



“JSW Energy
Q3 FY2022 Earnings Conference Call”

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ANALYST: MR. RAHUL MODI – ICICI SECURITIES LIMITED

MANAGEMENT: MR. PRASHANT JAIN - CHIEF EXECUTIVE OFFICER – JSW ENERGY LIMITED
MR. PRITESH VINAY – CHIEF FINANCIAL OFFICER – JSW ENERGY LIMITED
MR. ASHWIN BAJAJ – GROUP HEAD INVESTOR RELATIONS – JSW ENERGY

Moderator: Ladies and gentlemen, good day, and welcome to the JSW Energy Limited's Q3 FY2022 Post Results Conference Call, hosted by ICICI Securities. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Modi. Thank you and over to you Sir!

Rahul Modi: Thank you Aman. On behalf of ICICI Securities, I welcome you all to the Q3 FY2022 Earnings call of JSW Energy. We have the senior management from the company representing this call. JSW Energy started the calendar year with great set of results. Congratulations for that to the entire team. I will hand over the call to Mr. Ashwin Bajaj, Group Head, Investor Relations, who will introduce the management and start the call. I would now like to hand over the call to Ashwin. Thank you and over to you Sir! All the best!

Ashwin Bajaj: Thank you very much Rahul and thanks for hosting the call. Good evening everyone. It is my pleasure to welcome you to JSW Energy's results call for Q3 FY2022 as well as an update on our renewable led growth strategy. We have with us today Prashant Jain, our CEO and Pritesh Vinay, our CFO. We will start with the opening remarks by Mr. Jain and then open the floor to Q&A. So with that over to you Mr. Jain!

Prashant Jain: Thank you Ashwin. First of all a very Happy New Year to each one of you. During this quarter the power demand went up by 3.4% and first nine months the power demand went up by 9.6%. Of this the generation we saw in the first nine months 10.8% generation was increased by thermal, hydro was more or less flat and renewable generation was up by 14.4%, which demonstrate that the entire growth is now being met more and more by renewable energy capacity, which was also reflected in terms of the capacity addition which I will be talking a little later.

During the end of the quarter December 31, 2021 the total installed capacity is 393 gigawatt. The total net capacity addition in first nine months is 11 gigawatt of which small capacity of net capacity of 491 megawatt were added in thermal, rest all came in renewable space, which talks about that how the incremental power demand is being met by the renewable energy.

During the quarter the average merchant tariff was Rs.4.89 and first nine months it was Rs.4.7 as compared to the last year same quarter, Rs.2.76 and Rs.2.58 last year first nine months. We have demonstrated a very good performance in terms of the hydro generation which was up by 13%. Net generation overall was down by 3% primarily because our 300 megawatt unit in Ratnagiri was under maintenance since September 1 till date. It is expected to start generation by end of February.

Excluding that, in all business verticals, thermal, hydro, the generation has been very good. We have seen a very good short term sales also because of lower O&M costs and higher short-term sales and better operational performance in terms of the lower auxiliary power consumption and better heat rates.

Our EBITDA has been highest in Q3 EBITDA in last five years at Rs 882 Crores and similar thing has been observed in the profit after tax. In the first nine months we clocked more than Rs 860 Crores of the net profit, which is more than what we clocked in the last full year at Rs 790 Crores and this performance is going to continue going forward.

The receivables were down 20% at Rs 1356 Crores by 20% as compared to ~Rs 1700 Crores last year because of this our net debt has come down to ~Rs 6000 Crores lowest ever, we reduced ~Rs 500 Crores of the net debt during the quarter.

Our interest cost has come down to lowest number of weighted average at 7.82% as compared to 8.24% same period last year and 8.04% last quarter, current year. All this has reflected to our net debt to EBITDA to the falling sharply lowest in the industry and also for the company at 1.74 times.

In terms of the projects, we have been growing better than our expectation. As we discussed last time the company has undertaken 2.5 gigawatt of the projects which are under construction with a capital outlay of Rs 15600 Crores. The first project of 225 megawatts will get commissioned in the current quarter and Q1 next year onwards every year the commissioning will keep on happening. This demonstrates the execution capability of the company.

