



“JSW Energy
Q1 FY2020 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the JSW Energy Q1 FY2020 Earnings Conference Call, hosted by ICICI Securities 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. Rahul Modi from ICICI Securities. Thank you and over to you Mr. Modi!

Rahul Modi: Thanks Karuna. On behalf of ICICI Securities, I would like to welcome you all to JSW Energy’s Q1 FY2020 Earnings Call. With that I would like to hand over the call to Mr. Pritesh Vinay, Vice President (Finance) and Group Head (IR). Over to you. Thanks.

Pritesh Vinay: Thank you Rahul. A very good evening to all the participants. On behalf of JSW Energy, I welcome you to the first quarter fiscal 2020 earnings conference call. I am sure you had the chance to go through the results, the press release and the presentation, which are already uploaded on the website as well as the stock exchanges.

We have with us today the management team of JSW Energy represented by Mr. Sharad Mahendra, Director and Chief Operating Officer and Mr. Jyoti Kumar Agarwal, Director (Finance). Prashant, the Joint Managing Director had to step out due to an unavoidable conflict. So Jyoti and Sharad will be driving the conference call.

So, with that I will hand over the floor to Sharad for his opening remarks and subsequent to that we can open up the floor for Q&A. Over to Sharad!

Sharad Mahendra: Good evening friends. Talking about the power scenario, Q1 has been a significant quarter for the Indian power industry. We all have been witnessing, in general, an overall slowdown in the economy in various sectors, but we are happy to tell that Indian power sector has behaved differently and the power demand growth has been 6.7% and if we compare it to the Q4 of FY2019 quarter-on-quarter, which was only 1.6% growth; against that the growth has been significant and going forward also the way we are seeing that this demand is likely to continue to grow, maybe in the range of 6% to 7% going forward during the year.

Overall PLF also has increased marginally from 62.2% to 62.8% year-on-year majorly driven by hydro and renewable. Thermal generation increase has been 4% only. In terms of capacity additions, there has been a capacity addition of 2.2 GW, which is majorly in the renewable sector and in thermal sector the increase is marginal of only 45 MW.

In terms of the coal we saw that the coal demand, the dispatch growth has been negative in terms of catering to the power sector but overall imported coal has shown a significant growth of 41% YoY during the quarter, imported coal was 18 million as compared to 13.1 million last year in the same quarter.

Also coming to JSW energy's performance, as you might have already gone through the results, so just to summarize it, the revenue is up by 1.15% at Rs. 2464 Crores, EBITDA is up by 2% at Rs. 861 Crores, margins we have been able to maintain at 35% level EBITDA margin, which we are happy to say that maybe one of the best in the industry.

With the debt repayment, our interest cost has reduced by 14% resulting in a PBT increase of 24% at Rs. 300 Crores. In terms of other highlights, during Q1, JSW Energy has signed a short-term PPA with State of Telangana starting from July 1, for 300 MW till March 31, 2020.

Also 18 MW power plant has got commissioned at Nandyal for our group captive requirement, and our long-term PPA also has increased marginally to 81.4% now with further addition of 41 MW under group captive at Ratnagiri, and as you are aware that our proposed acquisition of the Tamnar thermal plant of JSPL has been terminated due to elapsing of the long stop date without completion of the stipulated conditions precedent. These are some key highlights, with this we will hand over to you for the questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Just had couple of queries, one if you can elaborate that your generation growth in the hydro sector has been phenomenal, but that is not reflected in the financial results, so what are the reason for that and for Barmer your revenues are high, but EBITDA is lower?

Jyoti Kumar Agarwal: Abhishek on the hydro first, you are right the Q4 has been very good, but this is the first year for a new five-year MYT tariff and because of the efficiencies of the last five years being adjusted in the tariff itself for the new five years, there is a significant provision that we have had to make in this quarter, and so despite the higher water flow the EBITDA is sort of more or less flat, that is the reason why the EBITDA is more or less flat. There is also a small technical one off adjustment that has happened in this quarter; there is a consolidated provision of I think about Rs 18 Crores, which has been pushed this particular quarter into the subsidiary account. So it does not really impact the overall EBITDA, but when you look at the componential EBITDA then the hydro EBITDA is lower to this extent.

