, on the Shakti auction just, I understand JSW contribution, meaning would we will be bidding for replacing imported coal, which is being

used to supply power on a PPA or power which is possibility sold in the merchant market.

Prashant Jain: You cannot sell in the merchant market based on the Shakti linkage coal.

Bhargav Buddhadev: This will primarily for that 2000-megawatts, which is currently being sold under PPA?

Prashant Jain: Yes.

Bhargav Buddhadev: Thank you Sir for the clarification.

Moderator: Thank you. We take the next question from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir any update on the transaction with JSPL for which have given Rs.400 Crores as advance. What is the status of condition to that effect and is it likely to close by June?

Prashant Jain: The status is same as it was in the last quarter and the long stop date is June 2018 so we will evaluate at that point of time.

Atul Tiwari: But are the condition precedents, are they close to being met?

Prashant Jain: There is no progress on those conditions as of yet.

Atul Tiwari: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Thanks for the opportunity once again. Sir on the solar, whatever PPA we have, is it all based on bidding tariffs or is it under the auction?

Prashant Jain: This is right - now we are doing with various group companies. We are replacing the power we buy from the state grids and PPA is based on two-part tariff, based on the CERC principle of 15.5%.

Mohit Kumar: Do we intent to participate in all the upcoming auction for wind and solar or is it too far for it right now?

Prashant Jain: So as I mentioned in my opening remarks that we are seeing stress in the renewable space. Most of the assets where the bidding has happened, the actual ordering or development of the projects are not taking place because of which we are keenly watching the space - as and when the policy environment is clear and as well as there is a clarity we will be certainly making the bids.

Mohit Kumar: Have you participated in the UI of various in-house insolvency based asset or is there any bid which is upcoming which could get finalized in the next two to three months?

Prashant Jain: As I mentioned that we continue to remain interested in most of the assets and so we are evaluating case-by-case basis. As and when any transaction is closed we will update you, but you can consider given the size of our balance sheet and also we have a lot of headroom, legroom available on our balance sheet, we will be certainly looking at consolidation.

Mohit Kumar: One last question, what is the status of true up of Barmer mines and the appeal against the RERC order on the Barmer capital cost?

Prashant Jain: It is still in process at this point of time.

Mohit Kumar: Is there a timeline to the true up of mines, which you can tell me now?

Prashant Jain: We are seeing a significantly positive development in terms of process but it is reasonable to expect that by the end of current calendar year we will see that materialize.

Mohit Kumar: Thank you.

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

Dhruv Mucchal: Thank you. Just to follow up on Raj West question, the EBITDA declined on a Y-O-Y basis - there are two elements to it, one is the fixed cost and one is the variable cost. So this fixed cost, I believe was approved for about Rs.5900

Crores against our higher claim but that amount recognised in FY2017 numbers so the delta change Y-O-Y is it largely because of the variable cost change, change in provisions because of the variable cost?

Jyoti K Agarwal: As far as the fixed cost is concerned for FY2015-2016, FY2014-2015 we have recognized at a higher cost for which there are petitions at both APTEL as well as Supreme Court level and the provision that we are talking about is based on our assessment of how those petitions will shape up. As far as FY2017 is concerned, they are giving the tariff condition recognized at an approved cost. So now there is an upside that is most likely to happen because we have filed a petition against the final approved cost, but till the time we get visibility of the upside we are not going to recognize that.

Dhruv Mucchal: So FY2017 already has the regulatory approved cost yet there is a decline in EBITDA so just wanted to understand the reason for the EBITDA decline because fuel has completely passed through?

Jyoti K Agarwal: Dhruv in FY2017 the receivables they were based on the provisional tariffs. When the final tariff was received based on that we have made the appeal; however, whatever was the differential between the provisional tariff and the final tariff, the provision has been made as a conservative approach. As and when we win our case and appeal, then we will further revise it, but as an abundant precaution and a conservative policy we are recognizing only the receivables, which are received.

Dhruv Mucchal: Okay. Sir now we have moved to actual receivables based revenue recognition, I will get it. I will get it offline. Thank you.

Moderator: Thank you. We will take the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Thank you for the opportunity again. Just a few bookkeeping questions, one is if you could help us with what is the gross debt number on your books that is now on a consolidated basis?

Jyoti K Agarwal: 12566.

Anirudh Gangahar: Thank you. The second one is that would you able to help share the coal consumption the mix between the two plants and high GCV and low GCV coal during the quarter?

Jyoti K Agarwal: One minute. I will get that for you.

Jyoti K Agarwal: I think you can check it offline with our IR team on that part.

Jyoti K Agarwal: Roughly for this quarter it is 42% high GCV and balance low GCV.

Anirudh Gangahar: Sir, what will be the total quantum?

Jyoti K Agarwal: Total quantum is 1.32 million tonnes.

Anirudh Gangahar: 1.32 million and on the coal question you mentioned that the Shakti auction coal as and when you secure the linkage auction, that would be used only in long-term PPAs eventually not in the short-term PPA that we may have in the interim period whether it is from Vijayanagar or Ratnagiri?

Prashant Jain: Yes Shakti linkage coal there is mandatory that you can use it for the PPAs; however, more than one year PPA this is allowed to be used so we will let you know as and when the situation enrolls.

Anirudh Gangahar: Thank you very much.

Moderator: Thank you. Ladies and gentleman as there are no further questions from the participants. I would now like to hand the conference over to Mr. Bhavin Vithlani from Axis Capital Limited for closing comments.

Bhavin Vithlani: On behalf of Axis Capital, I would like to thank the management of JSW Energy for giving us an opportunity to host the call. Before we close I would like to hand the call back to the management for the closing remarks.

Prashant Jain: Thank you very much ladies and gentlemen. As we mentioned that we will continue to work on the three pillars, on deleveraging of the balance sheet and improvement of our long-term PPA profile and also reduction in debtor's cycle, but going forward our focus will be on the growth of our balance sheet and that is what will be flavour in the time to come. Thank you.

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