We are the only company in the SECI IX, SECI X grade which is going into commissioning whereas other people are still in a PPA signing mode and various other formalities. Next year we are expecting between 1 gigawatt to 1.3 gigawatt of the capacity commissioning and this will entail that we will be making a capital expenditure of in excess of Rs.8000 Crores to Rs.10000 Crores next year and every year.

One more notable point while the company has been in a capex mode for last three to four quarters with a capital outlay of Rs 15000 Crores and we will be getting into the commissioning of the first project in the current quarter, our net debt has been coming down. This talks about the unique positioning of the company, our cash flow management and various instruments which had been deployed thereby the debt draws is happening at the time of the commissioning of the project which reduces the IDC and also improves the credit rating and profile of the company.

With regards to the reorganization of the business we have already filed before NCLT in which the amalgamation for merger of JSW Future and Neo has been filed and it is moving as per the expected lines. We are expecting that by within next six to nine months timeframe this exercise should get completed.

Our hydro project is also moving better than our expectations. We have already completed 60% of the tunneling. At the pace at which this project is moving this will be the fastest ever project built in this country, any hydro project with the COVID 3.0 wave with various lockdown and COVID restrictions in spite of that this will be the fastest ever project built in the country.

With this I am happy to hand over the floor for question and answer. Thank you very much.

Moderator: Thank you very much ladies and gentlemen. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: Thank you. The capex that you have currently incurred of Rs 1600 odd Crores on 2500 megawatts that is under construction and some of these projects would be would start commissioning from March onwards so why is the capex so low so one is that and if you can break down this capex as to what is the capacity in the SECI projects that you have incurred? What is on the captive projects and what is on Kutehr, please? Thank you.

Prashant Jain: Pritesh you would like to take this question?

Pritesh Vinay: Vishal, thank you for your question. So there is capex spent and there is capex cash outflow so when we put in the presentation spent of Rs 1640 Crores that is the cash that has been spent. Of course this is not the total expense that has been incurred, over and over this we bought commitments of close to Rs 5200 Crores so totally if we were to look at the commitments that we have made, the commitments are you know well almost close to Rs 7000 Crores which is more than 40% or 43% of the total pipeline of Rs 16000 Crores because obviously the idea is this that how do we, the point that Prashant was also trying to make earlier that you do not spend everything upfront. For example, for the solar panels when we place the orders, we have to open an LC that is a non-fund based exposure. That does not entail an upfront cash outgo but you know we will be commissioning that particular project during this quarter itself and revenues will start flowing from next quarter onwards but once the LC is becoming due there will be opportunity to look at taking an use ons another leg of use ons and getting an additional 180 day credit period and all that before the actual drawdown of the term loan debt happens because then you make some interest rate arbitrage so the idea is there is a point that Prashant is also making that from a project execution, project management point of view we are also kind of deploying what are going to be the more efficient ways of squeezing the cost and ensuring that the returns get a kicker in some way shape or form, so that is how we are going about it. In terms of the breakup you asked, I think that was the second leg of the question. So if I look at this capex that we have incurred during the nine month period we are what we have incurred is actually close to Rs 1150 Crores and in this on Kutehr alone we would have spent about close to Rs 300 Crore, on SECI both IX and X projects combined you would have spent about Rs 450 Crores, on the group captive which is the 958 megawatt we would have spent close to Rs 320 Crores and the balance would be for the normal capex that we are doing on the existing operational plants. So that is the broad breakup.

