"JSW Energy Q4 FY2018 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the JSW Energy Q4 FY2018 Earnings Conference Call, hosted by Edelweiss Securities 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities Limited. Thank you and over to you Sir!

Swarnim Maheshwari: Thanks Stanford. On behalf of Edelweiss, I welcome you all to JSW Energy's Q4 FY2018 and FY2018 results. Without further ado, I would like to hand over the call to Mr. Pritesh Vinay, who is the VP and Head-IR. Over to you Vinay! Thank you.

Pritesh Vinay: Thank you Swarnim. A very good evening to all the participants. On behalf of JSW Energy we welcome you to the fourth quarter fiscal 2018 results earnings call. I am sure all of you have had a chance to go through the results, the press release and the results presentation, which has already been uploaded on the website and the link sent to your inbox. We have with us today the management team of JSW Energy represented by Mr. Prashant Jain, The Joint Managing Director & CEO, Jyoti Kumar Agarwal, Director Finance & CFO and Mr. Sharad Mahendra, The Executive Vice President. We will start with a few minutes of opening remarks by Prashant and we will follow that up with Q&A. With that over to Prashant!

Prashant Jain: Thank you Pritesh. Good evening ladies and gentlemen. This has been an interesting year with a lot of events and during the last financial year we saw interesting trends with respect to the demand revival. Specifically last quarter we saw a demand growth of 7.1%. Demand growth was continuously going up and we ended the year with 6.1% demand growth. We crossed 1200 billion units of time in India and total demand was 1212 billion units during the last financial year. Also we saw that thermal PLF declining trend was arrested and overall thermal PLF went up by 1% from 59.8% to 60.8%. Although we saw another interesting trend that this was largely from central and state sectors whereas the private sector thermal PLF went down by 0.7%. This shows that domestic coal is not available for private sector thermal power plants - as compared to that the coal is given on a preferential basis to central and state sectors.

The merchant market saw 10.5% growth and the overall merchant market was of 45 billion units, which was 3.5% of the total market. The prices of power in merchant market have been strengthening year-on-year for the last three years and we saw that in calendar year 2017 the price went up from Rs.2.40 paisa in CY2016 to Rs.3.02 paisa and till date in calendar year 2018 prices are averaging at Rs.3.61 paisa. If you see financial year basis

FY2017 average merchant price was Rs.2.42 paisa and Rs.3.19 paisa in FY2018. This is largely representing that the demand is reviving and so there are only two avenues to meet this demand, one is the renewable capacity and the other is increase in the thermal PLF. If the thermal PLF is increasing and domestic coal supply does not increase you will have to resort to import of thermal coal. So we are seeing a similar kind of a trend, which we saw in 2003 to 2008. In next couple of years there will be more thermal coal, which will be imported in case domestic coal supplies are not augmented and which will also have a bearing on the thermal merchant power prices.

During the year, the net capacity addition was 17.2 gigawatt and gross capacity addition was 19.7 gigawatt representing 2.5 gigawatt retirement of thermal capacity. Renewable capacity addition in FY18 was 11.8 gigawatt, which was much short of original planning by Government of India for 20 gigawatt and thermal capacity addition on gross basis was 7.1 gigawatt.

As regards to JSW Energy's operations, during the year we saw 1% growth in the net generation while thermal generation was largely flat. There was a decline in gross margin by 15% because the fuel cost went up by 10% and this was largely mitigated by improvement in internal efficiency of the Company by improvement in heat rates, by improvement in auxiliary power consumption and also the O&M costs went down by 9% due to manpower productivity improvement and various other internal efficiencies because of which our overall EBITDA was down by 9%.

This 9% decline in EBITDA was after marking necessary provisions in our Raj West plant based on our fixed cost tariff order and also some true-up provisions in our HPPCL hydro asset. If we do not account for those provisions, our operating EBITDA was more than previous year.

