



“JSW Energy Limited - 3Q FY14 Results Conference Call”

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Speakers: Mr. Sanjay Sagar – Jt. Managing Director & CEO, JSW Energy Ltd.

Mr. Pramod Menon – Director Finance, JSW Energy Ltd.

Call Host: Mr. Subhadip Mitra – Analyst, JM Financial Institutional Securities



Moderator Ladies and gentlemen good day and welcome to the JSW Energy Limited Q3 FY14 Results Conference Call hosted by JM Financial. As a remainder all participants' 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. Please note that this conference is being recorded. I now hand over the conference over to Mr. Subhadip Mitra. Thank you and over to you sir.

Subhadip Mitra Thank you. On behalf of JM Financials Institutional Securities Limited, I welcome you all to the 3Q FY14 results call of JSW Energy. At the outset, we would like to thank the management for giving us this opportunity to host the call. I would now like to hand over the call to Mr. Amitav Chatterjee of JSW Energy. Amitav, over to you.

Amitav Chatterjee Thanks Subhadip. Good afternoon everyone. I, on behalf of JSW Energy, welcome all of you to this 3Q FY14 results conference call. Mr. Sanjay Sagar, Joint Managing Director and CEO and Mr. Pramod Menon, Director Finance will take you through the results. Over to the management.

Pramod Menon Good evening friends. This is Pramod Menon here. JSW Energy has again come out, in our view, with a very good set of numbers, given the overall sector and the way it is placed in the current set of environment. I will get into the operational performance of the company.

For the particular quarter we have generated 4.03 billion units at an average PLF of 64%. We have seen a PLF of 99% in Vijayanagar. Ratnagiri achieved a PLF of 68% and this has primarily been impacted on account of back down, as also on account of non-availability of schedule for certain units and at Barmer as well. In Barmer, we have achieved a deemed PLF of 86.76% for the particular quarter even though the actual PLF was at about 32%. And for the 9 month period,



the average PLF has been 72% with a total generation of 13.48 billion units. As against this generation during the particular quarter, we have sold 4.06 billion units in terms of the total sales. Of which 43% of the sales has been under long term and the balance 57% is represented by merchant sales. And for the 9 month period, the total sales have been 12.81 billion units of which 48% was through short term and 52% was under long term.

On the realizations front, we as well as the merchant realizations are concerned, we are well within the guidance that we have provided at the beginning of the year and I would say we are on the higher end of that band of ₹4.5 per unit realization.

In terms of the results, the company had a turnover of ₹2,198 crores for the quarter which was down 8% compared to the corresponding quarter of the previous year and the EBITDA for this particular quarter at ₹847 crores is at 2% lower than that of the comparative quarter of the previous year. However the EBITDA margin, if you look at it, has improved from 36% to 39% in Q3 FY14. Here, I would like to mention that on the cost side in Barmer, we have seen an efficiency improvement which has come through, wherein we have been able to achieve despite a low operating PLF. A better heat rate and a better auxiliary than the normative norms in the other locations, though there has been a back down of the units. Despite these challenges, we have been able to maintain the efficiency factors in line with that of the previous quarter. Interest for the particular quarter at ₹336 crores was higher by about ₹100 crores compared to the corresponding quarter of the previous year of which about ₹50 crores is attributed to the increase on account of capitalization of the 4 units of Barmer, which was done in Q4 of FY13. And the balance increase is on account of the hedging related cost as mentioned earlier. In the previous quarter we have moved into fully hedging our buyer's credit exposures.



The Depreciation at ₹206 crores is also higher by about close to ₹50 crores, only on account of capitalization of the units at Barmer. The Exceptional item during the quarter was ₹18.3 crores, (which basically constitutes of 2 major elements). We have an exceptional gain of close to ₹30 crores on account of an exchange variation resulting from the receipt of an advance on account of scrapping of the 2x135 MW expansion project at Rajasthan. So we have received back the advance which we had provided to the contractor or the supplier about 3 – 3.5 years back. And we have received back the advance in full, on account of which we had an exceptional gain. Apart from this, we have also had normal foreign exchange gain of about ₹6 crores and the next major item has been in terms of our SACMH investment in South Africa.