- Vishal Biraia:** The other question is update on the pumps hydro storage projects?
- Prashant Jain:** I will take that question. So as far as the hydro pump storage projects are concerned, we have already got the water allocation in two projects one is in Maharashtra for 1.5 gigawatt and also in Rajasthan for one gigawatt and we have already applied for environmental and forest clearances and techno-economic feasibility report is under preparation. Once techno-economic feasibility reports are done they will be submitted to CEA and then post that they will start construction of the project and in various other states in Karnataka, in Andhra Pradesh, Telangana and Odisha and Chattisgarh there are various other projects totaling up to 10 gigawatts, which are in advanced stage of the allocation and various other stages. So we are expecting that the first project we will start construction sometime end of next financial year or early FY2023-24.
- Vishal Biraia:** What would be the capex for this particular project that you are referring to?
- Prashant Jain:** Different projects will be different. It will be anywhere between Rs 2.5 Crores to 3.5 Crores or up to Rs 3.75 Crores per megawatt. So typically these projects are six hour peaking cycle which we designed which entails for approximately 25% PLF but you can imagine that it will be more than twice as efficient typically hydropower projects you build at Rs 12 Crore a megawatt you achieve 50% to 55% PLF, here you will be 25% or less than 25% of the project cost and half the PLF. So in terms of efficiency they will be double the efficiency, more than double.
- Vishal Biraia:** Thank you very much. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Thank you so much for the opportunity Sir and congratulations for good set of numbers. Again follow-up question on this pump hydro projects so will we be signing PPAs for these or will be for green hydrogen production given that it will require round the clock power?
- Prashant Jain:** We have a lot of opportunities and options on which we are working so we will be probably the way we are seeing that we will be instead of PPAs also there will be a various services which we can offer because like today to give you examples if I am sitting in my BKC Office, as a building we are connected to particular discoms who is supplying the electricity but I am taking power from a discom because I need power only morning 8 a.m. till evening 6 o'clock only five days a week whenever I am not drawing I am not paying for that that is why I am ready to pay on an average Rs.12 a tariff. Now this kind of a PPA if I have a renewable power company, I cannot enter, but if I am a renewable power company with hydro pump storage, I can supply power whenever you want in that particular time. That opportunity is available. So those are the kind of a service solutions which will be with the future market and that is where we are working on.
- Apoorva Bahadur:** We are looking at open access green power supply as well?
- Prashant Jain:** That is one of the opportunities other than the green hydrogen.

Apoorva Bahadur: Again coming to the green hydrogen side, I think a couple of quarters back we announced something tie up, so have we formalized our plans and would you like to share anything if we will be foraying into this market and what is in the scale of foray?

Prashant Jain: So we are doing right now the scoping exercise and technoeconomic feasibility is going on. We are in a final stage of discussions for all these exercises including the technocommercial discussions with various technology providers and it is moving at much faster pace than what we have initially expected and results have been very, very encouraging. I strongly believe that very soon we will be going to the Board for a concrete proposal of investment into the country and probably we will be coming out the fastest ever project build and very large project which will be built for green hydrogen as well as green ammonia and further some other chemical derivatives.

Apoorva Bahadur: Wonderful, very good to hear. Lastly on the renewable capacity addition side so I think as a country we have promised up to 450 gigawatts of renewable capacity by 2030. Do we see that being achieved given the current pace of ordering and really module issues ALM, CBS etc.?

Prashant Jain: It is a tough question what you are asking because right now because of two strategic objectives Government of India has been trying to balance one is Made in India objective and second is Green Energy objective, they have been working against each other so far which has been a bit difficult situation for the pace of the growth but such thing can be overcome very quickly once this kind of capacities are built up and capabilities are built up in the country and then doing 40, 50 gigawatt every year capacity addition is not a big deal. China has done it, India can do even better than that. It is only the capability building and building such kind of a capability in India it will take maximum three to four years timeframe. So if you are talking about 2030 yes it is achievable, but if you are thinking that the interim capacity target which is there for up to 2024 yes that is tough. It would not be possible.

Apoorva Bahadur: Just one more question, a quick question if I may squeeze in, if you could please share your contribution of merchant power sale to EBITDA and 3Q and 9M. That will be very helpful. Thanks a lot. That is all from my side.

Prashant Jain: Apoorva if you get a chance to look at the presentation that we have put up on the website also and could be the link to that should be in your inbox there is a particular EBITDA bridge which is given both for the quarter as well as for the nine months. You will get everything that you need.