These are the two reasons why the EBITDA has not reflected the increase in the water flow. On Barmer the revenues are looking higher because there is a onetime booking of both the revenue and the fixed cost due to a consequential order that we have received for a variable cost pass through for increase in the provisional tariff from 70% to 80%. So essentially you will have to adjust the segmental revenue by about Rs. 212 Crores and if you look at that then you will see that bulk of the marginal decline in EBITDA can be explained by the nature of the two-part tariff.

Abhishek Puri: And if I may ask just a followup on the first part, what is the impact of the CERC regulations put together and you said there was certain provisions to be done on that account as well, what is that related to?

Jyoti Kumar Agarwal: The provision on account of the difference between the last five year MYT and the new MYT is Rs. 43 Crores in this quarter, the Rs 18 Crores provision that I talked about is only an adjustment that is there was a provision, which was made last year, which was a consolidated provision on account of hydro, which has been pushed into the subsidiary account this year. So it does not really impact the overall number, provision related to some lease rents, which were payable, which were under dispute, but I think it was sometime last year third quarter or fourth quarter where we felt that it is better to provide for these lease rent payables, that has got pushed this particular quarter from the consolidated to the standalone, it does not really impact the consolidated EBITDA, but yes standalone hydro EBITDA is lower by that amount.

Abhishek Puri: And 43 Crores is the recurring amount right, just last query?

Jyoti Kumar Agarwal: Yes.

Abhishek Puri: Thank you.

Moderator: Thank you. The next question is from the line of Koundinya from JM Financial. Please go ahead.

Koundinya: Sir my first question is on the fuel cost. If you look at it on an absolute basis on a Y-o-Y there is a fall, but if I look at that on a per unit basis there is an increase in fuel cost despite the falling international coal prices so how can we explain this Sir?

Jyoti Kumar Agarwal: I do not know how you are calculating the per unit variable cost because we do not give per unit variable cost, but I can tell you on a standalone basis there has been a reduction in the variable cost, on a consolidated basis there is a onetime adjustment in the fuel cost because of the consequential order that I alluded to in the earlier question because of which you have a sort of artificial padding of almost Rs 200 Crores in the variable cost. So if you remove that and whatever math you are doing you will realize that the variable cost is actually should be lower on a year-on-year basis although I must also point out that like-to-like for Barmer because of the provisional tariff being higher from 70% to 85% there is almost 40, 45 paisa higher variable cost that we are recovering on a year-on-year basis, so that is also adding to the increase in the variable cost.

Koundinya: So this has impacted the PAT as well is it?

Jyoti Kumar Agarwal: No, not really, as I explained this is a full pass through so it is added to the revenue as well as to the variable cost there is no impact on the EBITDA or PAT.

Koundinya: Sir and if I look at the realization number as well it has fallen on a Q-o-Q basis despite not much of a change on the merchant rates or on the fuel cost, so how should we look at this because I remember that in one of the earlier calls you said that our intra-group PPAs also there is a pass through of coal prices despite them being international coal prices whatever. So I am just trying to understand why the average realization has fallen on a Q-o-Q basis.

Jyoti Kumar Agarwal: Again I do not know where you are calculating the realizations from, are you talking about standalone or consolidated?

Koundinya: Consolidated Sir.

Jyoti Kumar Agarwal: Well I am not so sure the realizations have actually fallen. I think on a standalone basis, because of the fuel cost pass through, the realizations have fallen, but the dark spread has actually widened because the fall in the realization was only for some portion of the power that we sell under the two-part tariff, but there is a reasonably decent portion at the standalone level, which we sell on a fixed prices either on the exchange or short-term PPA or also under the group captive there is about 50- 60 MW under fixed price basis, so because of the fuel cost falling the dark spread actually widened. At a consolidated level actually our unit realizations have actually gone up although we do not give that number, and this is primarily driven by the Barmer effect where we have to both increase the fuel component in the revenue by almost 40 paisa on a steady state basis and also because in this one off consequential order impact of Rs 200 Crores your realization actually has gone up in this quarter.

Koundinya: Okay Sir, maybe I will take it offline, I think it is better if I take it offline.

Jyoti Kumar Agarwal: Sure.

Koundinya: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal. Please go ahead.

