



“JSW Energy Limited Q2 FY23 Earnings Conference Call”

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MODERATOR: MR. MOHIT KUMAR – DAM CAPITAL ADVISORS LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the JSW Energy Limited Q2 FY23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in 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. Mohit Kumar from DAM Capital Advisors Limited. Thank you and over to you sir.

Mohit Kumar: Thank you Faizan. On behalf of DAM Capital, I welcome you all to the Q2 FY23 Earnings Call of JSW Energy. From the management we have Mr. Prashant Jain - Joint Managing Director and CEO; Mr. Pritesh Vinay - Director Finance; and Mr. Ashwin Bajaj - Group Head - Investor Relations; Mr. Bikash Chowdhury – Investor Relations and Treasury Head. We start with a brief opening remarks followed by Q&A. I will now hand over the call to Ashwin Bajaj. Over to you sir.

Ashwin Bajaj: Thank you, Mohit for hosting the call and a very good evening ladies and gentlemen. So welcome to the JSW Energy’s, Q2 Results Call where we will detail our results as well as our renewable led growth strategy. We have a management team as Mohit introduced. So let me hand it over to Mr. Jain for opening remarks and then we will take questions. Mr. Jain.

Prashant Jain: Thank you Ashwin. Good evening ladies and gentlemen, in the quarter gone by we have seen a power demand growth at 5.7% which has moderated from 18% power demand growth which we saw in Q1 in the current financial year. And for the H1, the power demand growth stood at 11.8%. The current quarter also the power demand is growing at a good pace, but we are expecting that this year should be ending something at around 8% to 8.5% power demand growth. The installed capacity for the sector is now at 408 gigawatt with a net capacity addition of four gigawatts in Q2 and total 8.3 gigawatt capacity addition in H1. All this capacity which was added up during the quarter was renewable capacity, 3.1 gigawatt coming from solar and 0.9 gigawatt coming from wind.

With this total installed, renewable capacity stood at 165 gigawatt, which is in excess of 40% of the installed capacity. The merchant volume went down by 18% during the quarter at 20 billion units with the average tariff at ₹5.4 per kilowatt hour, which is lower than the previous quarter. And now the weighted average for the H1 stood at ₹6.59; the current quarter prices are also running quite low close to an average of ₹4.5 to ₹5.0 because of better availability of thermal power at this point of time and moderate power demand growth.

In terms of the company, the net generation was 6.7 billion unit which was 2% lower than the last year, which was primarily due to the weak merchant market during the quarter as well as the Ratnagiri (300 megawatt) unit was under maintenance. The EBITDA was at ₹1,098 Crore which was up by 2%, profit after tax was up by 37% at ₹466 Crore, cash profit was ₹681 Crore higher by 12%. We maintained our trajectory of receivables, it was down 19% at 66 days during the

end of the quarter and the current quarter also we are doing pretty good in terms of the receivable metrics. So, we are maintaining a healthy receivable metrics.

In terms of the projects now our committed pipeline is 10 GW and which is going to be completed ahead of our earlier guidance of FY25. And this is without the new domain which we have started which is the battery storage and pump storage vertical. So, one gigawatt hour of battery storage project which we have recently we were the winning bidder in the SECI tender is over and above this ten gigawatt of the pipeline. Now, the projects are also moving as planned ahead of the schedule and starting from the current quarter the commissioning of the SECI X projects will start and then month-on-month we will be seeing the incremental capacities which are coming up. We are also doing pretty good in terms of the hydro pump storage pipeline and which is moving in addition to that, we have also secured some new hydro projects which are run of the river in Himachal Pradesh. So, one project we have already got the, awarded the LOI, there are some more projects which are in pipeline across the country which we are looking because we see that given the new hydropower purchase obligation, there will be an incremental demand which will be coming up going forward and after we complete our Kutehr project next financial year, we will be deploying that execution team to undertake new hydro projects going forward.

With this, I end my opening remarks we are happy to take the question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

Anuj Upadhyay: Sir, my question relates to the status on the Mytrah acquisition. If you can provide some update on that, secondly anything on the Utkal Ind-Barath project, last call we had mentioned probably we are re-looking to acquire that project and also if you can provide some kind of a timeline in tying up the untied capacity of the Vijayanagar for our captive group plans. That's it sir.