Apoorva Bahadur: Thank you so much.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Good evening. My question was on the receivables there is a sharp fall in receivables, it is a very good thing, do you believe that this is sustainable and going forward would you say that the

counterparty risk could be coming down significantly because either you will be supplying to JSW Steel or the SECI projects?

Prashant Jain: Look at last four years it has been sustainable whereas the deterioration has been happening in the sector. So we do not see any reason that why it will not be sustainable. These are the two reasons primarily one is when is that our quality of power in terms of tariff because of which discoms have the incentive to pay us on time. Second is our management, the way we work and both entail for this and of course going forward the incremental contributions will be coming from the SECI contracts so that will be also an added advantage.

Vivek Ramakrishnan: That was my question. Thank you very much and good luck.

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

Murtuza Arsiwalla: Two question, one is on the business capacity has been converted to a captive status during the quarter, is there any advantage have not done that and would it require any sort of at least on a normal basis direct translate to the consumer for the captive status and is there any advantage and the second is on the fuel cost dynamics given how they are moving so far it appears that you are not getting the heat of higher imported coal so can you give us some indications of how much inventory, low cost inventory we have and how is that situation looking like you have had some contribution coming from our short-term markets? Is that more sustainable?

Prashant Jain: Your voice has been consistently breaking and I could not understand, Pritesh you would like to take the first part of your question.

Pritesh Vinay: Murtuza if I understood the first part of your question, which is slightly better audible you were asking that you were referring to what CEA has done in terms of classifying the unit two to four at Ratnagiri?

Murtuza Arsiwalla: Yes.

Pritesh Vinay: I could get that bit, but I did not really get the final question on that.

Prashant Jain: So you are saying what is the advantage of that?

Murtuza Arsiwalla: Is there any advantage or disadvantages in looking into this, which is a classification?

Prashant Jain: It is a contractual part because if I keep that in IPP status then I will not be able to sell that power other than any discom. If I am going to sell in open access for example an industry there x which is into some manufacturing activity, I want to sell that power in an open access contract then they will have to pay open access charges and cross subsidy surcharge which is in excess of for example in Maharashtra it will be in the range of Rs.2.5 to Rs.3 other than the capacity charge plus fuel charge then it becomes deterrent for anybody to do that. Instead of that if it is the CPP

status they take 26% equity into the company and surcharges are not levied. Then it is economical for them to produce. So that is the only difference between a CPP and IPP.

Murtuza Arsiwalla: But will we have to divest 26% for the captive component now or it is more nominal divestment?

Prashant Jain: It is a nominal on the face strategy that has to be done not on the listed company that way.

Murtuza Arsiwalla: Second question if I am more audible now is on imported fuel costs they have obviously been higher your numbers still reflect a more contained set of fuel costs so how much low-cost inventory we have before the high end the coal prices start lifting?

Prashant Jain: If you know about our company our 100% of the fuel cost is pass through including exchange, logistics and index prices, so we are insulated and some of them have already moved to the job work where the counterparty is bringing coal and we are only getting the fixed cost.

Murtuza Arsiwalla: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Kothari from GeeCee Holdings. Please go ahead.

Rohit Kothari: Could you throw a little more light on your entire hydrogen foray? I know you are going to put it up to the board but the hydrogen, the electrolyzer then the downward ammonia and if you are going to also look at other downstream chemicals? The second is what is the size of electrolyzer or the range of investment you are looking in this sphere and the third is you know we have seen one or two other large business houses also announcing their hydrogen foray and they have given some target cost at which they would like to produce hydrogen to make it viable because the current hydrogen is not as viable so where do you see the end cost of the range of cost at which this will happen? The fourth are you going to use any of your hydrogen for in-house group purposes or would there be a captive use with JSW Steel? This is the fourth and this is on the hydrogen and just one more question what is the long term plan of the JSW Steel stock which you own as it has appreciated and would there be any long-term plan to liquidate a part of this to fund any of your hydrogen forays? So if you can Prashant throw light and once again fantastic set of numbers and a very, very focused strategy which has come out of your management and really congratulate for that.

