"JSW Energy Limited"
Q4 FY2020 Earnings Conference Call

May 20, 2020

ANALYST: **MR. ANIKET MITTAL - MOTILAL OSWAL FINANCIAL SERVICES**

MANAGEMENT:
MR. PRASHANT JAIN - JOINT MANAGING DIRECTOR AND CEO– JSW ENERGY LIMITED
MR. JYOTI KUMAR AGARWAL - DIRECTOR FINANCE - JSW ENERGY LIMITED
MR. SHARAD MAHENDRA – WHOLE TIME DIRECTOR AND COO- JSW ENERGY LIMITED
MR. PRITESH VINAY – HEAD, GROUP INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the JSW Energy Q4 FY2020 Earnings Conference Call hosted by Motilal Oswal Financial Services 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, 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. Aniket Mittal from Motilal Oswal Financial Services Limited. Thank you, and over to you, Mr. Mittal!

Aniket Mittal: Thanks, Nirav. On behalf of Motilal Oswal, I welcome you all to the 4Q and 12 months FY2020 Earnings Call for JSW Energy. I will hand over the call to Pritesh Vinay, Head Investor Relations for JSW Group to take this call forward. Over to you, Sir!

Pritesh Vinay: Thank you very much, Aniket. A very good evening to all the participants. On behalf of JSW Energy I welcome all of you to the fourth quarter and full year fiscal year 2020 results discussion. I am sure you have had the chance to go through the results, the press release and the presentation which is already uploaded on the website. We have with us today the management team of JSW Energy represented by Mr. Prashant Jain, the Joint Managing Director and CEO; Mr. Sharad Mahendra, the Wholetime Director and COO; Mr. Jyoti Kumar Agarwal, Director Finance of the company. We will start with a few minutes of opening remarks by Mr. Prashant and we can then open the floor for Q&A. With that, over to Mr. Prashant!

Prashant Jain: Thank you Pritesh. Good evening ladies and gentlemen. I hope each one of you are doing well and you are staying safe at your home.

This quarter we have seen that the power demand has gone up by 1.9%. This happened primarily on the very strong backdrop of power demand growth in the month of January and February where we saw in January 3.8% power demand growth and in February it was 11.8%, but in March it declined by 8.4%. Precisely in the last week of March between March 23, 2020 and March 31, 2020,27% power demand drop was seen.

In the month of April, we saw the power demand degrowth was 24% and in the first 15 days it was negative 19%. If you look at the recovery also in terms of the peak demand which was close to 122 gigawatt in the month of April has been gradually improving and as we are speaking now the peak demand has come up to 142 gigawatt as compared to the previous year same time 172 gigawatt.

Also, if you look at the profile per se, in the northeastern region the power demand is positive as compared to the last year, and in case of eastern region, the power demand is between 6% and 9% negative. In south, it is close to 10% negative, In west and north it is about 20% negative. So, the major impact of degrowth of the power demand is being seen in the west and north.

What we saw in terms of generation for FY2020 the thermal generation was down negative 2.8% whereas the hydro generation was positive 15.7% and renewable was positive 9%. Why did we see the thermal generation going down and lower PLF because of this COVID-19 because all of you must be knowing that hydro and renewable are enjoying must run status because of that whatever the knockdown on the power demand came was to be borne by the thermal power plants and that is what the reason that thermal power generation went down by negative 2.8%. All India Thermal PLF went down to 56.4%, it is three decades' lower number as compared to 61% last year and interestingly this lower PLF was only seen in the central and state sector so central sector the PLF came down to 64% as compared to 72% and state was 50.7% as compared to the 57% last year but IPPs were flat at 55%. As we are seeing the pickup in the power demand the PLF of the thermal power plants is going to pickup. During the year we saw total 16 gigawatt of the gross capacity addition, 16.5 gigawatt of that close to 7 gigawatt in the thermal capacity and 2.5 gigawatt was retired so net capacity addition in thermal was 4.3 gigawatt and renewable was 9.4 gigawatt.

For the last quarter, the merchant tariff was low at Rs. 2.74 and in the current quarter the merchant tariffs were further subdued because there are a lot of thermal power plants which are not able to maintain a technical minimum and because of which they are selling power in merchant market and in the month of April and May we saw the merchant volume also picking up and we saw lot of Discoms while buying power from the merchant market and reducing the load of their own power plants where the fuel prices are higher than the merchant tariffs but this trend is going to reverse as we are seeing the power demand is going up, people will not be selling power in order to maintain the technical minimum and then power tariff will again going to pick up as soon as the demand of power revives. For the entire year, merchant tariff was Rs.3.01 paise as compared to the last year tariff of Rs.3.85 paise and merchant volume were flat at 50 billion same as last year.