Prashant Jain: Thank you. So with regards to Mytrah, the necessary condition precedents are being implemented and we are expecting that we will be completing the transaction within the current quarter. And, with regards to the Ind-Barath Utkal, NCLT had already given its judgment by approving the plan and we are working with the lenders to implement the plan as part of our de-carbonization strategy. We are working on this to do the vertical integration to enter into the polysilicon market and that is our strategy and we will be based on this 700 megawatt power plant capacity. We will be working to do the vertical integration to manufacture polysilicon. The third part is, with respect to the untied capacity, JSW Steel has already undertaken 5 million tonne capacity expansion at Vijaynagar and they are scheduled commissioning is some time in calendar year 2025. And so, accordingly our untied capacity will be looked into the group captive model going forward.

Anuj Upadhyay: Sir, can you mention what quantum of untied capacity can be parked for this 5 million tonne of extended capacity at Vijaynagar and just a clarification on in Ind-Barath you mentioned about

the vertical integration. So, are you saying, that project will probably serve the need, the purpose of captive arrangement, is my understanding correct sir?

Prashant Jain: Absolutely. Although we are still working out, but a majority of untied capacity will be looked into that capacity expansion.

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

Mohit Kumar: Sir, first question is on the maiden battery storage, wind, sir what is the status of LOI, can you please some light on your strategy or give some light on how do you want to schedule the market capacity I believe there is a 40% which you open to the market and how do you see this, this open capacity to be tied-up or you want to participate in the ancillary market?

Prashant Jain: So, we are yet to receive the LOI from SECI and we are given to understand sometime in the current quarter we will be receiving that LOI. And at this point of time, we are absolutely open to work both on ancillary market as well as to tie up this capacity with some of the DISCOMs. We have already received some interest both from DISCOM as well as some corporates who want to take up this open capacity which is available with us and we have factored both the opportunities with this. And I can give you one color that the ancillary market is also equally exciting opportunity and in some cases, what we are seeing is more remunerative as compared to what we do tie up of capacity.

Mohit Kumar: Understood. And sir on the pump storage plant side of course you've built a large pipeline. When do you think we will be ready to execute something, is it contingent on getting some PPA or is getting some hydrogen or hydrogen order?

Prashant Jain: No, it's not contingent on that it's primarily at this point of time is the regulatory approvals which are being undertaken, but to give you some color that first project will be a captive project which will be used for our Vijayanagar plant and which we are taking the necessary steps for regulatory approval and we are expecting that we will start that construction sometime in next calendar year. Once we secure the necessary regulatory approval which is predominantly the environment clearance.

Mohit Kumar: How is the debt to EBITDA or debt to equity look after the Mytrah acquisition and do you think we need to raise some capital for the further growth?

Prashant Jain: We have explained in our last call with this existing pipeline, both for 2.2 gigawatt and of the under construction projects as well as Mytrah acquisition plus the new acquired pipeline all put together, we will be below the 4.5-4.6 times debt to EBITDA level and so we are quite comfortable and we will be still throwing a lot of cash because right now we are generating in excess of around ₹2,400 to ₹2,500 crore of the cash profit which is very, very healthy, which will be also going to increase with this commissioning of these projects as well as the acquisition

which will be sufficient to grow our pipeline. However, if we get any kind of a great opportunity where we feel there is a good transaction which can be value accretive for all the shareholders as well as there is an opportunity to deploy that particular capital by making substantial growth strides, we will not be averse to raising the capital. But at the current capital deployment requirements and the projects which are under pipeline, we do not need any capital.

Mohit Kumar: On this, our bidding appetite on the solar and wind we are not participating in solar as of now, is it a no go area for us?

Prashant Jain: So, my question is other way around the people who are bidding why they are not building. So, we are not doing anything which we cannot build.

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

Nikhil Abhyankar: Sir, I just wanted to ask you whether you are looking at adding some capacity?

Prashant Jain: Yes, there will be an additional pipeline after we complete this project, there are further opportunities which have been already outlined. And so we are looking into that, and at some point of time next calendar year, we will be announcing that pipeline. And in addition to that, we are also working to do further CNI business with a third parties. So, of course beyond this 10 gigawatt there will be additional pipeline which will be announced next calendar year.