During that year, we have also reduced the debt by Rs.3100 Crores and our net debt has come down to Rs.11278 Crores. So, we are very much quite satisfied in terms of overall performance of the Company that a number of initiatives, which we had planned, we have undertaken and the financial and operating performance has improved substantially.

Also our interest cost during the year went down by 14%. We did the refinancing, reduced our average interest cost by 114 basis points and on a closing basis our weighted average interest cost is now 9.03%. With this, our debt to equity has come down to 1:1. Also during the year, we have reduced our debtors by Rs. 1032 Crores, which is representing less than 50 days of debtors and that downward trajectory we are also seeing in the current quarter - so this is also very healthy trend, which we have achieved.

During the quarter, we added another 250 megawatt of the long term PPA and with that our long term PPA portfolio has increased to 75%. We are quite satisfied that in the beginning of the year we have given a guidance to increase our long term PPA portfolio to 73%- we have done better than that and we have achieved 75% of long term PPA.

Also our strategy in terms of domestic coal is playing out, but there is a risk we are seeing that less and less coal is coming for auction for private power producers. However during the recent quarter, there was e-auction of 500,000 tonnes of coal, out of that we have secured 173,000 tonnes of coal for our Vijayanagar plant, so if we continued to see more and more coal auctions for merchant power we will be securing that and as and when there is a coal linkages are auctioned under Shakti scheme we will be securing that and then take building a strategy to tie up medium term PPAs for our Vijayanagar facility.

During the quarter, we have made gross provisions of Rs. 815 Crores as a measure of financial prudence and considering fair accounting principles, which the Company follows. We believe that all financial risks are adequately provided for with this provision. Out of this Rs. 574 crores is on account of JPVL, Rs. 141 Crores is on account of SACMH, which is the South African Mining Operation and Rs. 100 Crores is for Toshiba JSW joint venture. With that, for the Toshiba joint venture, we are having a zero carrying value in the books and the remaining value for our SACMH operation is Rs. 161 Crores and the carrying value is Rs. 178 Crores for JPVL, which we are having a reasonable visibility based on our existing SPA pursuant to which there are various tariff orders, which are under adjudication and we are having a clear visibility to recover that kind of money.

Nevertheless while we have made provision in our accounts as a fair accounting principle, this money is recoverable from JPVL, the company is contemplating legal recourse and evaluating all options including taking JPVL into NCLT route to recover its money. We are also in discussion with JPVL as well as its lenders for the probable transactions, which we have been contemplating with them including acquiring one or more assets or any other legal recourse.

As regards to our EV business, during the previous quarter, we made an announcement. Mr. Sergio Rocha, he is an industry veteran with over 39 years of experience has been appointed as the COO for passenger car EV business. He was, prior to this engagement, responsible as a president and CEO of General Motors Korea operations and was looking after 17 billion dollar business. He will be on board by middle of May and at this point of time he is securing necessary work permits.

Also we have decided to enter into electric light duty trucks and electric buses business and pursuant to that overall capex we have revised to Rs. 6500 Crores over a period of three to four years. Our plan is that first we will roll out our electric buses and electric trucks, which we are anticipating in next two years' time. Our electric car project is moving as per schedule and we will plan to roll out in three to four years our first car. We are contemplating Rs. 1000 Crores of capital expenditure during FY2019.

Also as we had explained last quarter that company is decisively moving to renewable sector and in that line now we have decided to increase the portfolio from 17 megawatt to 200 megawatt, which will be commissioned in FY2019 and we are putting a capital outlay of Rs. 1200 Crores including setting up a manufacturing facility for 1000 megawatt of solar PV panel manufacturing facility, which will be commissioned in FY2019 and this facility will be set up in Vijayanagar.

So we had an interesting year, which has gone by, which was full of lot of events involving long term PPAs, improvement in operational profile as well as the financial profile of the Company. Going forward now we are looking to incur meaningful expenditure in our future businesses, which will be solar as well as EV. With that, I would like to open the floor for question and answer. Over to you!