Dhruv Muchhal: Sir the coal prices are falling sharply, I believe in the Maharashtra contract in Ratnagiri you have some under recoveries in the fuel cost, if you can help us understand probably some not in the exact number, but some understanding of how does it flow, the coal prices have fallen so how does it benefit the Maharashtra contract, some portion of how does the under recoveries declined there?

Jyoti Kumar Agarwal: No what happens is that the Maharashtra contract there is a fuel cost adjustment, which happens on a look back basis, based on how the indices have been over the last six months and so for the next six months there is an adjustment, which is done based on how the indices have been, so the fuel prices have actually been on a downward trend as far as the unit 1 Ratnagiri is concerned and our under recoveries have actually reduced because of that, as you know that because of the look back effect, the adjustment in the tariff will happen more in the next six months period whereas we are getting the benefit of higher elevated fuel cost six months earlier, but net-net there has been a slight benefit in terms of the under recoveries being lower as far as unit 1 is concerned.

Dhruv Muchhal: If you can probably give some color on the under recoveries is it possible, what the under recoveries are say for example in the 4Q and what they are now?

Jyoti Kumar Agarwal: No, we do not give unit wise, we do not even give plant wise, but I will explain to you the mechanism under which it work. I think it is not right to look at it on a quarter-to-quarter basis because like I explained to you this will get normalized if the fuel price is stabilized and it will work against us when the fuel prices rise. So net-net one can say that the under recoveries will more or less over time be similar in nature.

Dhruv Muchhal: Sir what I am asking is because on a Q-o-Q basis although it is not completely right to look at, but on a Q-o-Q basis the standalone EBITDA is increased from about Rs 140 Crores to about Rs 250 Crores. So I was just trying to understand the execution broadly?

Jyoti Kumar Agarwal: I will explain. Our revenues have actually gone down on a standalone basis, but our EBITDA has gone up, this is largely because the fuel cost fall has been higher than the fall in the revenue and I think I explained in the earlier question that not 100% of our power in standalone is on a variable two-part tariff variable cost pass through. There are lot of power we sell on short-term as you know and also under the group captive there is some capacity, which is on a fixed price basis. So our realizations remain the same. On the two-part basis the realizations went down, so that explains why the overall revenue went down, but our variable cost went down across the board right so the dark spread actually in this particular quarter has been better and that is why our EBITDA has gone up.

Dhruv Muchhal: What is the quantum which is under fixed price under the captive is it significant?

Jyoti Kumar Agarwal: As far as the short-term is concerned almost 100% of the short-term is fixed price as you know, other than that, in unit 1 at Ratnagiri we have about 55-60 MWs, which is under fixed price.

Dhruv Muchhal: And Sir secondly do we have any short-term contracts for Ratnagiri?

Jyoti Kumar Agarwal: Yes, we do have short-term contracts, but these are really short-term, 15 days, one month those kind of contracts, so a part of the power that we sold in Ratnagiri this particular quarter like in every quarter it is very, very, short-term 50 day, one month contract.

Dhruv Muchhal: I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities Limited. Please go ahead.

Rahul Modi: Sir just a couple of questions. Sir are we seeing any medium-term to short-term contracts upcoming in the market, which we are looking to target?

Sharad Mahendra: Yes, as we said in the opening statement that one short-term contract, which was there, which we have signed during Q1 effective started from July 1, 2019 till March 2020 for nine months that is with one of the southern states and also for the medium-term there is a bid, which is there, which where we have also participated and we are among the shortlisted generators wherein which was

through PFC the second lot which came through PFC for 2500 MW, wherein some of the states have started showing interest and with NHPC as the aggregator, they are in the process of aggregating from various states, which was expected to start from October 1, 2019, but yes the states have started showing interest and they are in the process of aggregating. There may be, as it happened in the first bid, some delay by few months, but yes there we are also one of the generators with 290 MWs for a period of three years.

Rahul Modi: That is not canceled because there were some reports suggesting that the bid has been called off due to high prices quoted.

Sharad Mahendra: No, not at all, it has not been canceled. Some of the states have already given their interest to NHPC and they are in the process of aggregating from other states also. Process is a bit slow, but yes it has not been canceled, and this is still on, it might get delayed by a few months that is all.