The coal prices have been coming down consistently in line with other commodity trend as well as the oil prices and natural gas prices. Last quarter it was API Core Index was down, 6% year-on-year and subsequently it has fallen very rapidly and now the coal prices are stable and we believe that the coal prices will be remaining subdued in the current year and the time to come.

Coming back to the company, in the Q4, our generation was lower by 3-4% primarily due to the lower offtake under long term PPA which was down by 15% whereas the short-term sales was higher by 30%. For the entire year the generation was lower by 4% due to the lower offtake under PPA which was down by 6% where the short-term sales were down by 12%. The short-term sales which was down 12% was primarily due to the reason what we saw in October 2018 there was a quite interesting period of 45 to 60 days at that point of time there was a lot of shortages and at that of point of time we were running over Vijayanagar facility full because of which the PLF were higher but if you look at for the entire year per se for the Ratnagiri plant the short-term sales was higher than the last year because we could enter into the various contracts from the Ratnagiri plant.

For the quarter our EBITDA was higher by 10% at 629 Crores. This was primarily because of lower fuel cost as well as lower O&M cost. We have been reducing our O&M cost consistently this year also this is consecutive third year where we have reduced our O&M cost year-on-year and last year we attained the status of the lowest O&M cost power producer in the country in each and every segment and on a consolidated basis this year we further strengthened our position and going forward also we are going to follow the similar trajectory.

Our interest cost was lower by 12% during the year at 1051 Crores and PBT was at 1025 Crores before exceptional items which was higher by 18%. We have been deleveraging our balance sheet consistently because of which we have been getting the advantage of lower interest costs and our net debt into the company has come down to 8945 Crores and our debt to EBITDA has come down to 0.77 times which offers a huge potential for us to grow our balance sheet. Our interest cost which is for the year was 9.12% but if you look at based on the resets, we are expecting the interest cost will be 1% lower if there are no further interest cuts announced by RBI. So that would be further improving our gearing as well as lower interest cost.

Now coming to couple of interesting things which industry has been facing and I want to talk about that one is the receivable position. JSW Energy as we have been mentioning that we are in the bottom quartile of the purchase basket for the respective Discoms that offers us very high merit order dispatch and because of which our payments had been coming on priority. Our receivable position has been improving since September last year. In the December quarter our receivable came down by 4% and in March quarter it further came down by 3% and as we are speaking our receivable has further come down by double-digit as compared to the March position. However, the industry is facing the challenging times but JSW Energy has been able to weather all these storms and because of our positioning we are in a sweet spot.

JSW Energy has been given force majeure primarily for two Discoms one is Rajasthan and second is UP; however, I would like to clarify couple of things here. Our hydropower plant which is a very low cost power plant, we have been scheduling 100% power, which have been generated during this lockdown period. In fact, all the companies who had given us the show cause notice they have been taking 100% of power and that is a very low cost power and we have been receiving money also.

Our Maharashtra plant is running at more than 100% PLF and in case of Rajasthan there our deemed PLF is higher than the actual PLF but there we are seeing an interesting trend also. Last year our actual PLF was close to 62.5% whereas during the shutdown timeframe our PLF has been in excess of 70% so we are very, very confident that in spite of clarification which has been issued by the Ministry of Power in the month of April as well as in the month of May that for unscheduled powers the fixed cost has to be paid and whatever relaxation which has been provided by the Ministry of Power for central sector without any carrying cost it needs to be paid in three installments based on our profile and also based on the scheduling of power, we are not exposed to any kind of risk there will be any dispute which will be arising for nonpayment of power for unscheduled power beyond the guaranteed amount. The exposure is only with respect to Rajasthan plant we are also as explained the scheduling has increased.

Government of India has recently announced a couple of packages which are step in the right direction. The way we see is that the power sector has been facing its own integral challenges for a quite long time and this COVID19 situation has created an emergency for Government of India to do certain reforms in the sector that is why we see this, this is the step in the right direction and we believe that the reforms in the power sector will be accelerated given the crisis situation.