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Good evening Prashant. My question is on the renewable side, if you could highlight how would this 1200 Crores be broken up between 200 megawatt and 1000 megawatt PV and also if you could give us a slightly longer term picture in terms of say four to five years, how is the JSW energy looking at renewable energy investments over longer term period broken up into insulation as a developer and are you looking at more utility grade or more rooftop and what kind of manufacturing is that the company is planning?

Prashant Jain: Good evening Bhavin. The breakup is Rs. 1000 Crores for 200 megawatt of solar power plants and Rs. 200 Crores is for solar PV module manufacturing facility. Going forward our idea is that we will be doing a complete vertical integration in terms of PV cell manufacturing facility and also the PV wafer manufacturing facility going forward. So that is one focus area because in India when we are taking about 200 gigawatt of the solar capacity addition in times to come, which is going to be a very big market. We would like to enter into this market where we will be end-to-end product supplier. Also our focus area is on solar rooftop as well as on floating solar and in time to come we will be also looking at the ground mounted solar projects also, but everything is as an open book concept at this point of time. We are looking for a certain amount of returns. Whichever opportunity are meeting our future return requirement, we will be venturing into those. The size of the opportunity is very big and we feel that we can have a meaningful play if we are having a control on the cost. So that is why we are doing a complete vertical integration in order to have a control on cost. Also we would be looking at export opportunities in time to come from these manufacturing facilities.

Bhavin Vithlani: Just a followup on this, how should we look at in terms of JSW as a developer in solar, you mentioned you are focusing more on rooftop and floating solar, so is this like a 200 megawatt kind of a number that we could be expecting over every year for the next four to five years or this is like a one off in FY2019?

Prashant Jain: So we are giving a guidance now about 200 megawatt. It is a baby step for us because we have entered into renewable space recently and so we will move along with the time and then see how we are well we are progressing well. It could be much bigger run rate going forward depending upon the type of opportunity and the kind of returns, which we are securing. So this is the plan for 2019, but it may be much, much higher rate in future.

Bhavin Vithlani: Thank you. I will come back in the queue for my next questions.

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

Mohit Kumar: Good evening Sir. Sir, is it possible to throw more light in terms of timeline for electric vehicle roll out for the next few years and what led the capex to increase to 6500 from earlier envisaged 4500 Crores, are we going to launch light duty trucks and vehicles in FY2019 and FY2020?

Prashant Jain: So it is two fold because as we have mentioned earlier that the capital expenditure, which we were emphasizing around 4000 to 4500 Crores was based on the pre-feasibility study. as A lot of water has flown based on detailed feasibility study and changes have been made. It is on account of two things, one is the product strategy, second is on account of increase in the scope. The reason for entry into electric buses and light duty trucks is because this is a very interesting opportunity. The migration of mobility from conventional source to electric mobility is first going to take place in the mass mobility sector. So where we are seeing a huge opportunity that is why we decided that we will be entering into this segment of electric buses and light duty trucks. We believe the gestation period is much, much smaller here as compared to the passenger car vehicle segment where larger product are strategies required and hence the product development timeframe is much, much higher. So these products will be out in a much shorter time, probably in 24 months' timeframe. The battery technology is identical for both the segments. So it gives anchor to our battery manufacturing facility also by entering into this kind of segment, since you learn the epowertrain technology as well as battery manufacturing technology. The entire scope has widened just because of that.

Mohit Kumar: So does it mean that the electric cars, electric trucks, buses all will be rolled out in next 24 months, is it right to assume?

Prashant Jain: No, as I said the buses will be rolled out in 24 months' timeframe and then electric trucks and then electric car, so electric cars as we mentioned three to four years' timeframe that still holds good.

Mohit Kumar: Sir my second question pertains to our, the status of the acquisition of JSPL Tamnar. I believe we had given 500 Crores, so can you just update on that?