Prashant Jain: Thank you Rohit. Firstly that you know there are a lot of talks which are there right now about the green hydrogen. Now the most important thing to produce hydrogen is the renewable power so anybody who can produce power at the lowest tariff will be able to produce hydrogen at a lowest tariff. So that is one part of it. The second part of it is the locations which are important that means if you hold certain locations where you are going to deploy the renewable technology, where you can harness most efficiently and you have a capability to deploy capital most efficiently in terms of the lowest possible gross block per megawatt, if you have lowest possible operations and maintenance cost, these three things will drive your capability to produce

renewable power at lowest cost and if on top of it your cost of funding is lowest then you are the most efficient and then thereby you will be in a position to do that. The fifth important criteria which is there is that how you are going to develop a round-the-clock solution for getting a renewable power to produce green hydrogen because renewable power will be available only 30% time during the year, the average PLF will be 30%, 32%, if it is solar it will be 26%, if it is wind it is 30% to 35%, average is going to be 30%, 31%. So how do you deploy round the clock solution and how that round the clock solution is transmitted most efficiently because the PLF is less to a particular location where you are having a consumption point. Then the next piece which is also important is that what you do with the byproduct which is the oxygen, which is produced from it. That will also be deciding factor on your capability to produce green hydrogen efficiently.

The next piece will be the supply chain on the green hydrogen. What do you do with that green hydrogen? So whether it is to be converted in ammonia, whether it is to be mixed in the natural gas, whether it is to be used in a steel plant, whether it is to be stored and then to be done into the mobility application or other industrial applications like refinery, which is being talked about. Now why I am talking about all these strategic intents these are the various aspects which decides what will be the cost of production for individual organizations to do that. We believe that most of the building blocks which I have mentioned out of this approximately 9, 12 building blocks, we at JSW Energy are well placed to not to wait for government policy intervention and therefore what we are talking about we will be in a position to start constructing this project much, much earlier than other people because of our strategic advantage in all these 10, 12 blocks and also at the lowest possible cost and lowest possible tariff that will help us to achieve various things.

I am sorry I have not answered point blank, individual aspect of your question because you have asked too many things but I have tried to summarize most of the things which you have asked. Yes we are having a lot of strategic advantages in each and every aspect which will be driving our gross block also lower and in terms of capital allocation as well as the cost of production and thirdly user's point of view. Now we would like to talk in detail as we will be we will be going to the board and then approving it at some point of time, which is in the very advanced stage.

The second thing which you have also talked about I will give you some color that typically if you want to produce 10,000 tons of hydrogen, you need close to 100 megawatt of the electrolyzer capacity. That is the roughly the ballpark numbers and if you want to put 100 megawatt of the electrolyzer capacity, you need close to 300 megawatt to 350 megawatt of the renewable capacity plus in addition to that you will have to setup the various storage applications to make the power to round the clock. So that is the kind of a numbers you look at it then in order to produce approximately say if you are looking for a 200,000 tons of ammonia plant, you will be looking something like 35,000 tons of green hydrogen to consume that and so that is how it is there then in terms of the oxygen byproduct which will get developed for every ton of the green hydrogen which you produce, you will be generating close to 5.5 to 6 times of the green hydrogen in terms of the weight, as a byproduct which you will have to dispose off and to create a value. So these are the broad numbers if I have answered your questions.