Apart from the liquidity measure, the privatization of Discoms and reforms in Discoms are very, very important factor because what we really believe reforms or the privatization of the Discoms use technology and direct payment of subsidy to the consumer our actually integral part and that will be reducing the tariff to the actual consumer historically people have been talking about the Discom health will be improved if the tariff is increased by the regulator and then only the health of the Discom will improve but actually the reason is other way around we believe that the tariff will go down because of the privatization and then transmission and distribution losses will come down as well as if the subsidy is paid directly to the consumer the actual tariff will come down.

Second stressful situation for the power sector is unavailability of the coal and with the opening of the coal mine for the commercial coal mining in India is going to be a very, very progressive step so I personally believe that these two reforms are going to go in a long way and will strengthen power sector and which will bolster the investment in time to come, however, execution is the key we need to really see how quickly these reforms are fructifying on the ground. As regards to our two acquisitions which we have been really talking about one is the GMR Kamalanga where we have put the transaction on hold giving the uncertainty in the recovery of power demand I would like to clarify to all the participants that given the trajectory the visibility of the transaction going through is low.

As regards to Ind Bharat there has been no progress the last three months because of the lockdown and we are looking forward courts to resume to start hearing the matter and we will be keeping you posted in due course of time. Lastly, I want to clarify one more important part we had seen the very stable EBITDA and then our PBT has been consistently going up because of our lower O&M cost as well as the lower interest cost. Our 81% capacity is long-term tied up however our EBITDA coming from the long-term portfolio is close to 94 to 95% and our entire long-term portfolio and the 95% EBITDA is not contingent upon imported coal prices as well as the dollar fluctuations. It is only the 5% EBITDA margin which is contingent upon the dollar fluctuations as well as the merchant tariffs and then international coal prices that is why we have been seeing the very stable cash flows and our balance sheet has been quite interestingly strengthening year by year and which has been given us quite good opportunities where we believe that we will be able to capitalize in time to come.

Our Kutehr project at this point of time there is no activity going on because of the lockdown activity as and when the lockdown is lifted, we will be evaluating and we will start working on that project. The PPA with Haryana for Kutehr project it is before the regulator for approval because of the lockdown it has got delayed the approval but we believe that it should be coming any time soon. With regards to uprating of our Karcham project from 1000 megawatt to 1091 megawatt there are the positive developments and then we are getting a very good visibility that operating will be happening very soon probably in shorter than anybody is expecting so the moment the uprating is done then we will be in a position to capitalize on a higher cash flows as well as higher water flows. Conserving cash is the key for us and we have delaying all kind of capex.

Our normal capex which has been less than 100 Crores every year for maintaining our plants but we will putting our all best foot forward to reduce the capex as much as possible and reducing our O&M costs further as much as possible until there is a clarity in the sector because the clarity in the power sector is contingent upon two three things. One is how the economy is reviving because the power demand what we are really seeing here is the power demand which is primarily coming from the commercial establishment and also the MSME sector. The large industries are having their own captive power plants but demand is not captured here. So, the economic recovery is the key how the MSME is going to come back very quickly on its feet that we need to see and also the migrant labor position whether how quickly they go back their home and how quickly they will come back to work and these all things are going to decide the trajectory for the recovery of power demand but that recovery will be important for us to see how we plan our future growth opportunities.

As far as our existing operations are concerned, we are quite comfortable and we will be insulated from such disruption other than whatever is the 5% EBITDA as I explained to you is close towards the merchant market which we believe that we will be taking various measures to overcome in due course of time.

With that I would like to handover the forum for question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir first question is on the pipeline which is said, the GMR Kamalanga deal is at hold right now, is it waiting because change in demand environment or is it something else related to this decision?

Prashant Jain: Thank you for your question. It is a combination of factors- the way the situation is positioned at this point of time given the uncertainty in demand and also the way the things are changing for the thermal power plant. We have been evaluating and doing the inspection in the last two to three weeks and based on that we realized that this is an extraordinary situation and at this point of time and it will be probably prudent thing for us to question our strategy to grow within the thermal sector as well as the kind of evaluations we have been looking in the transaction whether they are really warranted in this transactions. So, it is a combination of all the uncertainties, evaluations as well as the thermal power generation.

Mohit Kumar: Second question is on given that our debt equity ratio is low what kind of opportunities are you seeing in the next couple of years post the COVID situation gets lifted?