Rahul Modi: And Sir in Ratnagiri we have seen that obviously there has been a decline in the standalone volumes that is generation volumes during the quarter. So for the full year how do we see that panning out? Obviously Vijayanagar would be in a better state once we start supply to Telangana, but how do you see Ratnagiri panning out during the year.

Sharad Mahendra: During the year we expect, maybe, as was said earlier by Jyoti also, that we definitely go for short-term contracts, wherein we see we have the visibility going forward and as we see it during the quarter we have tied for the quarter some capacity under short-term for July-September quarter, which was not the case last year. There we got the opportunity for almost, may be close to about 300 MW, ofcourse there may be due to seasonality some kind of back downs, but definitely the capacity is tied up and we are supplying under short-term during the current quarter also.

Jyoti Kumar Agarwal: For the full year I think we should be up, for the simple reason that we have also tied-up another 41 MWs under the group captive within the group and that ratio is likely to only increase and the shortfall, as the first quarter is concerned, is only marginal, I think it is about 4%, so I think for the full year we are likely to meet last year's volume or maybe even exceed, that is the view that we have.

Rahul Modi: Sir just a final question from my side. Sir we have seen the average cost of debt that has gone up to around 9.2 if you can just throw some light on that as to what is the reason for that trend?

Jyoti Kumar Agarwal: No that is for another reason that there has been an MCLR reset in the last week of May for the hydro debt and hydro is almost like 50% of the overall debt, which has led to increase in that portion of the debt by 30 basis points. The MCLR is the one year MCLR it gets reset every year, right, so incidentally it got reset before the full pass through of the monetary policy easing, for it to take effect but it is still what it is, that is the primary reason why the average rate has become higher by whatever you are seeing. We expect that the pass through of the monetary policy should happen over the next two, three months and a lot of the other debt is coming for reset over

the next two, three months, so this effect is likely to be nullified because of further resets happening at a lower level.

Rahul Modi: And the bonds that we are looking to raise now that we would obviously be getting lower rates?

Jyoti Kumar Agarwal: Yes, so this is an enabling resolution and if you see if we can lock in attractive rates given the current at least expected rate environment and also rollover some of our debt so that we have cash flow cushion to hopefully expand both organically and inorganically. We are looking for some stressed assets, also we are looking for expansion in the renewable side and so this is more an enabling resolution depending upon what can be tied up at what rate or what term we will then tap into this capability.

Rahul Modi: And Sir just your very broad view on what could be the rates like in a very broad range also would be good?

Jyoti Kumar Agarwal: You mean the rates on the entities?

Rahul Modi: Yes Sir.

Jyoti Kumar Agarwal: No, that would depend, see it depends upon what the market is, also the tenure, if you were to do let us say really long dated rates would be different when compared to short dated so it is all a function of the market there, a rated company AA- and so although the bond market below AAA is not that deep, but nevertheless it is not very difficult for you to get a sense of what the current issuances for AA- are trading at, but idea is only to do it if there is a meaningful arbitrage between our floating rates and the fixed rates given the fact that we would be locking in this rate for a reasonably long period of time. So we will have to just ensure that the arbitrage is juicy enough before we actually take a call on the NCD front.

Rahul Modi: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Inderjeet Bhatia from Macquarie. Please go ahead.

Inderjeet Bhatia: Couple of questions. First is just a clarification; on this Rs 43 Crores number that you mentioned for the CERC, is this the same as the multiyear tariff issue that you talked about?

Jyoti Kumar Agarwal: Yes.

Inderjeet Bhatia: This Rs 43 Crores would come only for first quarter or we should expect the same adjustment to be done for the remaining three quarters also?

Jyoti Kumar Agarwal: I think this number would vary, but this is a permanent sort of a tariff adjustment, which will happen for all the quarters.

