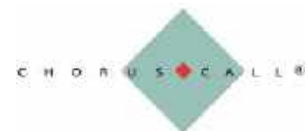




“JSW Energy Limited Q4 FY24 Earnings Conference Call”

May 07, 2024



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MODERATOR: **MR. SUDHANSHU BANSAL – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to JSW Energy Q4 FY24 Earnings Conference Call hosted by JM Financial. 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 this 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. Sudhanshu Bansal from JM Financial. Thank you, and over to you, Mr. Bansal.

Sudhanshu Bansal: Thank you, Nirav. Good evening, everybody. On behalf of JM Financial, I welcome you all to the conference call of JSW Energy to discuss the 4th quarter and FY24 results.

We have with us the leadership team from the company, including Mr. Sharad Mahendra – Joint MD and CEO; Mr. Pritesh Vinay – Director (Finance) and CFO; Mr. Bikash Chowdhury – Head, Investor Relations and Treasury.

Thank you so much, sirs, for your kind presence and giving JM Financial the opportunity to host the call.

With this, I would like to hand over the call to Mr. Mahendra for “Opening Remarks” and taking the call forward. Over to you, sir.

Sharad Mahendra: Thank you, Sudhanshu. Good evening, ladies and gentlemen. Thanks for joining us for the Quarter 4 and Fiscal 2024 Earnings Call.

I will start by covering the various aspects of the business, starting with the power demand, how it has shaped up, and then in terms of the capacity increase where we have seen significant capacity addition in the country and various other points.

We have seen a strong demand growth of 7.5% in FY24, remember that the growth was in excess of 8% in FY23 on a larger base. In the quarter ended March, we have seen demand growth of 7.4%. And the numbers which have come for April-24, the demand growth has been close to 11%, implying a strong demand into the summer season, which we are going through right now. It is interesting to note that in FY24, the peak demand reached a level of 243 GW and this is expected, to reach 260 GW as per Ministry of Power in the current summers.

In terms of generation in the country, we saw an increase of 7.1% in FY24 and 7.3% in Q4. And we all know that the hydrology has not been favorable, the large hydro generation has been down by 17% in FY24. And in Quarter 4, we have witnessed a decline of 20% YoY in hydro generation. While the RE generation was up by 5% in the quarter and 11% in FY24.

When we see the capacity installations, the installed capacity in the country has reached 442 GW, with a total capacity addition of 26 GW in FY24 versus 16.6 GW in FY23. Renewable capacity addition has seen a record addition of 18.5 GW in FY24 which comprises of 15 GW of Solar

capacity addition and 3.3 GW of wind addition, which is the highest in a year, versus 15.3 GW in the previous year.

The capacity addition was skewed more towards the fourth quarter with 9.8 GW of 18.3 GW of RE capacity installation in Q4. The solar-wind mix for Q4 was 8.5 GW and 1.2 GW, respectively. So, we see a significant increase in the capacity additions which is happening.

The bidding environment has also been very conducive as Government aims of 50 GW bidding per annum, we have seen tenders worth ~70 GW which were announced and auctions were completed for more than 40 GW in FY24.

In Q4FY24, we witnessed a total auction of 19 GW of RE capacity, JSW Energy has won 3.4 GW, which is 18% of the total auction which has taken place in the country during Q4.

There is a mix of bids which are coming now apart from plain solar, plain wind, hybrids, RTC, green power and now FDRE. So, the need for round-the-clock and seeing the demand patterns on an hourly basis, we see that FDRE is going to be there. This is very interesting, because this is not just a power supply, it's a complete supply of a solution to the required DISCOM or the state. We have been successful in winning the significant portion of the first FDRE bid which came up in Q4.

When we see the merchant market, it continues to be strong, the volumes in FY24 increased by 12%. While the average tariff for FY24 was lower at ₹5.24 as compared to ₹5.94 in the previous year, as the API coal prices have seen a significant decline which has resulted in that reduction in tariff which is comparatively lower than what the coal prices have come down, which is a positive for the sector.

