JSW Energy Limited

Press Release May 03, 2018

Financial Results for the Quarter ended March 31, 2018

Mumbai, India: JSW Energy Limited ("JSW Energy" or the "Company") today reported its results for the fourth quarter ("Q4 FY18" or the "Quarter") ended 31st March, 2018.

Key Highlights of Q4FY18 (Consolidated):

- The Company's Vijayanagar plant was awarded (i) "Safety Award" for Best Safe Power Boiler, 2017 by state of Karnataka and (ii) "RoSPA Award (The Royal Society for the Prevention of Accidents)" for maintaining high level of safety practices
- Long term PPA (LTPPA) proportion at 75.0% in Q4FY18, up from 69.3% in Q3FY18, after securing 200MW LTPPA with Punjab discom and 50MW group captive contract
- Net debt reduced by ~ ₹ 3,106 crore in FY18 after adjusting for JPVL liability; cost of debt dipped by 114bps from Q4FY17 level
- EV business – (i) Appointed auto industry expert, Mr. Sergei Rocha as COO of EV – Passenger Vehicles and (ii) Capex enhanced to ~ ₹ 6,500 crore led by enhanced scope and product strategy, of which ₹ 1,000 crore expected to be incurred in FY19
- RE business – FY19 plans entail total capex of ~ ₹ 1,200 crore involving (i) installation of 200MW of solar power systems and (ii) setting up facility for 1,000 MW solar PV module manufacturing capacity; exploring opportunities in PV cell/ wafer manufacturing

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- Proactive working capital management: Consolidated debtors and debtor days reduce by ~ ₹ 1,032 crore and 35 days respectively over Q4FY17 levels
- Adjusted carrying value of investments/advances related to Toshiba JSW, South African operations and JPVL by making gross provisions aggregating ₹815 cr. Along with RWPL related provisions made throughout FY18, all major financial risks are adequately provided.
- JSW PTC demerger process stands completed

Consolidated Operational Performance:

During the quarter, consolidated deemed PLF was 51.9% as against 51.6% in the corresponding quarter of the previous year.

PLF achieved during Q4 FY18 at the respective locations was as under:

- **Vijayanagar:** The plant achieved an average PLF of 50% as compared to 77% in the corresponding quarter of the previous year.
- **Ratnagiri:** The plant operated at an average deemed PLF of 64% as against an average deemed PLF of 47% in the corresponding quarter of the previous year primarily due to healthy merchant offtake.
- **Barmer**: The plant operations remained broadly steady achieving an average deemed PLF of 85% as against an average deemed PLF of 82% in the corresponding quarter of the previous year.
- **Himachal Pradesh**: The plant achieved average PLF of 14% for the current quarter which was same in the corresponding quarter of the previous year.

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The net generation at different locations was as under:

(Figures in million units)

Location	Q4' FY 17-18	Q4' FY 16-17
Vijayanagar	857	1,316
Ratnagiri	1,436	971
Barmer	1,670	1,387
Himachal Pradesh	391	389
Total	**4,355**	**4,063**

The merchant sales during the quarter were 848 million units as compared to 1,312 million units in Q4FY17, partly due to increase in proportion of long term PPA.

<u>Consolidated Financial Performance Review and Analysis:</u>

During the quarter, total Income was ₹ 1,879 crore as against ₹1,935 crore in the corresponding quarter of the previous year.

The fuel cost for the quarter increased by 11% YoY to ₹ 1,111 crore, primarily due to increase in international prices of coal.

EBITDA before exceptional items for the quarter was ₹ 525 crore as against ₹ 660 crore in the corresponding quarter of the previous year, a decline of ~20%, primarily due to increase in fuel cost and true up provisions.

Finance costs have declined to ₹ 323 crore from ₹ 397 crore in the corresponding quarter of the previous year primarily due to interest rate reductions as well as prepayment/repayment/refinancing of borrowings.

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Proactive and prudent provisioning in Q4FY18

The Company has proactively taken provisions in the standalone business related to its investments in Toshiba JSW JV and its South African operations aggregating to ₹ 241 crore after undertaking appropriate valuation exercises for both businesses. These provisions have no impact on the consolidated financials as accumulated losses equal to the impairment amounts have already been provided for in earlier periods.

Further, as a prudent practice, JSW Energy has also recorded gross and net provision of ₹ 574 crore and ₹ 418 crore respectively in Q4Y18 against outstanding Jaiprakash Power Ventures Ltd. (JPVL) advance of ~₹ 752 crore (against original amount of ₹ 1,000 crore) considering JPVL's continued financial challenges. JSWEL is evaluating all options, including legal recourse under Insolvency and Bankruptcy Code (IBC), to recover its dues from JPVL. As a result of these one-time provisions, along with those related to RWPL of ₹ 248 crore taken in FY18, all major financial risks are adequately provided for.