Nikhil Abhyankar: Understood. Sir also after Q1, in the annual report last year you had booked certain revenue through sale of carbon credits. So, I just wanted to know at that time you mentioned that the inventory is somewhere around 20 million. So, have we booked any revenue through it in H1 and what is the inventory right now that we are having?

Prashant Jain: So, after the Ukraine war, the carbon credit prices have dropped dramatically. The carbon credits which were trading more than \$7.5 to \$8 have come down to \$2.5 at this point of time, which we also believe is transitory in nature, and which will once again go up. So, at this point of time, we are holding the inventory. So, we have not sold any more incremental or whatever we have sold is also very insignificant. And so, Pritesh what is the inventory right now is the same what we were having rather, it will be increased with the fresh accruals also.

Nikhil Abhyankar: And sir how are our receivables looking at, have they increased, has the Rajasthan government participated in government liquidity scheme?

Prashant Jain: Repeat your question once again.

Nikhil Abhyankar: Sir, has the Rajasthan government participated in the government liquidity scheme?

Pritesh Vinay: So, Nikhil let me come in here, we may not be privy to state wise participation in the liquidity scheme of the government. But what we can do comment on is, that if you look at our receivables

trend, as Prashant mentioned at the opening on a year-on-year basis, the overall receivables have come down by 19% from a DSO equivalent point of view. But more interesting is that within that the amount of overdues has actually come down by 23%. And as we are speaking right now subsequent to the end of the quarter, there are actually no overdues that we have from the Rajasthan DISCOMS or any other DISCOM. So therefore whether it is on account of their participation in liquidity scheme of government or not, we may not be able to exactly confirm that, but as far as our overdue are concerned, we don't have any overdue at this point of time.

Nikhil Abhyankar: Understood sir. And previously you also mentioned about our plans to get into polysilicon. So, when will we be able to announce anything specific regarding that or is it contingent on any PLI scheme coming from the government?

Prashant Jain: So, we are working on this the contours of the project because this is absolutely new area for the country. So, there are various barriers, there are the technology barriers, there is a talent barrier and there are various other challenges in terms of engineering and other things which we are building all those blocks. And so, in due course we will be announcing as and when we are ready with that. And of course we will be certainly participating in the PLI scheme as and when the final scheme bidding is started.

Moderator: Thank you. The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

Anuj Upadhyay: Just a follow up on my first question, which was related to the polysilicon thing, need one clarity sir, are we planning to come out with a complete integrated modern manufacturing thing right from polysilicon to the module manufacturing, and if yes, then what is the quantum which we are eyeing basically out here and are we waiting for the PLI schemes to get launched so, that we can decide upon the quantum, or we are fine enough to go ahead with irrespective of the PLI benefits?

Prashant Jain: So, there are number of factors which will be deciding all these that's why we said that we will be talking in a due course. So, you need to understand that India is having a large ambitious plan for renewable energy growth, which will be not only used for the power generation, but also electron to molecule business. And for that there will be a large requirement of polysilicon and also the ingots and wafers. And there are huge export opportunities going forward because after the new Inflation Reduction Act which has been announced in United States as well as the decarbonization strategy of Europe, there will be a huge requirement of polysilicon going forward both in Europe as well as American market. So, we are working out the contours in terms of our own requirements also to meet the domestic requirements as well as to the export opportunities. And also there are various PLI contours which all will be the determining factor, when we will figure out that how much is the polysilicon capacity and how much is the ingot and wafer capacity and how much is the cell and module capacity. Of course there will be a certain capacity which will be end-to-end and there will be some capacity which will be only polysilicon or only

ingot and wafer. So, even we are phrasing that with various variables and then we will be announcing once we have participated in PLI scheme.

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

Rahul Modi: Sir pardon me if I am repetitive, can you throw some light on the plans that we are having in terms of the pumped hydro storage for the next three to five years and the capex that we have earmarked and when are we expecting this capex to start. Thank you.