We have to see an impairment of the asset, which is to the extent of ₹54 crores, which has impacted the diminution in the value of our investments out there which we have recognized to the extent of ₹54 crores also forming part of the exceptional item. After providing for taxes, the profit after tax for the current quarter is at ₹203 crores as against ₹311 crores in the corresponding quarter of previous year and for the 9 month period, we are at ₹580 crores as against ₹568 crores in the corresponding period of 9 months, up by about 2%. The company, during the quarter, also have commenced with the refinancing of the Raj West project loan, wherein we are reducing the interest cost by almost over 1% point, on these loans. We have achieved a refinancing of over close to 40% of the debt and the balance 60% is expected to get refinanced over the next 6 month period. The company currently has a debt of ₹10,134 crores with a debt equity ratio of 1.49.

On the projects, the key developments have been that the board has decided today to scrap the 2x135 MW expansion project at Raj West, primarily on account of non-availability of fuel linkage and in the given scenario we would like to have a firmed up fuel source before taking up a project especially based on hinterland.



There has been positive momentum on the Barmer Lignite mining front; wherein during the last quarter we have seen the approvals coming for expansion to 3.75 MTPA and subsequent to that, we have had positive momentum with the CCI approving the enhancement in the mining plan to 7 MTPA as also the approval of transfer of Jalipa mines lease to BLMCL by MoC. We expect the necessary approvals from MoC for 7 MTPA to be in place in just a couple days' time, and we hope to have the other consent in due course. Thank you.

Moderator Thank you very much sir. We will now begin with the question and answer session. First question is from the line of Abhishek Tyagi from CLSA. Please go ahead.

Abhishek Tyagi First question is, what was your merchant realizations during the quarter and if you could tell us how much power you have tied up in the medium term contract for the next 6 – 12 months, for the range of tariffs also if you can share please?

Pramod Menon Abhishek, I don't think we are specifically giving any numbers on the merchant but we would definitely be able to meet the higher end of the guidance that we have provided to you. As far as the tie up of capacities are concerned, I would say as far as, out of the 1460 MW of capacity, about 800 to 900 MW there is reasonable visibility of having tied up the power up to June of 2015 and the balance we are in the process of tying them up.

Abhishek Tyagi And sir for this also the guidance remains the same 4.5?

Pramod Menon As far as FY'15 is concerned we normally come with guidance at the beginning of the financial year. You will have guidance from us in the next quarter call as to what we expect, by the time a lot of clarity can be expected in terms of the power off take as well as the overall economic scenario.



- Abhishek Tyagi** I think I missed regarding Barmer, have you got any status of the regulator approving your increase in capital cost, or whether that was covered in your opening remarks, I am sorry I missed that.
- Sanjay Sagar** No Abhishek, it was not covered in our opening remarks and the status with respect to the final approval of the capital cost remains the same. He is still in the process of hearings and counter hearings and collection of data from us.
- Abhishek Tyagi** And sir the deemed availability which you have shown during the quarter, you are getting paid based on that. So the interim tariff covers your cost and certain amount of ROE even during this current quarter where the utilization rate was only 32%.
- Pramod Menon** That's right.
- Moderator** Next question from the line of Sumit Gupta from Franklin Templeton. Please go ahead.
- Sumit Gupta** Couple of questions from my side. One is, I wanted to check how is raw material availability for Q4 for Barmer plant and if you could give the net debt number on the balance sheet?
- Sanjay Sagar** For us the fuel availability for Barmer for Q4 is concerned we have, as Pramod said in his opening remarks, we have got all but one clearance in place, which is currently under the consideration of MoEF, and MoEF has recently come out with a revised policy on the January 7, 2014, wherein they are approving up to 50% enhancement of the mine capacity under an automatic route. This 50% was earlier 25% and we had got that 25% clearance on the December 23, 2013. So after January 7, 2014, we have become automatically entitled to this 50%.
- We have already taken it up with MoEF and we expect to get it over the next few days. So if this clearance does come through, I don't think



there is any issue of raw material for Barmer. However if this clearance does not come through for some reason, then till this clearance comes through we might have to back down the plant for some time. As regards to net debt number it is ₹9,418 crores.