- Rohit Kothari:** Prashant on the JSW Steel stake what could be the long term plan?
- Prashant Jain:** We have already classified them as a non-strategic in nature and so at some point of time when we need money, we will be certainly happy to monetize them. If you see that we have been aggressively doing the capital expenditure in spite of that I have Rs 2200 Crore of the cash available with us. Our net debt is coming down because of the various attractive and very interesting tools which we are able to deploy we are able to source the LCs to procure the equipments in a large capacity and then convert them into user which is much, much efficient way to do that and that comes on to the book only after the commissioning of the project, when it has started generation. So these are the various innovative tools so at some point of time we will certainly need more and more equity at that point of time, we will use this as a buffer.
- Rohit Kothari:** Thanks Prashant.
- Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.
- Anuj Upadhyay:** Thanks for the opportunity Sir. One clarification is on the capacity addition part. We have 2.5 gigawatt under construction, which would begin commissioning from the next financial year onwards
- Prashant Jain:** This financial year onwards, current financial year.
- Anuj Upadhyay:** Okay, the phase one. So probably it may last in say you know by the end of FY2024 or by the mid of FY2025 and here this is for the 2.5 gigawatt but in the presentation we have mentioned that our target is to scale this up to around 10 gigawatt by FY2025. So could you just you know clarify that are there any inorganic opportunity which we are eyeing or certain other projects which are in a very advanced stage of discussion which could come into picture in a very near term so that the execution happens over the next two to three years kind of a period so as to meet your target and secondly on the pump hydro storage so any rough idea or estimates on the tariff which we are looking at to this project?
- Prashant Jain:** The first question to answer that as we have said that we have already built the portfolio of more than 20 gigawatt in terms of the resource site with us so we are already having that and we are converting them into the projects and so there are a number of other projects which are under discussion, bilateral also and we have already planned for execution whether it is for captive use or green hydrogen or to integrate it with the hydro pump storage and offer that as a solution and also for the SECI bids so all these are the pipelines which are already crafted and then in due course of time we are going to announce them and what I can tell you is that whatever we have planned at this point of time, we will be only accelerating that so if we have talked about certain capacity numbers then we will be achieving them sooner than later and in terms of the inorganic opportunities also we have been very actively pursuing but we do not want to grow either our book or our capacity by an inorganic way by compromising our returns. So you will not find us

at a bidding war in SECI bids or in the acquisition race where the returns are not qualitative. For us growth is paramount but at a qualitative return. That is what is the most important thing. So we have been consistently talking about our free cash flow yields are on an adjusted networth and on a proper adjusted balance PPA license in excess of 18% to 19% for the entire portfolio for throughout the life and that is how we have been growing and that is why we are in spite of the difficult sectors position we have been maintaining a consistent cash flow position. So we believe we would like to retain that aspect and yet we will be able to accelerate what we have guided for.

Anuj Upadhyay: On the tariff side for the pump storage project?

Prashant Jain: As I said just now I had explained that these are the projects which will be going in for various solutions because you know if you are looking at it, if you read our company's strategy little differently we are migrating from a power company to a services and product company.

Going forward, you will see us more of a company which will be offering services in terms of supplying power at a particular timing at the day, time, block which you want if you say I need only 15 minutes power during this time I will give you, if you need a particular product like a hydrogen, ammonia or some other chemical derivative, I will give you so we are going to build renewable power will be a baseline for us but we will be offering various other solutions so going forward you will see that strategy will be migrating from a commodity company or a simple power company entering into long-term PPAs.

Anuj Upadhyay: Thanks for the answers.

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

Rahul Modi: Thank you Sir and again big congrats for an excellent set of numbers. Sir you have been obviously been quite vocal about the demand supply mismatch being visible and we have seen that obviously in Q3 where we saw power prices touching almost 20 bucks so how do you see the overall demand situation and you know obviously and how our capacities will cater to that as you mentioned that we are almost fully tied up so that is one? Second there were some previous questions asked also on the opportunity size. Now we have seen that the bids in the renewable space have been slightly erratic. When do you see the pickup over the next couple of years? How much of annual bidding do you see and we targeting how much you obviously mentioned that IRR is very critical but the opportunity size share from that point of view so what is your view in that?