- Inderjeet Bhatia:** The second is, given that we have now crossed 80% in terms of our long-term PPAs is it possible to kind of put a number as to because all of this would be on a pass through basis with a certain minimum ROE attached to it, so what would be the regulated equity base now for this whatever 81% of our generation base is there a number that you can put to that?
- Jyoti Kumar Agarwal:** No, we do not disclose the regulated equity but I think the way to look at it is that with that kind of a capacity getting tied-up under long-term PPA the volatility of our cash flows would be significantly reduced. Obviously we do have lot of assets, which are not yielding the 15%, 16% ROE including investments in steel shares, etc. Now once we get back on the growth part, which we are trying to do through stressed asset acquisition as well as renewables, and that surplus investments are deployed in ROE generating investment, at a corporate level you should see ROE trending up to the mid teen returns, which is what our target is, but yes on a regulated equity we do not disclose that number, but that is not the way I think we should look at it, we should look at it from a stability of the cash flows point of view.
- Inderjeet Bhatia:** No, that is I think is well appreciated that obviously with higher long-term PPAs that number would go up, but that still kind of gives a visibility as to what is the base level of profit number that we should work with and just is basically all depends on what kind of merchant rate we have. Just last one, is there a outlook that you would want to share in terms of what you think will happen to the merchant prices, earlier we use to give guidance on what would be our merchant realization, but broader what you think FY2020 will play out like?
- Jyoti Kumar Agarwal:** We have stopped giving our guidance on merchant prices
- Inderjeet Bhatia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** On the capex part just wanted to understand in solar we have put up some of the assets, so what is the capacity under construction or under commitment for that what are the capex plans for the current year and is that includes any of the FGD plans, as Ratnagiri is already compliant, for the rest of the two?
- Jyoti Kumar Agarwal:** Yes, so we have 10 MW of solar, which is already installed and already commissioned other than that there is no capex on any renewable project that we have committed yet. We are of course exploring both within the group and outside the group for projects, but no capex is committed as far as renewable is concerned. There is obviously the 18 MW x 2, the two thermal plants that we have, one of them we commissioned and one of them is about to be commissioned, but there again the capex whatever had to happen has already happened about Rs 35- 40 Crores of capex happened in the first quarter, but that has already been done, so no further capex will happen on that front. The routine maintenance capex on an average is about Rs 100 Crores for the year. I think it is more or less linear in terms of the time. So maybe Rs 60 to 75 Crores further capex on

the normal maintenance capex will happen. As far as the norms are concerned, this year there is no committed outlay on that, but yes 2021 and 2022 there will be some outlay both for Vijayanagar as well as for Barmer for FGD compliance.

Abhishek Puri: So for the current year it is about Rs 100 Crores maintenance and Rs 40 Crores that we have already done for solar?

Jyoti Kumar Agarwal: As of now obviously, if we plan a solar project, which right now is not planned, then the capex number can change, but as of now that is the capex guidance that we would like to give.

Abhishek Puri: And on the solar projects could you remind us you mentioned I guess in the last call as well, but would we be bidding for utility scale or it will be largely the small group captive funds?

Jyoti Kumar Agarwal: No, so both for group captive as well as for non-group captive it will be utility scale when I say utility scale this would be reasonably large project from a renewable point of view – 200 to 300 MW. We are not doing a small project like what we have done so far, the 10 MW that we did was more to sort of get into this space and there were some obvious low hanging fruits where we are replacing grid power with solar power, but the ones we said we will be embarking on will be large in the range of 200 plus MW.

Abhishek Puri: And any plans to participate in the transmission bids as well as distribution franchise as a business or you will stick to solar and thermal?

Jyoti Kumar Agarwal: No plans as of now Abhishek for transmission and distribution.

Abhishek Puri: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Sir wanted to understand basically on the inorganic expansion. Post the revised circular by RBI are we seeing some traction over there and are we like really closely looking at some assets.

Jyoti Kumar Agarwal: No, I do not think there has been improvement in traction as such or any change in traction after the RBI circular I think the discussion that was happening continue of course, there is a little bit more clarity post this circular in terms of the process or the overall manner in which some of the resolutions will happen. I think the process for resolution has been slow in general and that trend continues. We have not seen any major pickup because of the circular.

Apoorva Bahadur: And Sir in solar I believe earlier you use to say that, the strategy was to avoid solar because of very, very aggressive bidding, high competitive intensity. So why the shift in strategy? Are we foreseeing a decline in competitive intensity in solar? and also the expansion in solar will it only be organic or are we also open to inorganic expansion in solar project?