Prashant Jain: So out of Rs. 500 Crores, we have outstanding of Rs.380 Crores at this point of time and the interest is being serviced consistently. Last week we have received a request from JSPL for extension of SPA. We are evaluating that and we are in discussions, so we will let you know in due course of time.

Mohit Kumar: Last question, what is the JPVL outstanding right now on the balance sheet?

Prashant Jain: Post provision it is Rs. 178 Crores so that is the carrying value, but everything is outstanding, which is Rs. 752 Crores, which is recoverable from the Company. So we stake a complete claim of Rs. 752 Crores from JPVL.

Mohit Kumar: So does it include the interest cost, which is supposed to pay for last 9 to 12 months?

Jyoti Kumar Agarwal: The interest up to December has actually been paid and we have booked the same. Interest from January has been erratic. To the extent we are receiving, we are booking, but there are some outstandings on account of interest, which we have not booked. The current outstanding Rs. is 752 plus the outstanding interest, which we are yet to recognize in the books of accounts.

Mohit Kumar: Thank you Sir. That is it from my side. Thank you.

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

Abhishek Puri: Good evening Sir. Two things, one on the going business, which is on Vijayanagar specifically, what are the kind of contracts that are now available with us and any new bidding opportunities that you see given your commentary that power demand has increased much and tariffs have increased, so ideally this should be the best time to sign up the new contract and why we are still seeing lower volumes at Vijayanagar that is one. Secondly on your capital deployment strategy, so we have 6500 Crores in EVs in the next three to four years plus about 1200 Crores you mentioned for FY2019 in renewables and may be similar amount will be invested in the next three or four years, so about 10000 Crores, 11000 Crores is what we are talking about from no capital expenditure in the last few years to a significant increase, which is not well supported by the profitability that we have seen in the last one or two years in the Company. So what are the funding plans for that, how much is the debt, how much equity are we planning to raise some money, sorry for the long question?

Prashant Jain: For Vijayanagar right now we are supplying to PCKL 200 megawatt and in the year before we were having a contract of 650 megawatt. Now we need to be mindful of one fact which is that there is a better connectivity with the southern grid now, post which the southern grid power prices are 20 to 25 paisa premium than the other national grid and the current RTC prices are still hovering in the range of Rs.3.60 paisa. Based on this, imported fuel prices at current coal price index for Vijayanagar is highly unviable. So in that context, if JSW Vijayanagar thermal power asset continues to run on imported fuel then having a long-term visibility for tying up on a medium-term basis is very, very weak. Based on that we have been working on a strategy to move to the domestic coal. So there are the only two scenarios for improving the PLF in Vijayanagar asset, one either the power prices grow substantially higher or we are getting more domestic coal. After the approvals, we have got the breakthrough. We have been taking very baby steps, but the only challenge what we see is securing more coal is availability of more coal in auction by Coal India. So that is the situation which we see, so I cannot give any kind of a guidance of how things will pan out in Vijayanagar, it is dependent on these two variables going forward. As far as the solar assets are concerned, the gestation period is three to six months timeframe. Any investment, which you do, starts giving the return after six months. So they are self-sustainable and our balance sheet is 1:1 debt to equity. As a power utility company we are underleveraged company. We plan to leverage our company more against assured cash flows that is why we have been looking into that kind of opportunities and also with regards to the manufacturing facility, the gestation period is only six to seven months for our PV panel manufacturing plant. Now coming back to the electric vehicle part, there is a total Rs. 6500 Crores of capital expenditure. The company generates if I consider previous year EBITDA itself which is Rs. 3250 odd Crores and if I see the going forward trajectory for interest, you will be having more than Rs. 2200 Crores of the cash available (pre tax) either for repayment of the debt or deployment of the cash for taking care of future capital expenditure without changing the leverage of the company. So we are having enough headroom, legroom, elbowroom for growth of the balance sheet without any further need of equity.