Prashant Jain: Look at this way that this year nine months power demand has grown 9.6%, first nine months whereas similar period last year there was a contraction of close to 4% so if you net off adjusted, you are talking about 5% demand growth and that is what is the average of last 20 years in the country. Now I do not want to talk about that okay now the capital cycle, capex has revived and then everything else will be shooting for the higher consumption because of the more and more urbanization is taking place, more and more homes are getting built and more industrial capex is

happening because of which power demand will grow. Now I continue to say that the way India has grown over a period of last 20 years and last five years the same way power demand grows then it is you are talking about 5% demand growth.

Now you have seen in this year and also the last year and previous year the thermal capacity addition is not taking place, it is only the existing NTPC or some state projects which are under development and are getting commissioned. Now those state-owned and central owned utilities have also stopped constructing any thermal new thermal capacities. So it is safe to assume that no new thermal capacity will get added up, existing thermal capacity may get fully utilized and part of the capacity will get retired based on various other requirements.

Now the future requirement will only be met by renewable capacity and which is that my opening remark also which I said that 95% of the additional incremental generation has been met by renewable capacity addition and 95% of the additional new capacity is also by renewable, so that means at 165,000 megawatt of the base load and 185,000 megawatts of peak load we are talking about 9,000 megawatts, 10,000 megawatt of the incremental demand which will be met by renewable resources.

Now there are certain challenges like one of the participants was asking how do you see whether given the challenges in terms of the manufacturing capabilities and taxation and various other things, whether this target will be met? So yes for a short-term two three years the capacity addition could be a problem which could accelerate after the sufficient capabilities in India is built for that period of time you may see shortages that is what I have been talking about, what you have seen some bout of the peak power today also you know average tariff is around Rs.4 but in certain times you are seeing Rs.8, Rs.9 is the power tariff and that is what it is happening primarily because of such kind of situation. You have seen the thermal tenders which has been brought from for example Punjab Rs.4.50 ex-bus tariff is for three months. That is the kind of a tariff which people are getting with a domestic coal so these are the things which are precursor to the shortage you are going to see in next couple of years, which will get mitigated when India builds a lot of manufacturing capability in due course of time at that point of time adding 40 gigawatt, 50 gigawatt of the reliable capacity every year to meet incremental 10 gigawatt of the power demand is not going to be a challenge. But yes everything does not move in a linear fashion but this will get even out over a period of decade. That is how my take is.

Rahul Modi: Great. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Congratulations on a very, very good quarter. Sir first question is given the bout of the rise in prices in merchant price in a quarter is there any point in having a slightly higher merchant capacity for us in next few years and the related question is that what is the status of RTC-II bid

are we participating and do you intend to tie up this capacity let us say if you decide to tie up for long term or looking at the RTC bid or it is only captive?

Prashant Jain: You are talking about RTC Renewable or RTC Thermal?

Mohit Kumar: I am talking RTC thermal plus renewables, yes, the combination?

Prashant Jain: I will tell you one thing that you know we have the capacities which are based on the imported coal and given the prices where they are today at \$165 API to index, it is not at all viable to produce power at that tariff and for example the fuel costs today only fuel costs are in the range of Rs.5.25 so how do you service the merchant markets in this kind of an environment, so this kind of a merchant market is very, very tough merchant market. That is why you do not see enough thermal capacities which are running and then domestic coal is not available for merchant market. So this is very challenging environment in terms of the merchant business. That is why we have decisively moved out of the merchant market. We take the advantage whenever there is a very good period where we can make a good contribution at that point of time we are doing it, but eventually our whole idea is to integrate whatever open capacity is the long-term PPA. That is how we see.

Mohit Kumar: Long-term PPA you are looking at captive or you are looking to participate in renewables?

Prashant Jain: We are absolutely open for captive and or the discom but I do not think any discom is going to enter into a long-term PPA other than the thermal renewable integrated bids, we participated in one bid but unfortunately that did not see the attractive rate and now there are more bids which are coming up for example Indian Railways has come up with a bid. It is a bid where you know 150 megawatt of thermal renewable RTC bid has come and SECI is also planning to do more bids in that so there we will be integrating our thermal plus renewable portfolio.