Coming to coal, when we see that in FY23 if we talk of a particular index like API4, which was in FY23 at \$250 level was at \$110 in FY24. And in April, this index has further slightly come down to \$107.

Apart from that, power sector outlook which has been announced by the National Electricity Plan clearly says that the demand growth on an annualized basis will be 5.5% YoY from between 2024 to 2032, this is a very positive. The total energy demand, the peak demand which we saw at 243 GW in FY24 is expected to reach 260. Further, as per NEP peak demand for FY27 is expected to reach ~277 GW, and FY32 at 366 GW. So, this is a significant increase in the peak demand, which is driven by factors like manufacturing growth and urbanization rate. So, these are the key drivers, and also the country moving towards Green Energy in manufacturing also. So, these are very positive factors for the sector which we are seeing.

And coming to JSW Energy's Performance, this year we reported the highest-ever adjusted EBITDA and PAT, driven by RE capacity additions and strong thermal performance. EBITDA for the year was up by 53% at ₹5,837 crores. And during the quarter EBITDA was up by 47% YoY at ₹1,292 crores. PAT also witnessed an increase, and overall net generation also has

witnessed a significant increase. In FY24, the PAT increased YoY by 17% at a level of ₹1,723 crores. And in Quarter 4, it grew by 29% at ₹351 crores.

Overall net generation during the year increased by 27% from 21.9 billion units in FY23 to 27.9 billion units in FY24. And during the quarter, it increased by 26% and it went from 5.1 billion units in the previous year Q4 to 6.4 billion units. The higher generation was driven by contribution from acquired assets and Greenfield RE capacity additions and higher thermal generation.

Another positive which we are seeing in the sector and also for us, our receivables, excluding the acquired RE portfolio, it stood at 54 days. And we are seeing a very positive action from the DISCOM side also and very healthy for the sector also.

Our net debt-to-equity at 1.3x, net debt-to-EBITDA at 4.5x, and net debt to EBITDA excluding the CWIP stood at 2.9x, which again clearly enables us for a future growth which we have a plan, on which I will be speaking in some time.

As you all are aware that in the beginning of April we successfully completed our QIP, which is the largest fundraise through the QIP route, and the third largest in the power sector including the IPOs which the sector has witnessed. It saw a very high interest for marquee global and domestic funds, which also believes in the story of JSW Energy and the way we are planning our growth.

Now to build a robust pipeline, we have already participated in the competitive bids. And we have been declared L1 bidder for 3.6 GW of capacity, out of which we have received LoI and LoA for capacity of 3.4 GW. This takes our total generation capacity, including locked-in capacities, to 13.2 GW.

We have been talking about the Mytrah asset which we acquired about a year back which we have successfully turned around and achieved 12% increase in the generation within one year of acquisition. We have generated an EBITDA of ₹1,403 crores and we are confident of seeing a further improvement in FY25 when we will be able to capture the full wind season. This is in line with our target of achieving EBITDA in the range of ₹1,600 crores in 24 months' time. We are very well on track to achieve that number.

In addition to that, our Ind-Barath Unit-1 successfully got commissioned in January, and we generated 196 MUs during this quarter. We were able to ramp up the capacity, this project execution in itself is a record of a stressed asset, which has been non-functional for a very long period. And in record time we have brought it on stream, and we have started the generation. Unit-2, we are looking towards commissioning in the current quarter.

The 1 GWh battery storage project which we have won from SECI, we are happy to announce that the part capacity already we have signed the PPA, and the site work has already started, ordering has been completed. And we are confident that by Q1FY26 we will be in a position to commission this 1 GWh project.

So, friends, these are the points from our side. Now, I will open the house for any questions. We will be happy to 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 Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Congratulations on successful fundraise. My first question is on the fact that the Board has approved raising funds worth ₹100 billion. What is the reason for a fundraise? Are you looking to raise this fund in FY25, is that the right understanding?