Prashant Jain: As we have been talking about we are looking at 10 gigawatt generation company next three to five years timeframe I think we are going to stick to our guidance earlier we were thinking that out of 5500 megawatt of additional capacity addition close to 2000 megawatt we were looking for thermal and balance 3000 or 3500 megawatts from renewable sector. Now probably even more will be coming from the renewable sector. So, our growth opportunity and targets remain same but majority will be coming from renewable side.

Mohit Kumar: Last on the financials, comprehensive income around -900 Crores is this from the JSW Steel investment?

Jyoti Kumar Agarwal: Primarily because of JSW Steel investment yes.

Mohit Kumar: Thank you.

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

Atul Tiwari: Sir, again on the Kamalanga acquisition now it is on hold do you guys have to pay some kind of breakup fee to the other party and likewise does the other party now has ability of going ahead and selling the plant to somebody else?

Prashant Jain: As I mentioned the transaction is on hold and in due course of time we will come know about the contours; however, I want to clarify there is no break fee in SPA.

Atul Tiwari: Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Thank you for the opportunity. Congrats for good set of results. Just wanted to check of GMR Kamalanga one - so you said that of the combination of thought process on thermal plants as well your incremental growth will come in from RE sector so could we get your thoughts on how you guys are planning - is there any near term capex plan; will there be acquisition opportunity that will be taken up seriously would this 5 Crores per megawatt that is an established number for many of the recent acquisitions, would that fit into your returns benchmark structure that you look at?

Prashant Jain: Thanks for your question Abhishek. I think the need of the hour today is to wait for the right time once we get the clarity because at this point of time the important thing for us is to conserve cash and see the how the economic recovery is panning out. We do not know whether there is a flattening of COVID-19 curve in India or not, whether the peak is yet to come or whether we have seen it, whether there will be a second wave or not, however as I clarify that as an when there is an economic recovery which is coming on the ground then immediately we will be moving very quickly on whether to look at the organically or inorganically, we have been mentioning that we have built capacity and also capability. In terms of various sites, close to 1 gigawatt of sites are in our possession both for solar as well as wind which we can start the construction anytime we want but we are waiting for the clarity to emerge how this COVID19 situation is panning out. If this situation was not in front of us we would have been already on ground. So it is not a question of how, it is a question of the clarity what will emerge from the various indicators today you know that if I want to start consumption anywhere I cannot start even if I want to do that because I may have to stop. There are various uncertainties from the government side there is a fear in the people, there are various other factors so the important thing is as soon as we see the recovery we shall have a visibility about the COVID19 situation we will be in a really good position to start on the renewable journey and other than 1 gigawatt there is another big pipeline which we are building because we are working on a very, very different construct. This industry had been working typically on a EPC construct to build the solar capacity and that is where our strategy is slightly different. What we have doing in our power plants, steel plants or cement plants, is that we have been building capacities on our own by reducing them into multiple packages and that is how we reduce our cost and improves returns. So that is the strategy we have, and we are acquiring lots of sites where we can build these renewable capacities. We will be certainly looking at any acquisition opportunity in case it comes in front of us. Sharad do you want to add anything?

Sharad Mahendra: You have covered, Prashant almost everything so that is what we are looking for in expansion within in the new space, so there is nothing much to add to this.

Abhishek Puri: Thanks for the detailed answer Prashant just on the use of cash in that case you guys are sitting on decent amount of cash which was probably kept up for this acquisitions and if they are not going through the dividend actually looks very small on that number and I understand this is the period when you should conserve cash but could we expect FY2021-2022 if things normalize in the next two or three quarters the dividend rate should go up?

Prashant Jain: Yes, certainly there are past precedence, Abhishek, In case we do not see any good growth at that point of time our dividend distribution has been higher than the stated policy. This time our dividend is close to 15% of the profits but in the past we have given high dividend also but I believe generally that this is the brief interruption which has happened and has created an uncertainty in front of all of us because at this point of time anybody is making a guess which will be hazardous at this point of time but I believe that we are going to have a very good and rapid growth as soon as there is a slightest visibility we are seeing. We will be very, very aggressive.

Abhishek Puri: Okay just one more question on the Dolvi expansion has been pushed back as per one of the newspaper articles so what is the backup measures for the PPA that we were expecting at Ratnagiri?