Sumit Gupta Just one clarification on the raw material availability, right now the plant is under back down or right now the plant is under operation?

Sanjay Sagar Right now the plant is operating.

Moderator Next question from the line of Prakash Goel from ICICI Securities. Please go ahead.

Prakash Goel I have 2 questions, one with regard to Barmer, what has been the profitability that has been accounted during this quarter for the 9 month?

Pramod Menon For the 9 month period, the total profitability is ₹207.16 crores which includes the exceptional items.

Prakash Goel Exceptional item on how much?

Pramod Menon Of Raj West plant.

Prakash Goel How much exceptional item sir?

Pramod Menon Exceptional is there to the extent of ₹29 crores.\

Prakash Goel And what has been the amount this quarter?

Pramod Menon This particular quarter was ₹72 crores which include entire ₹29 crores.

Prakash Goel And the second question is a book keeping question with regard to please provide breakup of the sales and EBITDA among the segments that you always do?



- Pramod Menon** Since this is a normal question, can I can ask my IR department to revert. The IR department will provide all this information.
- Moderator** Next question from the line of Abhishek Puri from Deutsche Equities please go ahead.
- Abhishek Puri** Couple of things. Firstly the Standalone tax rate looks to be 30%, is that correct number?
- Pramod Menon** If you look at it, for a year as a whole, it is almost on equal terms. This is because of the higher tax rate; you need to equalize it over a period of 9 – 12 month period.
- Abhishek Puri** So would the tax rate remain at the MAT level?
- Pramod Menon** It continues to be at MAT. We are not under current.
- Abhishek Puri** So it will normalize over quarters?
- Pramod Menon** Yes.
- Abhishek Puri** Your debt level has gone up by ₹700 crores versus last quarter. I think as per the disclosed balance sheet in the first half, the secured and unsecured loan together ₹9,360 crores, which is now ₹10,134 crores.
- Pramod Menon** I don't think there is any increased debt. In fact on a quarter on quarter basis, this is rather coming down.
- Abhishek Puri** That part of debt will be current liabilities probably?
- Pramod Menon** Yes. With respect to last quarter also, in my view it has come down. You see it has gone up by ₹700 crores. I think we can clarify this. There is no increase in debt.



- Abhishek Puri** But the interest cost has gone up.
- Pramod Menon** Interest cost has gone up on account of capitalization. There are 2 major impacts as far as interest cost is concerned. We had capitalized the 4 units of Raj West, in the Jan to March quarter. So, which is if you look at Q3 numbers of last year, those interests is not sitting there which if you were to look at sequential quarter basis, it's always been there.
- Abhishek Puri** Sequential basis I think it was ₹292 crores. Now it is ₹336 crores.
- Pramod Menon** Now the impact of ₹336 to ₹292 crores is primarily on account of hedging of the entire buyer's credit. Hedging of buyers credit, roughly has increased by about ₹36 – ₹37 crores and since we have undertaken the refinancing of Raj West loans, there has been some upfront fees paid which is entirely been written off in this particular quarter.
- Abhishek Puri** Okay so the refinancing is already done now, completed?
- Pramod Menon** Refinancing document here has been completed. As I mentioned about 40% of the loan, the interest rate has got reduced. The balance will get reduced over the next 6 months period.
- Abhishek Puri** Any contracts that you have for the Ratnagiri Plant right now and are you bidding for new contracts, your outlook on the merchant power requirements since we are heading into elections this time. We haven't seen any increase in demand par-se.
- Pramod Menon** It is a tough environment which is prevailing in terms of sales of power but we do have the contract but at the same time, we have seen major back down in the last quarter. Though there has been some reduction on that during the month of January, but I think we have to see how it unfolds on a monthly basis.