Sharad Mahendra: Mohit, if you remember that we have announced a target of achieving 20 GW of generation capacity by 2030 from present level of 7.28 GW. And in the Phase-1, we have said that by FY25 we will be reaching a 10 GW capacity, and we are well on track to achieve that on time. Now, as I said about the demand environment which is healthy and the opportunities both organic and inorganic which exists in the market, we are confident of accelerating that growth of 20 GW a few years earlier than stated target of 2030. Thus we have taken the Board approval to as and when if the opportunity comes, we should be ready to take full advantage of any opportunity. That is the basic reason. And my colleague, Mr. Pritesh Vinay, will like to add on this.

Pritesh Vinay: Mohit, I mean, Sharad has clarified it, but just to put things into perspective. We had been having an enabling resolution for a capital raise since 2016. It is just a different matter that it took us seven, eight years to actually pull the trigger, given the macro headwinds, etc., and the size of the opportunity, and the visibility of returns accretive growth. So, this is also an enabling resolution which we are seeking. And we will continue to seek every single year, as we have been doing for the last eight years. That's point number one.

Point number two, just to add to what Sharad said. While he did talk about the bidding environment and the demand growth, etc., there's also a lot of inorganic play available. As we are speaking, there are a few platforms where the fund lives of the financial sponsors are coming to an end, and a number of processes are underway. So, who knows, I mean, if we get a right opportunity, it will always be good to not be constrained by necessary approvals in place from a capital raise flex point of view. So, that's the whole context.

Mohit Kumar: And sir, given the pipeline which you have right now, what would be the capex in FY25 and FY26? And can you also give us some color on the capacity addition for the next two years?

Sharad Mahendra: Yes. Regarding capacity addition, Mohit, as we have said earlier that we will be reaching 10 GW by FY25, we are well on track. And we are confident that we will be reaching that 10 GW number in FY25.

Mohit Kumar: And sir, capital expenditure, if you can give us a number for next two years?

Pritesh Vinay: Yes. So, next year, it's easier to give. Next two years, because suppose for example we participate in more bids, and we won good returns accretive bids, that number will move basis that, right? So, for the roughly 2.7 GW that we need to complete to hit the 10 GW mark, plus the battery storage project, we are looking at a total capital expenditure of about ₹15,000 crores in the coming fiscal year. For the year beyond that, we think that by the end of the current fiscal year we will be in the

right position to guide for the following year. And just to complete the argument, for the year that just ended, the numbers that we are discussing, we spend about ₹8,000 crores.

Mohit Kumar: Rs. 8,000 going to ₹15,000, understood.

Pritesh Vinay: Right.

Mohit Kumar: My last question is on the, what is the reason for looking into setting up a wind manufacturing capacity? And what is the timeline you are looking at?

Pritesh Vinay: So, on that, Mohit, we are evaluating the battery cell manufacturing optionality. Because as Sharad was mentioning in his opening comments, to address the intermittency situation from a grid stability point of view, India is going to need a large amount of storage solutions. Secondly, more and more we are going to see complex bids, which will inherently have a battery storage solution built in for FDRE type of vendors. And hence we see that there's a long road for stationary storage point of view. So, we are seriously evaluating and doing detailed work on that side. And at the right time we will take a suitable call. And if we choose to pull the trigger on that one, we will come ahead and share all the details with the market.

Sharad Mahendra: And Mohit, to further add to the number, if you see presently, is to which I said some time back, the storage is going to play a key role. And today, in the country, from battery point of view if you see, there is almost nil battery storage capacity which is there. It is only pump storage of 4 GW which is running, available. And the projects which are there, it clearly shows that by FY27 the storage capacity total required will be in excess of close to 16 GW, out of which about 8 GW to 9 GW of battery is expected, and balance is in terms of the pump storage. So, this is a huge opportunity which we see on working, as Pritesh said, we are evaluating that. And rather than depending on procurement, if there is a benefit, we will be moving ahead in this.

Moderator: Thank you. Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: My first question is a follow-up on what Mohit asked. If your CAPEX guidance for FY25 is around ₹150 billion, I'm just referring to Slide 13 of the presentation, which mentions that of your total committed capex of ₹186.5 billion, about ₹150 billion has already been spent. And in addition, there is a SECI XII of ₹22 billion capex. So, ₹150 billion seems to include capex that you would do for the 3.6 GW committed capacities as well. Is that right?