Abhishek Puri: Okay that is helpful and if I can ask one more on the EV strategy, have we finalized on the technology partner for the buses and electric trucks that we are talking about since we are talking only 20-24 months kind of roll out period?

Prashant Jain: Yes, so it is in work-in progress and very soon we will be making certain announcement. The Rs. 1000 Crore capital expenditure which we are going to make is largely going for product strategy as well as for land acquisition and infrastructure development. As we have been taking about in the last couple months, the organization has been working on product strategy as well as capacity building. We have taken certain concrete steps in that direction and we will be making necessarily disclosure in time to come.

Abhishek Puri: Great. All the very best Sir.

Prashant Jain: Thank you.

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

Rahul Modi: Thank you for taking my question. Sir just some light on the reduction on debtors, so which states have shown this kind of improvement if you can help us with and for which plants?

Prashant Jain: Our experience is good with almost all the states.

Rahul Modi: Okay, any specific because it is like significantly reduced?

Prashant Jain: Yes, so that is why I am saying all the states we have a good experience.

Rahul Modi: Sure, Sir just one more thing, Sir the loan given to JPVL which we provided for, was there any charge on the security against this?

Prashant Jain: I will ask Jyoti to answer.

Jyoti Kumar Agarwal: Yes Sir, the loan document did have a provision for security but that required the existing lenders approval, the security never got created, so presently the loan as we speak is unsecured.

Rahul Modi: Okay and Sir so it means have we filed for any claims in the subsequent because whenever Bina comes up for sale, which eventually it has to and being one of the better assets, what is your view and what was the reason for taking this call as of now in terms of creating a provision?

Prashant Jain: So it is because of financial prudence and fair accounting principle that we have taken this provision; however, our claim continues and as we mentioned that we are looking at all legal recourse including taking JPVL into NCLT. We are in discussions with the company as well as lenders to find out any alternate mechanism, in which we can secure one or more assets as a transaction.

Rahul Modi: Sure. Fair enough Sir. Okay. That is all from my side as of now. Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Thank you. Sir on the JPVL loan, the gross provisioning is Rs. 574 Crores, but the net impact on P&L is 418, so is the differential because of the tax benefit you get?

Prashant Jain: Essentially we have some contingent consideration payable to JPVL in our books. Based on the assessment of the current situation, we realized that about Rs. 156 Crores of contingent consideration need not be payable at all and to that extent we have reversed that, credited the P&L account and so the net impact in the P&L is only about Rs. 418 Crores.

Dhruv Muchhal: And less the 574 is the adjustment on account of the acquisition of hydro-assets?

Prashant Jain: All of these adjustments are with relation to the hydro-assets. The Rs. 178 crores that we have not provided for, there is a very good visibility of recoverability from JPVL of this amount in the form of adjusting against the amount that we need to pay to them as part of the SPA and as part of the differential tariff, which we will recover from some of the customers for the period JPVL was running the Himachal Baspa plant. So, you are right, it is pertaining to the Himachal Baspa asset, but so is the Rs. 156 Crores reversal that we have done to reduce the impact on the P&L.

Dhruv Muchhal: Okay, so if you can just throw some light on what is your status for Raj West tariff order, I mean, have you filed for a review petition, where it is stuck because they are already coming about Rs. 250 Crores on an annual basis, what is -- where is it pending?

Prashant Jain: So as far as the fixed cost tariff order is concerned, to which we have made a provision of around Rs. 250 Crores last year, it is fully provided for. Now there will be no more provision for fixed cost and the appeal is pending APTEL.

Dhruv Muchhal: Okay. It is pending with the APTEL and Sir last question this 200 megawatt solar plant is it with likely bidding route or it is through our own captive arrangements?

Prashant Jain: So these are various projects, which will be developed over a period of time of which some 40-odd percent will be captive arrangements within the group also and balance 60% will be for the third parties.