Mohit Kumar: Second question on the JSW Steel only 26% the listed entity Ratnagiri to be classified as group captive, I think my understanding is correct right? Why is JSW Steel is going to own 26% in the subsidiary. You can as well have it only in the listed entity, additional stake.

Prashant Jain: If you read the Electricity Act in the country any group captive customer must own 26% equity into the company then only we are qualified as a group captive customer and then you need not to pay gross subsidy surcharge and an additional surcharge which is in the range of Rs.2.5 to Rs.3 depending upon the state.

Mohit Kumar: Absolutely Sir. We own 26% owns a number of shares in the listed entity for the Ratnagiri to be classified as group captive, is my understanding right?

Pritesh Vinay: That is correct Mohit. JSW Steel already owns shares of JSW Energy. So those shares are treated as its holding the 26% equivalent to those three units in Ratnagiri.

- Mohit Kumar:** Why cannot they replicate that in this for the renewables so why does they have to hold separately?
- Pritesh Vinay:** No, if you look at the way the assets are housed, Ratnagiri plant is directly owned by JSW Energy Limited or standalone so just to complete the question which you have not asked we are building a captive renewable project for JSW Steel as well. So they are being housed in those separate SPVs. Now in that particular SPV for a captive project JSW Steel will own 26% equity stake of that particular SPV to comply with the electricity act that Prashant was talking about.
- Mohit Kumar:** Lastly on the pilot project for hydrogen what are the kind of captive and what are the things you are trying to do exactly, if you have you know identified the projects can you please share that?
- Prashant Jain:** We will share in due course of time, as I explained a few minutes ago, about hydrogen project and we will let you know and it will not be a pilot project, it will be a directly big commercial scale project.
- Mohit Kumar:** Because I find the presentation it was brought some pilot projects. That is why I asked you?
- Prashant Jain:** It is going to be a big commercial space.
- Mohit Kumar:** Lastly on the pump storage will this capacity be used to bid for the storage tender plus SECI? Is the right understanding?
- Prashant Jain:** As I said that there will be a number of opportunities whether it is using the pump storage for making RTC for our own green hydrogen projects, it is an opportunity to offer the power as a services businesses to meet, to give it to the end consumer at a time when they want and also to bid in the SECI bids so these are the all three opportunities which are there. At this point of time, what I am trying to say is that we are we have already got allocation, we have got project allocation, water allocation, we have started the necessary regulatory approvals and we will start construction of these projects probably end of next financial year or early FY2023-2024, by taking various approvals and we see a huge potential for these projects.
- Moderator:** Thank you. Ladies and gentlemen due to paucity of time we will be able to take one last question that is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Good evening. Thanks for the opportunity. Could you please speak about the timeframe over which the reorganization of JSW into the grey and green businesses will be complete and over the next and post that what would be the strategic direction in which you want to take this reorganization forward?
- Prashant Jain:** So the NCLT approvals should be in place between six to nine months timeframe and the strategic intent is that entire growth will be coming from the renewable space so everything what we are talking about pump storage, green energy and green hydrogen, green ammonia, chemical derivatives, everything will be housed under the renewable space.

- Sumit Kishore:** Would you be evaluating like a vertical demerger of those two businesses in FY2022 into the listed entities?
- Prashant Jain:** In order to create and unlock the stakeholder value all options are available on the table and that is the strategic intent.
- Sumit Kishore:** Probably sometime in the next financial year the reorganization will be complete?
- Prashant Jain:** That is true.
- Sumit Kishore:** Thank you so much.
- Moderator:** Thank you. That would be our last question for today. I now hand over conference to Mr. Rahul Modi for closing comments. Thank you and over to you Sir!
- Rahul Modi:** Thank you Mr. Jain. Thank you Pritesh and the entire team for a very detailed discussion and a lovely presentation. Thank you Sir and all the best. Any closing comments.
- Ashwin Bajaj:** Thanks Rahul for hosting the call. Thanks everyone for joining. Please feel free to reach out if you have any follow-up questions. Thanks. Good evening.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thanks for joining us and you may now disconnect your lines.