Sharad Mahendra: Yes, that's right. Correct.

Pritesh Vinay: See, part expenditure will happen on this pipeline, which will be spread out over two to three years, and the storage capex will also happen, so it's a sum total. Plus, there will be maintenance capex also for the existing running plant, and the whole number is the sum total of everything.

Sharad Mahendra: And also, of the ongoing projects which are already there, that is also will be balanced capex, which is pending, that also will be done in the current year. So, it's a total of all.

- Sumit Kishore:** Sir, would it be fair to say that of this 3.6 GW which you have won recently, we should be looking at a post FY26 commissioning timeline?
- Sharad Mahendra:** Yes, a significant portion, yes. You are right.
- Sumit Kishore:** Second question is on Ind-Barath, 196 million units were sold in Q4, the EBITDA was about ₹300 million. The spread appears to be a bit thin. Is this going to upfront O&M cost being higher given that this is the early stage of stabilizing the unit?
- Moderator:** Participants, please stay connected, the line for the management dropped. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. Sir, please go ahead.
- Sumit Kishore:** Yes. I was asking a question regarding the Ind-Barath project where 196 million units were sold in Q4, and the corresponding EBITDA was about ₹300 million. Is the spread that you are making right now on a per unit basis thin because of the upfront O&M cost, which would have been higher in the stabilization of the unit, or if you'd comment on that.
- Sharad Mahendra:** Correct. Sumit, whenever a new unit is getting established, there are lots of the unit comes down, again comes back, that is frequent. So, that is one of the reasons wherein it impacts definitely. But now the unit has reached almost close to, I will say, a high level of stabilization. So, it will be better. But yes, definitely when the unit commences, this is a normal feature which happens.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citi. Please go ahead.
- Atul Tiwari:** Congratulations on successful capital raising. Sir, my question is on JSW Neo Energy. So, could you share the FY24 consolidated numbers for JSW Neo Energy, just revenue, EBITDA, PAT, how much was that?
- Pritesh Vinay:** Atul, I request if you can connect with the IR team, they will be able to help you on the numbers, yes?
- Atul Tiwari:** Okay. And the second one is on the breakup of the CAPEX of ₹150 billion. So, how much of that is for the battery storage?
- Pritesh Vinay:** So, once we have signed out the contractual, we are in very advanced stages of finalizing the negotiations with the suppliers. So, probably by the next quarter will be the right time when we should be in a position having got the approval of the Board, when we will come and share with the markets what is the final project cost for this one, yes? But it is going to be lower than what it would have been a year ago.
- Moderator:** Thank you. The next question is from line of Koundinya from Jefferies India. Please go ahead.
- Koundinya Nimmagadda:** Sir, my first question is on the capacity front. So, 9.8 GW by end of the current year, that looks fine. If I were to go back and see, when will this 3.6 GW be added, I mean, what would that day be like? Or if I were to ask it in different way, FY27, where do you see your capacity ending at?

Sharad Mahendra: See, when we see the capacity of 3.6 GW what we have won, maybe just recently it has been won. Now the PPA signing process will start. Once the PPA signing process starts, depending on the PPA terms, on average you can say about two years from the date of signing of PPA capacity will be commissioned. And if we are at 10 GW, a very small quantity, as I said earlier, will be a part of this. But then you can add that and take a two-year timeline from the time of PPA. So, that is how it will be. And we said, the total locked-in-capacity of 13.2 GW. From the signing date of PPA, within two years we will be definitely reaching 13.2 GW.

Koundinya Nimmagadda: Sir, and you also spoke of advancing your FY30 target, any timelines you are looking at? Or it's too early to comment on those things?

Sharad Mahendra: It is a bit early. At the right time, we will definitely communicate, as I told you. But we are quite confident with the kind of bids we have won in a short span it is one of the major reasons and the opportunities which are there in the coming year.

Koundinya Nimmagadda: Sir, my second question is on the merchant market. I think about last year, there was a CERC paper that caps the tariffs for merchant at about 1.2x the variable cost on average or 1.6x for any particular timeframe. How do you look at that? Any specific comment that you would like to make on the kind of impact?