Led by the above decline in EBITDA and the provisions recorded, the Company posted a Net Loss of ₹ 483 crore in Q4 FY18 as against Net Profit of ₹ 24 crore in the corresponding quarter of the previous year. Total Comprehensive Income/(Loss) of the Company for the quarter stood at ₹ (353) crore as against ₹ 200 crore in the corresponding period of the previous year.

The Consolidated Net Worth and Consolidated Net Debt as at March 31, 2018 were ₹ 11,110 crore and ₹ 11,278 crore respectively resulting in a low Net Debt to Equity ratio of 1.02 times, a substantial decline from 1.29 times at the end of Q4FY17. Net

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debt effectively reduced by ~ ₹ 3,106 crore in FY18 while average cost of debt sharply reduced from 10.17% in Q4FY17 to 9.03% in Q4FY18.

Considering the Company's growth plans, the Board has decided not to declare any dividend for FY2017-18.

New Initiatives:

JSW Energy's Solar Power initiatives are progressing well. The under implementation projects of 17MW are on track for completion by September 2018.

To further enhance its presence in this segment, the Company now proposes to set up a facility for manufacture of solar PV panels with a capacity of 1,000 MW in FY19. This would be located at Vijayanagar, Karnataka adjacent to the existing power plant site. JSW Energy is also exploring entering the PV cell / wafer manufacturing space. In FY19, the Company also plans to install 200 MW of solar power systems. JSW Energy has already commissioned 2 captive solar power systems and has also won a new contract from Delhi Golf Club.

The Company has already announced the appointment of Mr. Sergio Rocha, an auto industry expert, as COO – EV, Passenger Vehicles. Mr Sergio Rocha has successfully worked across all organization levels in auto majors such as Volkswagen, General Motors and managed enterprises of upto USD 17 billion in revenue. In his previous stint, he worked as President, CEO and Chairman of General Motors, Korea, Uzbekistan and Vietnam operations based out of Seoul, South Korea.

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Discussions continue to progress for partnerships with respect to EV platform and storage battery technology. The scope of the EV business has been widened to include select electric commercial vehicle (CV) models including electric bus & light pick-up trucks. As a result, proposed capital expenditure has increased to ~ ₹ 6,500 crore over period of next 3-4 years in the EV and associated businesses of storage battery and charging infrastructure. Out of this, the Company plans to incur ~ ₹ 1,000 crore capex in FY19.

Business Environment:

Indian power demand growth has picked up to 7.1%YoY in Q4FY18. This follows an encouraging trend of rising demand growth rate in Q1FY18, Q2FY18 and Q3FY18 of 5.1%, 5.8% and 6.3% respectively. FY18 demand growth was healthy at 6.1%YoY, a significant improvement over 2.6% in FY17.

On the supply side, Q4FY18 saw net installed capacity increase by 10.4 GW QoQ led by solar power (up 4.6 GW) in renewable energy segment (up 6.2 GW) and thermal segment (up 3.9 GW). In FY2017-18, net capacity addition was 17.2 GW, a 21% YoY decline. Renewable energy segment continued to drive the capacity addition with 11.8 GW in FY18, however it fell short of 20.2 GW target for this fiscal. About 80% or 9.4 GW of this RE capacity addition was contributed by solar power. Wind power capacity addition slowed down compared to last year. Thermal capacity addition was down from 7.7 GW last fiscal to 4.6 GW this year.

Outlook:

Industrial production (IP) has been showing positive signs in the recent past. After touching a 2-year high of 8.4%YoY in November 2017, IP growth rate has sustained

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above 7% level since then which is a significant improvement over the 0% to 4% range-bound levels seen since December 2016. India's GVA growth rates have also been rising from 5.6% YoY in Q1FY18 to 6.7% YoY in Q3FY18. Encouragingly, this is led by manufacturing which after degrowing by 1.8% YoY in Q1FY18, rose by 6.9% YoY in Q2FY18 and accelerated further to 8.1% YoY in Q3FY18.

Going forward, in FY19, growth is expected to pick up led by government's infrastructure push and various structural policy reforms. The downside risks to India's growth are spike in crude oil prices and rising interest rates.

Over the next 3 to 5 years, we expect power demand to grow steadily considering the various measures undertaken - under UDAY Scheme, "Power for All" by 2019 initiative and the "Saubhaghya" scheme, to name a few. With limited capacity addition, which is likely to be significantly below targets, PLFs may firm up over the medium to long term. In FY18, we have seen thermal segment PLF inching up to 60.8% from 59.8% in FY17, reversing the declining trend in thermal PLFs seen since FY11. In the long term, this may also lay the ground for signing of new long term PPAs. We are also likely to see consolidation in the power sector in this phase which will further aid the demand-supply balancing. However, higher coal prices and constrained availability of coal, especially for private sector power plants, continue to remain key concerns to watch for.

Forward looking and Cautionary Statements:

Certain statements in this release concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are

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not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Power Industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for Power, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the company.

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