- Abhishek Puri** Any short term contracts which you can mention for Maharashtra plant, Ratnagiri plant specifically.
- Pramod Menon** We are covered but I don't want to give the details with whom.
- Abhishek Puri** So is it within Maharashtra or you are selling it outside, just wanted to know?
- Pramod Menon** We have contract.
- Abhishek Puri** My last question if I may ask, the southern grid connectivity I think was a big milestone which has happened. Have you seen any tempering down of rates after that?
- Sanjay Sagar** Well the southern grid has just got connected with one of the links, it was still under stabilization. Power grids expect to completely stabilize this over a period of 10 – 12 months. The impact if any will come at the end of that period, number 1. Number 2, to the best of our knowledge the priority in this link is going to be given to the long term contract which some of the southern states already have and if the entire capacity of this gets consumed by long term contracts, then it is not likely to have any major impact on the merchant market in the southern region.
- Abhishek Puri** What will be the total capacity you think can be transported from the power grid line.
- Sanjay Sagar** It is about the range of 1800 to 2000 MW.
- Pramod Menon** Just to inform you the total debt, which is there as of December 31, 2013 is lower than whatever was the debt as on April 1, 2013.



- Abhishek Puri** I may be adding the short term borrowing and long term borrowing mentioned in the last balance sheet of first half. So there may be some debt in the current liability side also.
- Pramod Menon** But you can get the entire details from the IR department.
- Moderator** The next question from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha** Firstly my calculation shows that there is a realization jump of somewhere close to 20 paise this quarter, in terms of merchant realization, I am doing rough calculation. So have you seen any directional? I understand you don't give the exact number, but have you seen any directional jump in the merchant realization?
- Pramod Menon** I think directional jump with respect to whatever we were having between last quarter and sequential quarter I don't think there has been any major change.
- Amit Sinha** And secondly on the hedging cost, again if the quarterly hedging cost is somewhere close to ₹38 crores as you mentioned, and we have hedged around \$250 million of buyers credit, is our hedging cost close to 9%?
- Pramod Menon** It's about 8.5%
- Amit Sinha** And that will remain the same going forward also?
- Pramod Menon** Depending upon what the forward rates are.
- Moderator** The next question from the line of Vishal Biraia from Batliwala and Karani securities. Please go ahead.
- Vishal Biraia** Your views on receivables please?



- Pramod Menon** The total debtor cycle has come down at the beginning of the year, we were at 76 days, currently we are at 59 days.
- Vishal Biraia** This is for all the 3 plants?
- Pramod Menon** Yes.
- Moderator** The next question from the line of Deepak Agarwal from Elara Capital. Please go ahead.
- Deepak Agarwal** First question is on sustainability of hedging cost. So what you think would be a fair assessment of the hedging cost that we can assume for a full year basis?
- Pramod Menon** See the thing is we are completely going and hedging by whatever will be the prevalent forward rate. So we are not even keeping ourselves exposed to any kind of foreign currency fluctuation as per the policy that we have already adopted. So if tomorrow the forward rates come down to 5%, it would be 5%, it will be completely transparent with the market rate. That much only I can tell you.
- Deepak Agarwal** Secondly I just missed that point on the MoEF giving in automatic approval for a 50% of the capacity versus 25% earlier. What exactly is like, initially we had 3 MTPA which we got.
- Sanjay Sagar** Initially it was 3 MTPA. It was enhanced by 25% to 3.75MTPA. Now that policy has been revised by MoEF on the January 7, 2014, whereby the 25% has become 50%. So since we have already been through the process and have been granted 25%, we believe that we are entitled to automatically get the 50% now and we have already approached the MoEF on that and they are seized with our request at the moment.
- Deepak Agarwal** So it essentially means it will come to 4.5 MTPA?