Sharad Mahendra: This is something which is a bit too early to comment because this has come just maybe 24-36 hours back. And also, we have to see that this is a staff paper and that too a draft, on which as an industry we have to study and then see the impact. I can only say that the staff paper, what it says, it is unlikely what is mentioned it will go through. But from our perspective, when we see that, it is only 15% of the power which is open power for us which we sell in merchant. And out of that also a significant portion is through bilateral trade on a short-term what we sell. So, we feel even if this happens, which is highly unlikely, I think the impact is not going to be there for us at least to see that, because our majority is tied up power in the long-term PPAs.

Koundinya Nimmagadda: If I may ask one bookkeeping question, what is the average merchant tariff that you realized during the quarter, sir, or for FY24?

Pritesh Vinay: I think if you can connect with the IR team, they should be able to. But I think if I remember correctly, the average day ahead market price on the exchanges for the quarter was about ₹4.9.

Sharad Mahendra: And our realization is significantly higher than that.

Moderator: Thank you. Next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Sir, is it possible to share the EBITDA numbers for Mytrah for the quarter and year?

Sharad Mahendra: Yes. Mytrah FY24 EBITDA was ₹1,403 crores and Q4FY24 EBITDA was ₹244 crores.

Pritesh Vinay: If you go through our presentation, Rajesh, which is Slide #38 will give you entity-wise breakup.

Rajesh Majumdar: Sorry, I missed that, yes. And my second question was, sir, when you mention ₹15,000 crores capex, this is excluding the impact of any acquisition, right?

Sharad Mahendra: Yes.

Pritesh Vinay: Yes, sir. We are still to be in a situation where we can have a firm capex number without a firm target in sight.

Sharad Mahendra: Yes, we cannot give any capex number for that.

Rajesh Majumdar: So, in this kind of a market where there's so many distressed assets, it could be like the number could be more than that, right?

Pritesh Vinay: Yes. If the opportunity is there and we are getting the desired returns, what we expect, definitely we will keep exploring any opportunity which comes in the market, definitely.

Sharad Mahendra: You are right, Rajesh.

Rajesh Majumdar: So, in that case could you give us some ballpark guidance of net debt to EBITDA, like what is the outside it can go to in case we get into some kind of an acquisition like that? Like it's 4.5x now, and maybe EBITDA will increase this year a little bit, so how much can we go up to in order to fund our growth as well as keep it under kind of some kind of limits? Is there any kind of ballpark figure you can to give on that, a range?

Pritesh Vinay: No, ballpark figure is the right question because that's also, I would say, the most important metric to look at, what is the leverage profile is going to pan out like, right? So, if you go back and look at all our commentaries in the past couple of years, what we have consistently maintained is this that, we have three competitive advantages that we believe that we enjoy over a majority of our peers.

One is typically our specific investment cost or our capex per megawatt tends to be lower than peers. Our opex per megawatt tends to be lower than peers. And we enjoy one of the strongest balance sheets because of which we enjoy one of the highest credit ratings in the private sector, because of which the financing costs that we enjoy for our growth project is one of the most competitive in the industry. So, it is very imperative for us to retain all these moats from a business, from a strategy point of view.

So, we will go by what is the rating agency guardrails, right? So, it is very important to understand the high credit rating that we enjoy, what are the guardrails for that? So, the way the rating agencies look at this that, because typically when you start a 3:1 debt to equity project with a 25-year visibility of revenue and cash flows, and you solve for a certain debt service coverage ratio, it translates to a net debt to EBITDA of about 5x to 5.5x, and that is what the rating agencies are comfortable with.

But what is most important here is the phrase they use is a sustained normalized net debt to EBITDA, which means what that if you have debt sitting on the balance sheet, which is sitting in

capital work-in-progress, they adjust for that because the EBITDA from that is going to be coming in a forward-looking manner, right? So, on a headline point of view what we are seeing is a 4.5x adjusted for the debt of, if you look at slide, we have a slide on the investor presentation deck where we break it up, the net debt bridge, there is adjusted for the capital work-in-progress, Slide number 12, it is 2.9x, right?