Prashant Jain: So we are already having right now a portfolio of 50 gigawatt hour of the pumped storage. And as I mentioned sometime in the next calendar year first project will start, here we do not have any issues with respect to land or the PPA. It is only the regulatory approval, which we will complete during this time and then we will start and then it will be, the first project will take three years to commission and similarly all other projects where our final DPR is under preparation, so that it needs to be approved by CEA before we start the project. Second part is that you have to acquire the land and whatever is the private land, if there is a forest clearance then you need to take forest clearance, but majority of our projects, there is not implication of projects, but you have to acquire the land, you have to take environment clearance. So, all these projects are going to take anything between 12 months to 24 months before you hit the ground. So, first project we see to hit the ground in the calendar year 2023 and thereafter, calendar year 24 onwards there will be various projects which will be hitting the ground, so it's going to be a cycle, simultaneously we will be building more portfolio of pump hydro project. So, as we explained last time, that the grid will be requiring large portfolio of hydro projects. So, going forward these will be very big intermittency solution for the grid, which we will be deploying over a period of time.

Rahul Modi: Sure, sir this is very helpful. So, the first project that you are suggesting that will be starting in CY23. Sir, that is what capacity and if you could suggest what would be the total cost and you mentioned that the PPA is not needed is it already signed with particular how does the mechanism work?

Prashant Jain: So, basically it's an integrated solution which we are going to do for our group captive requirement and it will be close to one gigawatt hour.

Rahul Modi: Okay. And what will be the cost to use?

Prashant Jain: So, once we are signing the PPAs and everything we will be announcing everything. But typically I can give you a color, the pump hydro projects are in the range of 4 crore per megawatt to 6.5 crore per megawatt and pump storage projects are typically between five hour storage to eight hour storage depending upon the type of project and everything it is there. So, you can do the maths on your own accordingly.

Rahul Modi: Sure. And sir you will be using your own renewable for the power injection or this will be primarily from the grid to be or your captive coal plants to begin with?

Prashant Jain: The first project will be integrated for our own requirements. We are working our own micro grid in the future where we will be coming out with a solution where there will be a solar park, there will be a wind park, there will be our own transmission corridor integrated well with the pump storage and then we come out with a large RTC solution.

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

Anshuman Ashit: Sorry, if I may have missed this. But sir, you have recently also received a letter of intent for Chhatru hydroelectric power plant. So, could you please give us some details on the timelines or DPR preparation and the cost which we can expect?

Prashant Jain: This is one project where already it was earlier allocated to some private parties where the DPR is already in place. Also there was environment clearance which was in place now, we are going to do the working and we have to revalidate the DPR, we have to reinstate the environment clearance and post that we will be participating in various grids or time of the PPA with the DISCOMs who are interested to source hydropower and as I said there are a couple of more projects which are already in pipeline, which will be also coming up and so being the largest private sector hydro power producer in the country, we are building these kinds of portfolios which will be going into a PPA and then construction going forward, we have already built a very good capability to execute the project in a most efficient way, after operating the plants in a most efficient way, our Kutehr project which we started the groundbreaking in October 2019, in spite of three COVID waves, we are running ahead of schedule, we've completed 85% of the tunneling, we are expecting this will be the fastest ever project build in the country in the recent times by any hydropower plant developer. So with those kind of capabilities and hydropower purchase obligation we are quite upbeat about various opportunities and that's why we are doing all this.

Anshuman Ashit: Sir , is there any portion of the generation which we will have to share with or gift for free to the Himachal Pradesh DISCOM in this?

Prashant Jain: Government of India has already come out with the regulation, that now the free power to the state is fixed at 12% throughout the life of the project and project life is also now decided by the government of India under the policy at 40 years. So it's a single norm for all old and the future power projects.

Anshuman Ashit: Okay. And sir just wanted to know your view on the coal prices going forward for FY23 and based on that, do you believe that the merchant prices will be favorable for us to sell on the exchanges, if you could throw some light on that?

Prashant Jain: So, I'm sorry I will not be able to give you any kind of a guidance on the coal prices because these are the unprecedented times with a lot of variables and factors. So given the current situation, it is very tough to make a call, but the way the natural gas prices are coming down now if that trend continues then thermal coal prices will immediately drop. So if natural gas prices remain elevated, then thermal coal prices will remain elevated. So everything is contingent upon geopolitical situation at Europe and also the natural gas prices. Otherwise demand and supply perspective on a normalized business environment case. The thermal coal prices should not be more than \$100.

Anshuman Ashit: Sir, currently merchant prices favorable for us to sell on the exchanges?

Prashant Jain: No.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Prashant Jain: Thanks for operator and thanks everyone for joining us today. Please reach out to us if you have any further questions. Good evening.

Moderator: Thank you. Ladies and gentlemen on behalf of DAM Capital Advisors Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.