Sharad Mahendra: Yes, see the thing is that competitive intensity what you are seeing, if we see that, what we have been saying till now or during the previous year that when we were seeing that the participation from various companies were in such a way that competition we were seeing was not really like-to-like from how we see the business, as we see the business from a long-term perspective. What we were seeing till now that the participation was from a majority of players looking for a short-term period not from long-term perspective, so that was the reason we were avoiding it. Further the tariffs, which were being quoted, which went down to maybe 2.44 to 2.5 levels, were not at the right level, but in recent times if you see the tariffs have been stabilizing in the range of 2.6 to 2.8 levels, which are workable. Also the participation is getting limited, which has been witnessed from the recent key bids and also and from one or two of the state bids of Maharashtra, where recently participation was only from one or two organizations. So we feel that for us it is a better time, right time, to enter into the space and we will definitely be very, very prudent in terms of the tariffs and the returns, but yes to summarize we see that it is an improved environment for us to participate now.

Apoorva Bahadur: Sir any inorganic expansion in solar, if there is an opportunity?

Sharad Mahendra: We keep on exploring, and if anything comes, the key will be that the tariff has to be reasonable and low, and not high. There are many high tariff assets, which we have been approached with and where we are not interested because it does not have a long-term sustainability. We will be definitely interested if there is any good assets with a lower tariff not high tariff.

Apoorva Bahadur: And Sir lastly if I may know now that the new LC mechanism that the government had introduced it is sort of operational so what is the update from there what are we seeing? Have we received this LCs for all our assets?

Sharad Mahendra: Yes there has been, majority of our business was already covered with the LCs and the payment security, few which were not, yes there has been a positive movement wherein we have also received payment security from few of the DISCOMs which we were not having earlier and this is a positive movement as we are seeing the approach from the DISCOM to ensure that the payment security is there.

Apoorva Bahadur: You mentioned that most of our assets were already covered under the LC but not really sure if we actually ever enforced that mechanism, so now are we seeing from a payment discipline point of view has it, was it too early to say that it has been improving now?

Jyoti Kumar Agarwal: See yes definitely it is a bit early to say but at least the approach from the DISCOMs and the awareness towards this has definitely showing positive signs, but how practical it is to enforce the encashment and using the payment security is a bit early to comment on right now.

Apoorva Bahadur: Thank you so much Sir.

- Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique AMC. Please go ahead.
- Pratik Kothari:** Sir you mentioned in your initial remarks that power sector, which was growing in the first quarter by 6.5%, 7% and I think we saw a similar number in July also so what is mainly driving this growth?
- Sharad Mahendra:** See mainly what is driving this is basically the rural electrification, and the demand from the rural sector is one of the major drivers right now, which going forward will also be there. Overall when we say that the demand will continue to grow, what we are saying is that the slowdown in general, in the various sectors, we feel will be temporary and has not significantly changed the fundamentals of the Indian economy in short-term and the economy is likely to be better going forward during the quarters in the current year, but yes rural demand is the one which is the major driver right now.
- Pratik Kothari:** So this is the household demand which you are talking about?
- Sharad Mahendra:** Yes.
- Pratik Kothari:** And Sir is this just on a benchmark number the number of units, which we generate and the revenue which you will make out of it, that gives a ballpark number of your average realization, you do not share that number, but for us is that a good approximation?
- Jyoti Kumar Agarwal:** Yes, that would be a good approximation although one has to be mindful of adjustments due to the components of the revenue there, but the absolute information that would be very good broad approximation.
- Pratik Kothari:** And Sir last question given in the end of FY2019 I think we were at 75% to 80% India as a country in terms of optimal electricity generation and units or whatever, given the power is still growing by 7%, some old capacities are getting retired, do you see some green shoots of larger long-term contracts for TPS coming into picture because everyone now would want to have power source for the next few years.
- Jyoti Kumar Agarwal:** See presently we do not see any significant positive reports about long-term PPAs especially from the thermal sector, but in the renewable sector especially solar and also going forward in hydro definitely we see that there will be a long-term PPAs coming up in medium-term.
- Pratik Kothari:** Thank you so much Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir the medium-term PPA of NHPC, I do not know whether this question was asked earlier, so what is the status right now, is the bidding happening?

Sharad Mahendra: Yes, definitely like few of the states, as I said earlier, have already given their letters to NHPC with their confirmed requirements and though the process is slow and it is behaving exactly the way the first bid did, which came from PFC/PTC, earlier bid was also delayed in getting commissioned. This also has the commission date from October 1, which may also be delayed by a few months, but yes process is very well on and few of the states have already given their interest and requirements.

