

Financial Results for the Quarter ended September 30, 2018

Mumbai, India: JSW Energy Limited (“JSW Energy” or the “Company”) today reported its results for the second quarter (“Q2FY19” or the “Quarter”) ended September 30, 2018.

Key Highlights of Q2FY19 (Consolidated):

- Long Term PPA proportion for the Company improved to 80.4% in Q2FY19 from 75% in Q1FY19, after securing additional 230MW and 6.5MW PPAs within the JSW Group at Vijayanagar and Ratnagiri plants respectively
- The Company achieved higher PLFs in Q2FY19 across all locations on a YoY basis, accompanied by better merchant realizations
- In IEX, average merchant prices during the quarter increased by 18.4% on a YoY basis to ₹3.83/unit. The peak spot prices hit an all-time high of ₹19.99/unit in October
- Focus on Balance Sheet strength continues; Company’s Net Debt to Equity declined to 0.90x as the Company reduced its Net Debt by ₹400 crore, through prepayment/scheduled repayments. Further, Buyer’s Credit reduced by ~₹366 crore through internal accruals
- CARE Ratings Ltd (CARE) revised the Company’s Long Term Rating to ‘CARE AA-/Stable’ from ‘CARE AA-/Negative’. Further, CARE has upgraded the Long Term Rating of Raj WestPower Ltd (100% subsidiary of the company) to ‘CARE AA-/Stable’ from ‘CARE A+/Stable’
- The Company was conferred with “Golden Peacock Award for Sustainability” by Institute of Directors



- The Company's Vijayanagar plant was conferred with "Safety Systems Excellence Award" by FICCI
- The Company's Ratnagiri plant was recognized as "Energy Efficient Unit" in the 19th National Award for Excellence in Energy Management organized by CII
- The Company was awarded "National Award for HR Best Practices -2018" by NIPM (National Institute of Personnel Management)
- Electric Vehicle (EV) Business: (i) Appointed auto Industry expert Mr. Rakesh Srivastava as Director- Sales and Marketing, and (ii) Discussions ongoing with leading global OEMs and Engineering Service Providers on Product and Technology partnerships
- Mr. Sajjan Jindal has been reappointed as the Managing Director of the Company for a term of 5 years with effect from January 1, 2019, subject to shareholder approval

Consolidated Operational Performance:

During the quarter, consolidated deemed PLF was 76.7% as against 71.6% in the corresponding quarter of the previous year.

PLF achieved during Q2FY19 at various locations are furnished below:

- **Vijayanagar:** The plant achieved an average PLF of 51.8% as compared to 43.5% in the corresponding quarter of the previous year, primarily due to higher offtake from Long Term PPA customers.
- **Ratnagiri:** The plant operated at an average deemed PLF of 68.2% as against an average deemed PLF of 61.1% in the corresponding quarter of the previous year, primarily due to increase in Long Term PPA proportion.



- **Barmer:** The plant achieved an average deemed PLF of 85.3% as against an average deemed PLF of 83.4% in the corresponding quarter of the previous year.
- **Himachal Pradesh:** The plant achieved average PLF of 93.9% for the current quarter vis-à-vis 90.1% in the corresponding quarter of the previous year. The improvement was due to higher water flow in the Sutlej basin.

The net generation at different locations is furnished below:

(Figures in Million Units)

Location	Q2'FY 18-19	Q2' FY 17-18
Vijayanagar	905	760
Ratnagiri	1,559	1,361
Barmer	1,531	1,430
Himachal Pradesh	2,675	2,566
Total	6,670	6,117

The short term sales during the quarter were 315 million units as compared to 1,182 million units in Q2FY18, a decline of ~73%, primarily on account of increase in long term PPA proportion to 100% at Karcham Wangtoo plant.

Consolidated Financial Performance Review and Analysis:

During the quarter, total revenue was ₹2,568 Crore as against ₹2,220 Crore in the corresponding quarter of the previous year, an increase of 15.7%.

The fuel cost for the quarter increased by 42% YoY to ₹1,329 Crore, primarily due to increase in international prices of coal further exacerbated by weakening of rupee.



EBITDA for the quarter was ₹998 Crore as against ₹1,053 Crore in the corresponding quarter of the previous year, a decline of 5.2%, primarily due to higher fuel cost.

Finance costs declined to ₹308 Crore from ₹391 Crore in the corresponding quarter of the previous year primarily due to prepayment/repayment/refinancing of borrowings.

The Company earned a Net Profit of ₹316 Crore as against ₹297 Crore in the corresponding quarter of the previous year. Total Comprehensive Income of the Company for the quarter stood at ₹651 Crore as against ₹612 Crore in the corresponding period of the previous year.

The Consolidated Net Worth and Consolidated Net Debt as on September 30, 2018 were ₹12,231 Crore and ₹10,982 Crore respectively resulting in a Net Debt to Equity ratio of 0.90x.