Sharad Mahendra: See Dolvi what we are seeing as you rightly said but yes, we do not expect any significant delay but yes as you have seen last year what we have done is that whatever balance power was there was tied up for full year under the short-term PPA and in the results we have seen the impact of that. Last year also we have not been dependent on the exchange sale wherein it has been quite low the tariffs also so we are definitely in touch with the buyers for short-term market sales and we have been successful in the month of April also to some extent but yes going forward also the same if in case there is any delay we are quite sure that within the state we will be in a position to sell this available capacity under short term till the time Dolvi comes.

Prashant Jain: One more thing which I want to clarify to Abhishek that now the new tender which is coming up is for 5000 megawatt hybrid tender for RTC coupled with thermal capacity that offers us a very good opportunity to look at various things which will be giving us a growth in the renewable sector as well as tying up PPA for our existing capacity so we are keenly looking at better opportunity.

Abhishek Puri: Okay just one small clarification; Vijay Nagar is seeing big volume jump in month of April where all other plants has seen decline so what is deriving that any new contracts that you have signed that will be my last question. Thank you.

Sharad Mahendra: See Vijay Nagar if you see that our volumes have been in to the captive steel plant only significantly and also in this the ramp up has happened faster than what has happened in other places so the requirement has gone up and the ramp up. Under captive we are selling close to what we have been selling in normal days the same amount of power we have reached, if we talk of as on date scenario. We are at the same levels or slightly better than what we have been selling in the month of April.

Abhishek Puri: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity. Just one thing receivables has seen a jump from 1400 to 2100 if you can give color on where exactly is the stress. You mentioned about Rajasthan and UP in your opening remarks and has there been any improvement in the month of April, that is one. Second is on the Kamalanga are there any payments the advances made or any bank guarantees given that if you can help us and third is any view on the FGD that needs will we able to adhere by the timeline? These are three questions.

Jyoti Kumar Agarwal: There have been no advances or any sort of guarantees or letters of credit that have been given for Kamalanga transaction and I think Prashant did explain in one of earlier questions there is no break fee as well so there is nothing of any of those sorts of things that is part of the transaction contract.

Prashant Jain: In terms of your receivables you need to look at a couple of things. Number one is that earlier lot of Discoms were taking the rebate while the amount was not due typically when you raise the invoice within seven days they take a rebate. So that increase in the not due amount has gone up primarily between the last year and this year but if you look at the overdue amount between the last year and this year the difference is only 300 Crores, balance all difference what you are talking about between 1400 Crores to 2100 Crores is a not due amount which has gone up. The overdue amount has gone up by less than 300 Crores which has further come down in the month of May and majority of this is only one Discom that is Jodhpur Discom and we believe that situation will also ease out the moment this PFC, REC, reimbursement is taking place. So, the receivable increase is primarily coming from Discoms not availing rebate and this situation is further easing from March till now this receivable is further coming down it has come down by close to 15%. In fact, if I can just add into that the overdue amount between March and April has come down by 25% for us. So, we have not seen any deterioration in the payment trajectory of any of the Discoms, in fact given the COVID situation we have been more proactive in terms of collection monitoring and that has actually helped us to reduce our overdue amount.

With regards to FGD for us we don't need to install any FGD in our Barmer and Ratnagiri, only for Vijayanagar we need to install the FGD there also we are evaluating the various options going forward whether we should do that or we should not do that given the change in the fuel mix because there are possibilities that we will be able to eliminate the FGD investment and also we can integrate it along with renewable power given a new construct what we might had seen right now that a RTC renewable power tender which was done at 2 rupees 90 paisa for first year tariff I think last nail in the coffin has been put for thermal power plants with that lot of people including the captive consumers will be switching over to that part and then we are building that kind of a construct going forward as soon as we are finalizing that construct we will be sharing with you.

Bhavin Vithlani: Thanks just one more question from me. There were certain organic expansion that you have planned, you spoke about Kutehr project. In the earlier calls you spoke about expansion in Rajasthan given that there is excess mining available any views on that please.

Prashant Jain: As I mentioned as far as capex is concerned we are watching on a daily basis as soon as we get clarity on COVID19 and we see the economic environment is becoming normal as well as the health insecurity or the fear or the risk factor is diminishing we will be certainly going back to the drawing board and look at it, however any thermal expansions we will be giving a thought a couple of times before we look at it until and unless it is a must do or a very, very so attractive too difficult to refuse then only we will be looking at thermal acquisition for the reasons which I have explained to you just now, if renewable power RTC is available at 2 Rupees 90 Paisa first year with a 3% escalation I do not think you can beat it.