- Sanjay Sagar** Yes.
- Deepak Agarwal** And the CCI approval, you have already discussed with them for the 7 MTPA?
- Sanjay Sagar** Yes 7 MTPA approvals have been granted by CCI on January 15, 2014. As we speak, the Ministry of Coal, I understand, is processing the issue of letter for us, a formal letter and we should get it over the next couple of days.
- Deepak Agarwal** And my last question is net debt number you mentioned is approximately ₹9500 crores. This means there is a substantial jump in the cash balance because the cash in September was about ₹100 crores.
- Pramod Menon** As of September end, when we talk of the liquid cash, other than bank balance we normally put it into mutual funds which are a part of current investment. So as of September 30, 2013, it was ₹585 crores which has gone up to ₹716 crores as on December 31, 2013.
- Deepak Agarwal** The liquid investments?
- Pramod Menon** Yes the liquid cash.
- Deepak Agarwal** My last question if I can squeeze in, how do you see the outlook from the industry point of view for the Case-1 bidding, because now we have the new document got notified which we were waiting for the last few quarters. So how do you see the outlook in terms of the bidding in this new documentation?
- Sanjay Sagar** You are right to assume that we were waiting for the Case-1 bidding document very anxiously but this is not exactly what we were waiting for and in fact this situation is even with purchasers who are trying to figure out what to do with this set of documents. The document has managed

to simultaneously confuse the distribution utilities and the generators. I think we will have to wait out and see how it ultimately pans out. So we have approached the ministry once again and told them and they have also, I understand, been approached by the distribution utilities and the bankers have also expressed their displeasure with the whole thing. So I think we are back to square one.

Deepak Agarwal So it easily rules out another 6 – 8 months before we get more clarity on this?

Sanjay Sagar Easily. It will be better to talk about all this now only once the Lok Sabha elections are over.

Moderator Next question from the line of Anujay Jain from Emkay global. Please go ahead.

Anujay Jain There are 2 questions. First is basically on the banked energy. If you can give the number, how much is the balance banked energy which we are yet to receive from the states?

Pramod Menon Whatever was the amount of banked energy at the end of September 30, 2013, it has come down on a net basis by about 22 million units. So balance is the MUs which have to be sold within the current quarter.

Anujay Jain Which you would receive during the current quarter?

Pramod Menon Yes.

Anujay Jain Is it that we have booked small amount of loss on the banked energy in the current quarter because the realization seems to be around ₹2.7 per unit and earlier realizations when we had given this banked energy were around ₹3.8 per unit.



- Pramod Menon** There has been additional banking which has been done during the quarter and that has been sale of banking unit. Otherwise we have not done anything.
- Anujay Jain** So the number of ₹6 crores which you have reported is net of banking.
- Pramod Menon** Yes.
- Anujay Jain** And if it is possible to give which month you are likely to receive that banked energy back mainly?
- Pramod Menon** I don't think we are able to give any guidance but whatever we have banked either we will realize as far as the amount in concerned during the course of this quarter.
- Anujay Jain** And secondly if you can give the outlook on the merchant prices not the guidance for the next 12 – 18 months, in the Southern region also in rest of India, what is your thought process in terms of what is going to be the merchant price outlook and also the demand outlook in India?
- Pramod Menon** I think today whatever we may do, it will be crystal gazing, that's what we wanted to avoid, as we mentioned in the initial period I think we will have a much better clarity to talk on this issue with certain amount of credibility may be in the next conference call.
- Anujay Jain** If I may ask a question related to this, if it is uncertain as to how would the merchant market move, are you looking for PPA for Vijayanagar also for Ratnagiri? Ratnagiri I understand you have been looking for but also Vijayanagar you are looking for PPA to sign in next 1 year or so?
- Pramod Menon** As a status policy that we have over time, we would like to reduce the incidence or basket of merchant from current 47% to down to about 15% – 20%. Now how and when this will get achieved, I think there are lot many factors which is already at play as we just discussed couple of



questions back with respect to Case-1 bidding being there and sales coming out. So I think there are lot more other functions or parameters which are at play which will eventually decide when it will happen.

Anujay Jain And lastly if you can give us the production which has happened in Barmer till December 31, 2013?

Pramod Menon That's about close to 3.3 billion units or 3.25 billion units.

Anujay Jain I am asking the coal production?