Mohit Kumar: As far as this particular quarter, hydro generation was quite high but the EBITDA is more or less similar number is there any particular reason why it is so?

Jyoti Kumar Agarwal: So we addressed this question earlier in the call, but nevertheless I will repeat for your benefit.

Mohit Kumar: I got dropped of this sorry.

Jyoti Kumar Agarwal: No worry for your benefit I will repeat. Essentially this has got to do with two main reasons: one is the adjustment because of the difference in the MYT tariff regime for the last five years versus the next five years. This is the first year of the new five year period, so that is primarily the reason. Also there is a one off transfer of a provision from consolidated books to the standalone books, this does not really impact the consolidated EBITDA, but affect the EBITDA of the hydro company because this was a consolidation adjustment moved to the company. The adjustment had happened last year, but the move to the individual company happened this year, so to that extent the impact is about Rs 18 Crores, and the hydro EBITDA is showing lower.

Mohit Kumar: What is happening with the Barmer the mines at Jalipa and are we doing the mining still as NTPC has floated tender, is it right?

Jyoti Kumar Agarwal: JSW Energy is not really doing any mining there, we have a mining concession under 51:49 JV with the state government and the mine development operator is a group company, but JSW Energy has nothing to do with that. There, a fresh tender has been called for, I think the bids are happening towards the second half of this month and NTPC is running that and whoever is the cheapest MDO will get the contract. For JSW Energy it does not really matter because this is a component of the variable cost so the direct end whether it is high or low it is a full pass through for us, but obviously for the interest of the consumers we would like that variable cost to be as low as possible, hopefully this competitive bidding should be able to bring down the cost.

Mohit Kumar: And Sir what is the status of true-up for mines?

Jyoti Kumar Agarwal: You are talking about the true-up of the variable costs. Once the MDO happens then the variable cost growth will also happen, so it is kind of happening or going to happen sequentially based on the discovered prices and the final variable cost determined by the regulator.

- Mohit Kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.
- Abhinav Bhandari:** Sir couple of questions, one is on this Raigarh 1320MW coal based plan that we have, any intent to go ahead on it and if not when do we expect a write-off of the investment that we have already done on that?
- Jyoti Kumar Agarwal:** It is a good question. The first question answer is very easy, there is no plan to sort of do greenfield and so there is no visible plan unless there is a revival in the power sector especially the thermal power sector to sort of put incremental capex on that. As far as the invested amount is concerned we do have land as part of the investment that we have made and as part of the overall investment we think the amount that has been spend so far is fully realizable, so unlikely that we will be writing off the investment that we have made because the land is a freehold land in our books and that is more than compensating the investment that we have made.
- Abhinav Bhandari:** Yes sir, the second question was on the Tamnar money when do we expect it to come back?
- Jyoti Kumar Agarwal:** So, we are in discussion with the company and the company is in discussion with their lenders and we are trying to work out a plan for repayment of this over the near-term, the interest is fully being serviced and principal has also got paid, Rs 50 Crores I think in the beginning of this year, around January end and for the balance Rs 331 Crores, we are working out a plan of repayment, which sort of ties in well with the overall cash flow situation of the company vis-à-vis the other financial lenders are concerned. We hope to be able to recover this amount very soon.
- Abhinav Bhandari:** And one last question Sir on the annual report side. So there are a couple of entities the Mauritius natural resources and South Africa natural resources, to each of the entity if I remember correctly the equity plus loans given is something about Rs Rs 380 odd Crores the current carrying values are about Rs 150- 160 Crores, the rest of it is all provided, it was provided in two steps, I think the first provision was some Rs 80 odd Crores done three-four years back and I think in last year or the year before last we took another provision of almost about Rs 150 Crores. So the current carrying values are only about Rs 150 Crores there, which is fully recoverable based on the impairment assessment that has happened I think end of last year.
- Abhinav Bhandari:** And one last question Sir on the Toshiba JV, is there intent to invest more equity to keep the JV running? How much is our contribution on that front and have we already invested that amount?
- Jyoti Kumar Agarwal:** No, so look, that business is a business that strategically we have decided we will not be investing in. Against I think Rs 100 Crores of investment by JSW Energy, the accumulated losses have completely wiped off that investment. So there is no real impact right now of additional losses that the company is making on JSW Energy's book. In terms of the rights issue, which the company did, JSW Energy did not participate and to that extent our shareholding has come

down. Strategically speaking that is not a business that we would like to invest further money into.