Dhruv Muchhal: So this will be through bidding route or I mean you will participate in bid or it is already arranged one?

Prashant Jain: It can be anything, but mostly it is not a bidding route.

Dhruv Muchhal: Okay. Okay, got it. Thank you Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Thank you and good evening. The first question is the revenue from Baspa and Karcham this time has been a bit low, is it purely on account of the refinancing of the debt and we have not under recovered any cost as far as this project is concerned? Just one clarification please.

Prashant Jain: So, Anirudh, you are right. The key reason for that is there have been true-up provisions in this quarter, and for that matter in this year, which are higher then comparative period last year for two reasons; one, the tariff order came out end of March last year so we had better visibility of the final fixed cost provision. So we were able to better account for the provisions this year, which also included some adjustments from last year. And second is you rightly pointed out that the interest rates have gone down and to that extent there is an additional true-up provision.

In this particular quarter, there is one more item, which I would like to point out. There has been a receivable write off about Rs. 21.36 Crores relating to Baspa, which has impacted the quarter and obviously the overall earnings, but at a consolidated level it will not impact because this was a receivable for the period. JPVL was running the plant and to that extent we have reversed the contingent consideration in this the standalone books, so the overall impact of consolidated is not there but in Himachal Baspa, there is an impact. There are some other impacts this year because post tariff order, the incentive mechanism got reset. That has a small impact this quarter and a reasonable impact over the course of the full year.

In the full year, you will see that the impact has been muted primarily because of three reasons; one is the merchant tariff rates that we got this year because the market is much better and that kind of compensated significantly to the difference in the provision. Also, the water flow, the hydrology affect this particular year has been very good in Himachal

Baspa, was a record year for Karcham and then additional water flow has also helped in removing the effect of the true-up provision.

The third is, post tariff order we go about Rs. 43 crores of one-off charges and compensation from the various DISCOMs, which is a one-off this particular year and this more or less nullified the impact of the true-up provision as well as the different incentive structure that has come post the tariff order.

Anirudh Gangahar: Thank you. Very, very clear and very elaborate, thank you very much. And the second question would be that on the provision of Rs. 248 crores that you have taken for Raj West state to believe or assume rather that it was straight across all of the four quarters and do you get a tax shield out of this provision?

Prashant Jain: Yes, we do. It is actually write-off of receivable, so we do get the tax shield.

Anirudh Gangahar: And would you have a tax shield even for the provision… the net provision that we have made for the JPVL loan?

Jyoti Kumar Agarwal: No, let me explain to you, it is not a write-off of the receivable, it is merely a provision and to that extent you do not get a tax benefit for those provisions and we intend to keep it like that because as Prashant was mentioning in his opening remarks, we are looking to recover this amount, it is not written off in our minds. You know, this is just a prudent accounting measure. We are discussing with the company and the lenders to find a resolution, to maybe execute a transaction for one or more of the assets and if nothing else triggers then we are okay to take it to NCLT as well and that is why we have not written it off.

Anirudh Gangahar: All right, thank you. I will go back into the queue, thank you very much.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

Bhargav Buddhadev: Yes, good evening sir. So on the EV side, given the significant capex commitment, which we are doing, what is the plan on creating a distribution infrastructure for setting these EV's? And secondly, a related question is that is there any capital that our technology partners will also be asked to bring in?

Prashant Jain: Yes, I think there will be a sales and distribution strategy. We will be discussing at a right point of time. The company is in the process of building that and all options are open. In case, we join hands with a technology partner and whether they bring equity or they do not bring equity, we will be sharing with you in due course of time.

Bhargav Buddhadev: Okay. And so on this domestic coal, which has been received by Vijayanagar, what could be the landed cost of the domestic coal?

Prashant Jain: We do not like to disclose this kind of information, but what we can share with you that there is an arbitrage, which is available for domestic coal as compared to imported coal, that is why we are moving in this strategy.

Bhargav Buddhadev: Okay sir, thanks a lot and all the very best.