Pramod Menon I will ask the IR team to give it to you.

Moderator The next question from the line of Anirudh Gangadhar from Nomura. Please go ahead.

Anirudh Gangadhar First question is could you help us with the coal mix consumed during the quarter in terms of the high GCV and low GCV and also indicative pricing that you have incurred for the 2 sets of coal?

Pramod Menon Anirudh, I will ask the IR department to give you the details but broadly to tell you about we had consumed 1.54 million tonnes of imported coal during the quarter of which about 22% was the low CV coal and balanced 78% was high CV coal. And portion of high CV coal was high primarily on account of lower API index at the beginning of the quarter, as corresponding quarter of previous year it was 66% and 34%, 66% being the low CV.

Anirudh Gangadhar And Mr. Menon could you just help me in that overall for the full year what's the mix likely to be?

Pramod Menon Overall as far we are going on a quarter-on-quarter basis, in the current quarter I think we would be moving more into the low CV or it would be more back to 50 – 50.



Anirudh Gangadhar Second question is on the SBD itself you participated in the bid for UMPP, your views on the RFQ are you going ahead with the pricing with full fledged or are there reservations as you have on Case-1 as well for Case-2?

Sanjay Sagar We have participated in the RFQ and not on the bid so far and we have been qualified for that. However, as far as for the RFP is concerned we are still trying to make up our mind on certain conditions with documents we are still going through them. And we have also sought some information in this regard from PFC. Once we have that we make up our mind. As of now I can't confirm either way.

Anirudh Gangadhar Just one clarification on your earlier comment, you are covered for 800 – 900 MW until June FY15 that means for the next 5 months or so. That's basically in next 5 months upto June 2014 that means is that right?

Sanjay Sagar He said '15 not '14, that was what I was trying to tell you.

Anirudh Gangadhar Okay June 2015.

Sanjay Sagar Yes.

Anirudh Gangadhar You mentioned you have covered Ratnagiri, is that for the entire capacity of Ratnagiri that we are covered with sir, the merchant capacity that is?

Sanjay Sagar We did not specify where we are covered for.

Anirudh Gangadhar I am going back to the comment whereby Mr. Menon mentioned we have covered for Ratnagiri but we wont get into the specifics of the tariffs and with whom and I am just wondering where he said we are



covered for Ratnagiri, is it implying for both the units which are on the merchant basis?

Pramod Menon Out of the 1450 MW of merchant, today we are covered as I mentioned initially about close to 800 to 900 MW.

Moderator The next question from the line of Rahul Modi from Antique Stock Broking. Please go ahead.

Rahul Modi Just wanted to check with you, with MSEDCL actually lowering the tariffs, how confident are you going ahead in selling merchants because I believe you can actually see much more power cuts coming through if the power cost is as high and final tariffs being cut. So what's your view on that?

Pramod Menon I think as mentioned, there may be some kind of challenges as far as sector in the short term is concerned but I think if you look at we have an electricity act and we also have a very established mechanism of electricity commission being there and APTEL being there. So there are such guidelines as to who can basically fix the tariff and at the same time, what is the charge and how it will be charged either competitive bidding or Case-1 bidding or to under Section 62 in terms of a cost plus. So I think the mechanisms are in place. So we are not really bothered but there could be some short term challenges but I think in the longer term I don't feel any major challenges on that front.

Rahul Modi Just one last question, I missed out a number you mentioned the profitability at Barmer for the quarter and 9 months if you can help me with that again?

Pramod Menon It was ₹72 crores for quarter and ₹207 crores for 9 months period.

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

Bhargav Buddhadev My question pertains to the Tamil Nadu UMPP in what we are hearing is there are some issues pertaining to fuel escalation clauses, is that the reason why we are taking some time in terms of submitting for RFP?

Pramod Menon Buddhadev, I don't want to get into one specific issue but as Mr. Sagar just mentioned, yes we are going through the document, we are going through what has been submitted to us and we are seeking a lot of clarification. So I think we will be in a position to summarize only after we have gone through the entire set of information and also to the extent that PFC agency is able to clarify to our queries.