Bhavin Vithlani: Understood, I really appreciate that. Thank you so much for answering my questions.

Moderator: Thank you. Our next question is from the line of Dhruv Muchhal from HDFC Asset Management. Please go ahead.

Dhruv Muchhal: Thank you. Sir, the GMR Kamalanga plant had a good part under PPA so you were shown a fixed return so in that sense the revenue or the EBITDA was largely freeze, so should we understand if the acquisition size if for a hypothetical situation is revised to a lower value so that the threshold return gets merged we will go ahead with the GMR acquisition or if the completely no now for the company?

Prashant Jain: As I said that at this point of time the transaction is on hold and also, I mentioned that the visibility for the reasons which I have explained to you because of that beyond that I do not have any more comments to offer. We will be talking to you in due course of time.

Dhruv Muchhal: Sir, lastly you mentioned in your opening remarks that 95% of EBITDA is through long-term PPA so this 95% you mean only overall FY20 EBITDA, right?

Prashant Jain: Yes, if you look at our FY2020, FY2019 EBITDA they are more or less same but our PPA portfolio has been increasing gradually in the last 24 months time we have achieved and then this long-term PTA portfolio is going to further increase in due course of time. We are finding some solution for our Vijayanagar and Ratnagiri additional capacity which as I explained also there are certain opportunities in front of us for example is 5000 megawatt thermal plus renewable hybrid tender wherein we need not to look at for any fresh capacity in thermal only exiting capacity without any capex is utilized and then you can build additional renewable portfolio then this PPA portfolio will increase but our EBITDA is quite stable..

Dhruv Muchhal: Thanks a lot.

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

Murtuza Arsiwalla: Just as an extension on the 95% PPA let us say on FY20 you had 5% EBITDA consolidated which is roughly about 160 Crores what will be the number look like for 2019, the quantum of EBITDA which came from the short-term PPAs or the one which is more vulnerable to imported coal and short-term tariffs etc. and what is the capacity that you are talking about if you could identify the capacity which is we are clearly still open both in FY2019 and 2020 and the quantum of EBITDA in both the cases?

Prashant Jain: I will not be able to quantify at this point of time but yes short-term EBITDA contribution was more in FY2019 and FY2018. The reason why I highlighted this point because typically I have been talking to couple of investors people have been seeing us that we are a company which is more exposed to merchant tariffs and merchant market situation and international coal prices as well as currency fluctuation but I wanted to clarify this point and this is what we have demonstrated in terms of our EBITDA stability as well as in our growth in the PBT.

Murtuza Arsiwalla: Just fast forwarding to the current scenario where April and May obviously have been weak you highlighted previously that Vijaynagar has been able to sell to JSW Steel so again it would be fair to say that April to June quarter would be fairly resilient most of the sales will be happening under the long-term PPA and so you are not as vulnerable as people have generally pursue you to be in terms of the earnings.

Prashant Jain: I do not want to comment on the current quarter with any forward-looking statement but I want to tell you is that when we are as far as JSW Energy is concerned the COVID19 impact will be minimal or may not be any.

Murtuza Arsiwalla: Sure, thank you so much sir.

Moderator: Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good evening. In light of the comments that you have made on your thermal plants going forward how would you place your commitment to be in the Ind Barath I know it is still in the NCLT process but you have to look at the capex how is the commitment with that project?

Prashant Jain: We have committed a proposal before NCLT which is a binding proposal in front of us so until and unless it is approved by the NCLT, I cannot make any kind of comment on that. So it is a binding proposal and we have given it before the NCLT but one thing which we need to see that from the risk reward which is the differential is there in case of Ind Barath is very, very good different and then variable cost is close to Rs.1.20 paisa so if our proposal is going through and we need to do that project and complete that project that project is falling in the category which I mentioned it is a kind of a situation where we cannot say no and we are having such a good economic proposition well it is very hard to resist in that bucket in Ind-Barath falls.

Sumit Kishore: Because based on earlier comments it appeared to be just a matter of time and even now probably for the NCLT approvals to come through so still have capex may be Rs.27 odd billion for 700 megawatt capacity?

Prashant Jain: The overall project cost including the acquisition price will be much, much lower than what you are talking about but nevertheless as I mentioned is that project will be very, very economically viable if we are taking over that project.