And mind you, all of these numbers that you are seeing in the results are as of 31st March. The ₹5,000 crores equity raise happened in the first week of April, right? That has not been accounted for yet, right? So, if I were just theoretically to account for that, what you are seeing as 4.5x is actually well below 4x, it is about 3.7x. And what you are seeing as 2.9x is about 2x, right? So, we have a very comfortable, I would say, headroom from a balance sheet point of view to kind of pursue our growth aspirations.

Rajesh Majumdar: Right. And sir, my last question is on Vijayanagar. Why are we still generating an average PLF of only 59% considering the fall in coal prices? Are we not able to get the merchant capacity we are running as per what we need to? And any guidance for that for the coming year?

Sharad Mahendra: No. See, as and when the requirements are there and the state is looking for the power we are generating. There are some issues which are there related to water supply and all, but that has been taken care.

Pritesh Vinay: See, if I can add to that, there's a Section 11 that has been imposed by state of Karnataka also, right? So, the Vijayanagar plant whatever untied capacity is there, we will sell to the state at a certain tariff that has been agreed. So, the section 11 is in place. And therefore, as and when we are able to have excess generation, we are able to feed that into the grid.

Rajesh Majumdar: So, do you think the PLF of 59% can improve significantly given Section 11 or merchant, wherever we sell? I mean, I think it's more to do with Section 11 now than merchant, but can this improve significantly in the coming years?

Pritesh Vinay: We would want to be conservative and not guide aggressively. Because honestly speaking, if you go back and look at our commentary at least a year, a year and a half ago, we used to say that, look, merchant is something which is so volatile, it's not predictable. And hence, 85% of my capacity which is tied up under long-term PPA accounts for 95% of EBITDA, right? The needle has chosen to move now. So, while we are very bullish on the underlying power demand growth and the sustained power demand-supply deficit situation, we would expect the firm merchant markets to continue at least over the medium-term. But I would not want to, as a management team, want to guide aggressively and say that no, no, please take your base case as a much higher PLF. We are happy if you work with 58%, 59% PLF, that's not bad enough.

Moderator: Thank you. The next question is from Aniket Mittal from SBI Mutual Fund. Please go ahead.

Aniket Mittal: Sir, firstly on the 6.2 GW MoU that we have with JSW Steel, how does one think of fructifying that MoU into, let's say, a PPA going forward?

Pritesh Vinay: Aniket, you are right, the 6.2 GW MoU is for the additional RE capacities that they need for their decarbonization targets. This will happen in phases because this is 6.2 GW till 2030, not in one go. In one of the earnings calls before this, we had said that we are in discussions with JSW Steel for Phase-1 of the 6.2 GW. And we believe that during this quarter we should be in a position to conclude the discussions and have the Board approvals of both the companies in place, and then sign the PPA. And at the right time, we will make the necessary disclosures to the market. But we are reasonably confident that during the current quarter, which is the June quarter, we should be in a position to conclude this, the Phase-1 of the 6.2 GW.

Aniket Mittal: The second question was just on the bidding that we have been doing in the utility tenders. Traditionally we have been averse to bidding for plain vanilla solar projects. But I think over the past few months we have won certain tenders within those frame as well, which are pure solar project. Just trying to understand the thought process over here, are you seeing the equity IRRs, or the competition intensity change in the market? And what sort of equity IRRs do you expect for these projects that you have recently won?

Sharad Mahendra: See, Aniket, you are right that in past we have not been present in this competitive bid space. But as we have been saying for quite some time in various calls that we are targeting at least mid-teen IRRs, which were not there. But now at the current tariff which are being discovered and the capex, which is involved, definitely that is one of the reasons which we have participated. And going forward also, with wherever at least the mid-teen IRRs are achievable, we are getting, we will definitely be looking towards in this space also.

Aniket Mittal: Okay, mid-teen IRRs on plain vanilla solar as well. Just one last question was, you briefly mentioned about spinning the FDRE project. I think we have won about 180 megawatts. Could you give us an idea of how the scaling up will happen for the project in terms of wind, solar, battery? And just trying to understand how much of that is being built in, in this pipeline of 3.4 GW that you have.