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

Bhavin Vithlani: Just two questions, one is our observation was that the reduction in debt is not on the standalone entity, it is more on the subsidiary, which are usually regulated in the pass-through models. Could you highlight more on this because what we understand, the reduction in standalone debt would have commensurately lead to increase in the profitability, where as in subsidiaries it has to be pass-through in tariff?

Prashant Jain: You are right. There has not been a reduction in the standalone debt the way you see it but you have to keep in mind the fact that we had to borrow Rs. 1000 Crores additional this year to give the advance to JPVL so that has led to the standalone debt actually going up and because of proactive repayments, the overall debt level in the standalone company, is more or less the same.

So adjusted for that actually the standalone debt has gone down by Rs. 1000 crores. We have also been proactively reducing the debt at the subsidiary levels. Now here, the normative debt is kind of fixed in terms of what benefit you get as part of the tariff. If your actual debt levels are lower than the normative then the full benefit comes to the ROE, it is only when you reprice the existing debt then two-thirds of the benefit you have to give to tariff and one third goes to ROE. So any benefit of the debt reduction actually is fully passed through to the ROE. And we have obviously been careful in terms of selecting the right debt to be paid. We have been managing the cash flows in such a way that the more expensive debt is paid first and the least expensive debt is retained as much as possible.

Bhavin Vithlani: Thank you so much. My second question is, if you could throw more light on the strategy that we had earlier in terms of acquisition of distressed assets, with an increase in the capital expenditure in the EV's and the solar? How should one see the strategy of increasing thermal space going forward and what is your outlook on the thermal space?

Prashant Jain: So first I will tell you about my outlook is at this point of time. We have been seeing a lot of traction from lenders in the last four or five quarters for various assets, where they wanted to change the management. But none of the transactions have gone through. So, at this point of time, we do not see any M&A happening in the power sector given the current state of affairs. Now post February 12, 2018 RBI circular, we are in a wait and watch position to see whether any asset is going into NCLT. So once assets are going to NCLT and they are admitted, we will be looking case-by-case. And so given our diversification in solar as well as in the EV business, we will be very, very cautious and selective in our thermal growth strategy. We will be looking at assets where the returns are much better and upsides are possible, but not all the assets.

Bhavin Vithlani: Got you, thank you so much for taking the questions.

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

Mohit Kumar: Yes, thanks for the opportunity once again. So I have two questions. One is to -- have you heard anything about the auction to be done under SHAKTI scheme, is there a timeline that the government has come out?

Prashant Jain: I am having the same information what you are also having.

Mohit Kumar: Okay. So my second question pertains to the mines, Jalipa mines, Jalipa and Kapurdi mines to -- is any tariff I think there was tariff order, which are due on the mines. Have we heard anything on that?

Prashant Jain: Yes, so that is under adjudication at this point of time. The regulator is hearing that petition and we are expecting in a short period of time some judgment will be coming out on that.

Mohit Kumar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Yes Sir, thank you. So some clarifications. In Karcham Wangtoo of the total capacity of 1000 megawatt excluding the 180, which is under the – I am sorry, excluding 120, which is in the free power, the rest is all tied up now, is that right or is there still some left?

Prashant Jain: Yes, 100% tied up.

Dhruv Muchhal: Okay, so almost 880 is now tied up?

Prashant Jain: Yes.

Dhruv Muchhal: Okay. And Sir can you share what is the acceptance of the amount included in trade payables? What is included, what is the acceptance of the amount included in trade payables?

Prashant Jain: Give it a minute, we will come back on this.

Dhruv Muchhal: Sure. And Sir last question, on the fuel costs in standalone, we have seen a significant increase in Q-o-Q basis from – it has moved from 3.25 to 3.45 while the coal prices were almost Q-o-Q flat. So is it fair to assume that last quarter you had some benefit of hedging, which is no longer there in 4Q numbers are purely reflective of excess of hedging- true cost of -- or you can just…. what cost of coal?