EV Business

The Company has appointed Mr. Rakesh Srivastava as Director- Sales and Marketing. He has three decades of rich experience in the field of Sales, Marketing and Product Planning. In his previous stint, he led the Sales and Marketing Division of Hyundai Motor India Limited (HMIL). Prior to HMIL, he was associated with Maruti Suzuki India Ltd for close to 15 years.



Business Environment:

India's power demand grew by 6.9% in Q2FY19 on a YoY basis, primarily led by West and South regions, which have grown by 9% and 8.7% respectively. The overall growth rate has improved on a YoY basis (5.8% in Q2FY18).

On the supply side, net installed capacity stood at 346.1 GW as on September 30, 2018. This is an increase of 0.2% on a QoQ basis and 4.5% on a YoY basis, led by addition in the Renewable segment. In Q2FY19, the net capacity addition was ~0.6 GW. While the overall capacity grew by 22% since September 2015, the effective capacity addition (computed basis Normative Annual PAF/CUF) was only ~12% thereby lagging the demand growth of 16.6% during the corresponding period.

Power generation grew by 7.4% in Q2FY19 on a YoY basis. The PLF for thermal segment improved marginally to 57.7% in Q2FY19 vis-à-vis 56.7% in the corresponding quarter of the last fiscal. However, the thermal segment generation growth was subdued at 2.2% in Q2FY19 vis-à-vis 8.4% in Q2FY18 due to constraints in the domestic coal availability. Around 28 thermal plants are under critical (<7 days)/ super critical (< 4 days) coal stock level at the end of October, majority of which are in Western region.

The merchant power prices continue to remain robust due to festive demand, shortage of domestic coal at thermal power plants and lower Hydro/Wind power generation. The average monthly merchant prices at IEX peaked in September 18 at ₹4.69/unit (highest in last 8 years) and averaged at ₹3.83/unit for the quarter. The spot power prices hit an all-time high of ₹19.99/unit in October.



The rising crude prices along with the rise in US bond yields led to FII outflows thereby weakening the Rupee in Q2FY19 by ~5% on a QoQ basis, and ~9% on a YoY basis. The rupee volatility is expected to remain over the medium term due to expectations of widening Current Account Deficit and concerns of escalating global trade related tensions. The International coal prices have continued to remain volatile; the average API 4 Coal Index peaked to USD 107.9/tonne in July 18 (highest since Nov-2011) before declining to USD 98.2/tonne in September 18.

Outlook:

Index of Industrial Production (IIP) growth rate is showing recovery trends after it hit a 7-month low in May 18 at 3.2%. It improved to 7% and 6.6%, in June 18 and July 18 respectively before moderating to 4.3% in August 18. The improvement was largely attributable to strong performance in the manufacturing and electricity sectors and a high consumer demand. Going forward, the IIP growth trends are expected to sustain due to a firming consumer demand and a low base effect.

The real Gross Domestic Product growth had surged to 8.2% in the first quarter of fiscal 2018-19, following the trend of sequential acceleration which commenced since Q2FY18. This has been majorly attributable to strong expansion in private consumption, investments and exports. The Monetary Policy Committee of India (MPC) has retained its projection of GDP growth for FY 2018-19 at 7.4%.

The inflation, though being below projections in July 18 and August 18, continues to remain susceptible to volatile crude prices which are in turn vulnerable to supply disruptions due to geopolitical tensions. Since April 18, the average price of Indian basket of crude has surged from USD 68/barrel to USD 78/barrel in September 18.



The increase in the crude prices has also resulted in firming up of input cost pressures for the manufacturing firms, thereby denting their profit margins.

The power sector outlook over next 3 to 5 years has improved as power demand grows steadily considering the various measures undertaken by the Government such as UDAY Scheme, “Power for All” by 2019 initiative, SHAKTI scheme and the “Saubhagya” scheme, to name a few.

The country achieved electrification of all its villages by April 18 which is expected to enhance the power demand from rural India. The financial health and liquidity profile of the Discoms have improved, gaining from the UDAY scheme. With these positive prospects and limited capacity addition going forward, thermal PLF is expected to firm up over the medium to long-term. The sector is also likely to see increased consolidation which will further aid the demand-supply balancing. However, higher imported coal prices and low domestic coal availability especially for private sector power plants, continue to remain key concerns for the sector.

Forward Looking and Cautionary Statements:

Certain statements in this release concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Power Industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for Power, our ability to successfully complete and integrate potential



acquisitions, liability for damages on our service contracts, the success of the companies in which has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the company.

Media contact

Mithun Roy
+91 98190 00967
mithun.roy@jsw.in
JSW Group

Frederick Castro
+91 99206 65176
frederick.castro@jsw.in
JSW Group