Sharad Mahendra: See, Aniket, if I have understood correctly, you want that how this FDRE space bids will come up? Or the nature of the combination of how this FDRE, what we have won, 180 megawatts, will be structured?

Aniket Mittal: The nature, how that 180 megawatts will be structured?

Sharad Mahendra: See, normally you can say it's a mix. Depending on the FDRE, it differs from it. It cannot be a standard mix, because each state or each DISCOM, whoever wants to buy it, what is their hourly pattern which we have to cater to. So, the project is designed like that, it is a mix of wind, solar, and maybe it is also a storage. So, that is how it is designed. But on average, you can say it is normally 2x in terms of the capacity if you see. But FDRE is normally wind-heavy. Solar portion is lesser. But on average, overall capacity is you can say average 2x.

Moderator: Thank you. Next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Just a continuation on the previous question. Sir, do we have any guidance on the BESS project as to have we tied up the remaining 40%? And are we looking to tie it up with our own FDRE bids?

Sharad Mahendra: See, Nikhil, 40% right now we have not tied up. And we have designed the project in a way that we can participate in the merchant market. We see strong peak hour demand and also the price which is being discovered. So, we will be using this in the merchant, in the morning and evening peak which is likely to increase from 243 GW in FY24 to 260 GW, this is maybe a particular moment.

But during the year, the gap between off-peak and peak is increasing significantly not only in terms of demand but also the prices. So, I think 40% of capacity we will be keeping untied and selling during the peak hours. Because if you see the off-peak prices as low as ₹2 and peak as high as ₹10, so there's significant room to take advantage of this situation. So, we will be keeping this 40% of the capacity open for merchant because we have the flexibility that when we have to give, so we will be giving during the peak hours only.

Nikhil Abhyankar: And sir, in the previous call, you mentioned that we might even think of adding greenfield thermal capacity. So, do we have any update on that?

Sharad Mahendra: Can you repeat, Nikhil?

Nikhil Abhyankar: Previously, we also mentioned in the previous calls that we might look to add greenfield thermal capacity. So, are there any updates on that?

Sharad Mahendra: Yes. See, Nikhil, if you see, till now also there is hardly any requirements are coming for the PPAs from any of the states. But we are open to that. As and when the opportunity is there, we will look into. But presently, we cannot give an exact quantity or exact timeline for this. And also, when we see that right now our main focus is at the neo level in the renewable energy space.

Nikhil Abhyankar: Sir, just a final question. Why exactly are we entering into wind manufacturing?

Sharad Mahendra: See, Nikhil, we see that how the wind capacity additions in India have happened and we have identified the various challenges which have been there. We have seen wind capacity addition in excess of 3 GW, which I think is a high number if we see previous years. One of the major challenges which have noticed is the supply chain bottlenecks. And so, we are not looking towards this as a business, but we are looking to derisk our plans of the execution towards our 20 GW target. And also, if possible, to take the advantage of the cost benefits when we are dependent highly on the imports. So, it is purely a derisking of the supply chain to ensure that whatever we are planning, we are able to execute on time.

Moderator: Thank you, Nikhil. Next question is on the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: One more question on Ind-Barath. Now that the Unit-1 has stabilized, at present e-auction prices, roughly, what is the variable cost per unit that you are able to secure in Ind-Barath?

Pritesh Vinay: So, Sumit, there are two primary modes of sourcing coal for Ind-Barath. One is the SHAKTI auctions, which is for power plants with no PPAs. And the second is the spot auctions by Coal India. These are the two primary modes. There's a third mode which is happening where some of the people in the neighboring region have a captive mine, and they have permission to sell about half of that to the commercial routes. So, these are the, I would say, the three primary modes.