Prashant Jain: For the acceptance number, it is Rs. 1,762 crore (Note: This number was inadvertently mentioned as Rs. 2071 Crores on the call).

Dhruv Muchhal: Rs. 2071 Crores. Sure Sir.

Prashant Jain: Yes, Dhruv can you repeat your question on the fuel cost.

Dhruv Muchhal: Yes, on the standalone fuel cost and per unit generated basis has moved from Rs. 3.25 to Rs. 3.45 while the overall benchmark coal indexes have not moved much Q on Q, so is it fair to say then 3Q had some benefit of hedging, you had some hedging contracts, which you mentioned about in the last quarter, which were no longer there in 4Q and so 4Q numbers are more reflective of the true cost?

Prashant Jain: Yes, you are right.

Dhruv Muchhal: So Rs. 3.45 is the number if the coal price has not moved much?

Prashant Jain: Yes, you are right. That is --

Dhruv Muchhal: Sure, if I can squeeze the last – now Karcham Wangtoo and Baspa together, there have been a lot of movement in terms of true-ups and PPA signing and everything, but going forward, if you can share on a ballpark basis what is the revenue we should expect, because now all of the capacities in the PPA, there should not be much ambiguity. So, if you have that number, so what is the revenue we should look at? Except for incentives which will change a bit, but otherwise --

Prashant Jain: So look, the full year numbers for that plant are reflective of the steady state performance, which was like I said that the impact this year was more than nullified by some of the benefits that we got because of hydrology and other things. You should also appreciate that under a two-part tariff there is a steady decline in the year-on-year EBITDA to the extent of the interest cost reduction, repayment cycle. And last year, you must not forget that it has been a remarkable year in terms of the water flow/ On a normalized basis I think this year (FY19) be taken as a steady state performance. There could be a 5% plus or minus, maybe more plus and minus, but otherwise you can take this as a representative of a steady state performance of that asset.

Dhruv Muchhal: Sure, so full year revenue is around Rs. 1400 Crores, so approximate - around that amount, it do not need the exact number just because of the true-ups and everything, an approximate number, Rs. 1400 Crores just should be fair.

Prashant Jain: Well we would not like to give you a specific number, I would say that this year's performance should be representative of the likely performance of that asset at least for the next 2 years.

Dhruv Muchhal: Okay, sure, sure. Thank you so much.

Prashant Jain: Operator, can we take the last question please?

Moderator: Sure sir. Ladies and gentlemen, we will take the last question from the line of Anirudh Gangahar from Nomura. Please go ahead.

Anirudh Gangahar: Yes, thank you once again. Just to be clear, when you mentioned in the previous question that this year's performance will be representatively referring to FY 2019?

Prashant Jain: Yes.

Anirudh Gangahar: Right, thank you. And the other thing is that you also mentioned that you will probably start working on your Kutehr project once the hydro policy is going to be out. So, would you be able to outline just a ballpark the kind of capex for FY2019 and FY2020 on an overall basis?

Prashant Jain: Once it is announced, we will let you know.

Anirudh Gangahar: Right. And if I can slip one last question please, your PPA for the 200 megawatt for the Vijayanagar expires at the end of this month, I think, so as things stand, we still would be back to an open status for the capacity or is something currently already tied up for the monsoon period?

Prashant Jain: No, no. We will be open after May 31, 2018.

Anirudh Gangahar: All right, thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I will now hand the conference over to Edelweiss Securities for closing comments.

Swarnim Maheshwari: Thanks Stanford. So I would like to thank all participants for joining the call on behalf of Edelweiss. Prashant Sir, now I will hand it over to you for any closing comments.

Prashant Jain: Thank you very much ladies and gentlemen for joining this call. It has been an interesting year and we are looking forward for an interesting year going forward where we see great opportunities and growth in new businesses as well as the growth in the power sector. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.