Abhinav Bhandari: So what is the current shareholding?

Moderator: Mr. Bhandari we request you to please rejoin the queue we are unable to hear you. The next question is from the line of Ritwik Seth from Oneup Financial. Please go ahead.

Jyoti Kumar Agarwal: Our current Shareholding is about ~8% but there are some further tranches of money which will go into the company so it will come down even further. We can take the next question.

Moderator: Thank you. The next question is a followup from the line of Ritwik Seth from Oneup Financial. Please go ahead.

Ritwik Seth: Sir couple of questions, firstly in the working capital in FY2019 we saw an increase by Rs 350 odd Crores on the receivables, any improvement that we have seen in the current quarter?

Jyoti Kumar Agarwal: No, the working capital continues to be blocked and this particular quarter there has been a little bit of a worsening largely because the payment cycle of DISCOMs. The Rajasthan DISCOMs have worsened on a sequential as well as on a year-on-year basis. There is some additional inventory that we had booked expecting a better than actual environment in terms of the merchant power offtake so they carried a little bit more inventory than normal, but this will get corrected over the next couple of quarters. So the working capital continues to be a little bit worse than what it was last quarter and the corresponding quarter in the last year.

Ritwik Seth: And should we expect it to worsen year-on-year by March 2020?

Jyoti Kumar Agarwal: I think it should improve, the inventory position should definitely improve and as far as the DISCOM situation is concerned our belief is that with all these efforts and initiatives by the ministry in terms of payment security mechanism and ensuring payment compliance we think the situation should improve although it will happen in a gradual way.

Ritwik Seth: And Sir second question is on the cash flow, which is in excess of Rs 1000 Crores annually and a part of which we have been repaying over the last several quarters so what is the plan for FY2020 and going forward as we have been counting for acquisition but we have been not successful in that part so is there any plan that if in FY2020 we did not get any new assets then we could increase our dividend for the year because we are generating like easily Rs 1000 Crores free cash flow after the capex and working capital on an annual basis, so just wanted your thoughts on that?

Jyoti Kumar Agarwal: This is a good question we will evaluate this when the time comes for deliberating whether we should make the dividend payment or not, which is I think is three quarters away, but till that time, look we have followed a very simple policy when it comes to cash flows. If we do not have

visible opportunity to deploy in growth capex then we would be reducing our debt. What this does is, it enables the company to tap into the debt capital markets both on the bond side to take steps on the organic or inorganic growth front, but carrying cash in the books is very negative there is almost 2.5% to 3% drag, which we try to avoid. So that policy will remain in terms of whether we can up the dividend from the Re.1 that we gain this year to higher numbers that is a question, which is a little bit premature right now, but if let us say we really do not see any opportunities for growth then that is the question that we will definitely consider when the time comes.

Ritwik Seth: And lastly Sir on the hydro project or the 260 MW any updates on that?

Jyoti Kumar Agarwal: 240 MW.

Ritwik Seth: Yes 240 MW sorry.

Jyoti Kumar Agarwal: Yes 240 MW Kutehr project; we have already invited the interest in terms of various parties for the construction purpose, which is in the process and in next few months we expect the process to get completed. Partly we have already identified and finalized also in some part of the project construction and balance process is on and going forward in next few months we expect the process to get completed. Ideation in terms of equipments and all, for the construction of the project can start and in addition to that regarding PPA for this project, discussion is already on, we have already participated and shortlisted amongst some, but the process in terms of the finalization of the PPA and other things, the discussions are on, and maybe we also expect that going forward in next few months this process also to get completed simultaneously.

Ritwik Seth: So we will be waiting for the PPA to get approval and then go ahead with the construction is that understanding right?

Jyoti Kumar Agarwal: Yes, to more or less it should fall in place, but that understanding is correct.

Ritwik Seth: Thank you and all the best Sir.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you Sir!

Pritesh Vinay: Thank you very much for participating in this call. In case there are any followup items that you want clarifications on, please feel free to reach out to us in the investor relations team. Thank you.

Sharad Mahendra: Thank you so much.

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