Sumit Kishore: In light of the comments that you made more at a sector level do you think that the projects which are stranded even now or half constructed what would you believe as a sector player would be future for that thermal capacity now?

Prashant Jain: I think the situation has changed completely after recent tenders because the way the government is coming up now I wanted to give you heads-up is that now Ministry of Power is talking about that they will be setting up a new framework because there is a new renewable energy corridor which is being created in which new framework will be done in which anybody can setup a renewable power and sell into the merchant market without any transmission, interstate transmission cost for a lifetime for a period of 20 years so imagine if that is the kind of a situation if that happens then what is going to happen is that the power is available in the merchant market at 2 rupees 50 paisa to 2 rupees 90 paisa what do you do with the highly taxed coal sector and highly taxed transportation sector in India.

Sumit Kishore: In the past you have also mentioned your plans to do group captive renewal for some 300 to 400 megawatt that possibly has got pushed back because of the demand disruption?

Prashant Jain: No that is not because of the demand disruption that is primarily because of the COVID19 situation that you cannot work on ground and we want to see before you start work there has to be clarity because of the health risk. As I mentioned our plan to achieve this award in three to five years stands same and we are committed for that as soon as we are having the clarity on the situation then we will start building our capacity on the renewable side.

Sumit Kishore: Sure. Thank you and wish you all the best.

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

Rahul Modi: Thank you for the opportunity. Hope everyone is safe. Most of my questions have been answered just a quick question I had. Sir the contracts with JSW Steel are all take-or-pay I believe so even if you are not supplying there will be fixed cost which should be paid?

Jyoti Kumar Agarwal: So, all the group captive contracts are at arm's length and the construct is similar to the PPA construct that we have with non-captive clients some of them in fact most of the group captive within JSW Group are under the section 62 contract but there is about 60 to 70 megawatt in Ratnagiri which is outside of JSW Group which is on a fixed price contract, but bulk of it is on a section 62 contract, take-or-pay basis.

Rahul Modi: Thank you so much.

Moderator: Thank you. We will take the last question from the line of Bhavin Chheda from Enam Holdings Private Limited. Please go ahead.

Bhavin Chheda: Good evening Sir. Two questions; any upcoming PPA or bilateral contract which you may have participated and expecting in near term and second will JSW Energy will be looking at the commercial coal mining which is expected to open in a bigger way?

Prashant Jain: I will take up the question for commercial mining and PPA question Sharad will answer. As far as the commercial mining is concerned that is an attractive opportunity but we need to see that we have two power plants one is Karnataka and the other is in Maharashtra they are based on the imported coal we have to look at in detail that whether it is economically viable to switch to domestic coal given the logistic constraint what we are having because both the plants are strategically located there imported coal is the most viable option however we are evaluating the logistics cost as well as the CV of that particular coal and what will be the terms at which the bidding will happen. At the end of the day if it is making an economic sense we will be certainly doing it or else we may be tying up with some company who will be entering into this kind of a bidding and then they will be sourcing coal from that if it is making an economic sense we will certainly look at it if not then we will not look at it.

Sharad Mahendra: I will just request once again to be more clear about what exactly was there in terms of the PPA you would like to know?

Bhavin Chheda: Any open capacity which do you have any participated in the bilateral contracts or PPA I think the PFC recently issued a tender so have we won there and that supply would start?

Sharad Mahendra: **S**ee the thing is that what we have participated in earlier PFC thing we are ready it is only the thing is because of the uncertainties PFC has not been able to get from the buyer side that which are the states who are going to take the power from so we are not very confident that under that it will be fructifying in the near future but yes in terms of our sales, in terms of the bilateral short-term trades as I had earlier said also to one of the questions that we are quite confident that we will be able to assign a significant part of our open capacities under bilateral deed with the buyers and that is what we are still looking for and we are quite confident that very, very soon we will be able to do that.

Prashant Jain: One correction what Sharad mentioned that for PFC tenders he was meaning from GMR Kamalanga for the PFC capacity not for our existing capacity.

Moderator: Thank you very much. I would now hand the conference over to Pritesh Vinay for closing comments.

Pritesh Vinay: Thank you very much for participating. In case there are any follow-ups please feel free to reach out Nitin or myself and with that over to Prashant for his last comments.

Prashant Jain: I would like to just conclude that we are keenly watching the situation and based on the daily developments we will be calibrating our approach for the future growth. With that I would like to thank each one of you and also stay safe.

Moderator: Thank you very much. On behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.