Now in the first batch of auctions which we had participated in, which was, say, sometime in the second and third quarter of Fiscal '24, the premiums on the base price used to be higher. And therefore, I would say that the landed cost of that batch of fuel was, between ₹2.7 to ₹2.9, in that range. But there was the next batch of SHAKTI auctions which happened a couple of months ago, right, and this is valid for the current fiscal year. And here, in most of the cases, you got it at the base price with no premium to the base price in those auctions. But that coal is going to come in future during the year. So, that coal is going to be much cheaper than that. I would say that it's going to be less than ₹2.5.

Sharad Mahendra: And also, one good new thing which it started in for the first time under SHAKTI, apart from the quarterly and the spot auctions which were happening, this time Coal India came up with bids which are valid off-take is for full one year. So, a significant percentage of our total requirement for Unit-1, we have been successful in getting at the nil premium. So, that will start coming maybe from June onwards every month, the quantity will start coming, which will take care of a large portion of our requirement. And that is at nil premium. So, as Pritesh said, there the fuel cost will be definitely under ₹2.50.

Sumit Kishore: Unit-2 stabilization would happen in Q1 or Q2 now?

Sharad Mahendra: No, Q1 we are expecting the startup, and sometime maybe in early part of Q2 we are confident that we will be able to stabilize the unit.

Sumit Kishore: After Q3?

Sharad Mahendra: Yes.

Pritesh Vinay: Sumit, at least one quarter for stabilization.

Sharad Mahendra: One quarter is stabilization. Maybe by mid-Q2 we should start reaching towards the stabilization.

Moderator: Yes, sir. We will take the last question from the line of Nikhil from AB Bernstein. Please go ahead.

Nikhil Nigania: My first question is regarding the bid for battery storage in Gujarat where JSW had quoted very competitively. So, given the battery prices and those kinds of bids, do you see a strategy shift back from pump storage more towards battery going forward, or do you see a need for both?

Sharad Mahendra: Nikhil, now with the battery prices moderating what they were till about a year, a year and half, or two years back, and also the execution of the project, the gestation period of pump storage is normally higher, battery percentage will improve. But seeing that it will be that both have their own benefits, so I think both will exist. And battery, that is the reason as I told you, by FY27 it is

projected that between 8 GW to 9 GW of battery storage will commission and about 7 GW to 8 GW of pump storage. But when we see this percentage by FY32, the percentage of pump storage will increase as compared to battery storage, capacity addition will happen in both the spaces. It is because the long period required to complete the project. So, both are required. It is not that battery alone can replace this. And we already have MoUs for pump storage also in place on which we are working for PSP also.

Nikhil Nigania: My second question is on, if I wanted to ask you to highlight the single biggest challenge you see in achieving your FY25/FY26, renewable capacity addition plan, what would it be? Would it be wind turbine availability? Would it be modules, land, or transmission?

Sharad Mahendra: No. See, the thing is, these are the three key areas. When you see we have already the team, operational team and also at the management level, these three are very, very clear areas where we need to focus. And I will tell you that how we have seen these areas and what we have done is, of course, land definitely is a must, that is a starting point on which we have already started building the required land bank. And when we see that two years completion from the signing of the PPA, we will be ready from that aspect.

Second is also to add, along with land which we have not mentioned, is the evacuation and the connectivity of the substation on which the CTU is also working, and we are also working. We have applied for the connectivity to match it with the completion of the project that connectivity should be there.

Now coming to solar and wind turbine, WTG availability, we do not see that as a challenge, especially from wind space. There are enough capacities, right now not in India, but the opportunities which are there in outside India, maybe in China also. So, we have already locked-in significant capacities what we need for wind turbine already, and which will take care of our maybe next year's requirement also.

And in terms of solar modules, when we say enough capacities are now there in India and the new capacities which are going to get added in the current fiscal by December, there will not be any challenge we see in terms of module availability, for us at least, and also for wind turbine availability. So, we have taken these three areas as the identified areas to focus on, and the team and the management is definitely working on that.

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

Pritesh Vinay: Thank you, everyone, for joining this call. And in case there are any follow-ups, please feel free to reach out to the investor relations team and they will be happy to answer all your queries. Thank you very much.

Sharad Mahendra: Thank you. Thank you, all. Thank you very much.

Moderator: Thank you very much. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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