Bhargav Buddhadev Because I was coming from the point is that may be some other players can go ahead and bid or is it that everybody is in the evaluation stage?

Pramod Menon I think presently the date which has been given for submission of the bid is by about 20th. So may be on 21st, we will all come to know. I can only talk about myself.

Bhargav Buddhadev And in terms of in the last 6 months, there was this long term PPA which was opened up by Tamil Nadu for what I understand is close to 1800 MWs. But we didn't participate, the reason being the lack of clarity on the Case-1 bid, is it?

Pramod Menon The evaluation criterion which was there was definitely not in favor of imported coal based power plant, if they were seeking for pass through. So there was no point in terms of going and bidding on a firm basis which we never believed that in terms of medium-term or long-term we can provide a fixed kind of tariff.

Bhargav Buddhadev But would signing up for a long term PPA would not make us eligible for domestic coal linkage?



Pramod Menon Ideally for the 2 plants immediately, no.

Bhargav Buddhadev And sir your views on this back down issue, what could be 2 specific reasons why are these back downs happening, just wanted to hear from you mouth and in terms of when do I expect the situation to improve?

Sanjay Sagar Well the back downs are in our opinion they are happening for the general depressed mood of the economy. There is hardly any demand. Demand is actually going down, and that is number 1. Number 2, is with the financial discipline being imposed on the distribution utility, they have become a little sticky about how much power they want to buy. And, so I think they are following the policy of thus far and no more.

Bhargav Buddhadev Would they then in turn try and reduce or enforce back downs on those units which typically supply them expensive power?

Sanjay Sagar No, I think with general back down I believe, even the state sector units and NTPC units are backed down in the country. This is very easily reflected from suddenly there is no clamor for coal in the country. With the same generation capacity, that is no increase by Coal India, the clamor for coal is down because the generation capacity has been backed down. And that is domestic coal I am talking about.

Moderator Next question from the line of Rakesh Vyas for HDFC Mutual Funds. Please go ahead.

Rakesh Vyas I have few questions. Quickly can you highlight, was there any conversion of power from Vijayanagar to JSW and secondly, have we seen back down at ISPAT as well, you were highlighting back down. So I just wanted get that sense first question?

Pramod Menon For both the questions the answer is no.



Rakesh Vyas Secondly, the interest rate reduction benefit, till the time the final tariff is awarded will be accrued to you, is that a correct understanding or that's not?

Pramod Menon The regulatory tariff works in this manner that at the time when the regulator decides our final tariff, he will take the factors that are submitted by us into account and ultimately the tariffs are tried up every year, year-on-year basis.

Rakesh Vyas I got your point. What I am trying to understand is because you have taken an expense corresponding to refinancing, and currently you are under adhoc tariff, therefore in the accounting, will the benefit of lower interest rate accrue to you till the time final tariff is awarded or will it be assumed as a pass through till you get final tariff. Just from an accounting perspective I wanted to understand?

Pramod Menon You have to look at the regulation on a regulated tariff and the accounting followed through the regulatory tariff itself, what we are currently doing is booking and realizing, as far currently the books are concerned because we don't have a final tariff. So when the final tariff is getting done, in our view there will be additional income which may accrue to us and at that particular point in time, whatever interest gain is concerned this will get pass through. Because under the regulation, any interest rate reduction will be passed on to the consumer itself. So at this point in time since we do not have a final tariff and in our view there will be something which is accruing to us, we are accruing, we are taking this benefit herein. And everything will get adjusted once the final tariff comes in.

Rakesh Vyas But till the final tariff is there, there could be higher profitability that could reflect. That's what I wanted to understand. Is it fair to assume that Raj West made a revenue of around ₹450 crores in the quarter?

Pramod Menon Yes, total revenue was ₹435 crores.



- Rakesh Vyas** And sir this banked energy, have we tied up the contract for the banked energy that we are going to receive, why I am asking this is because as one of the participant was asking, the cost at which we have booked this banked energy is significantly higher than what the current rates are in the market and I just wanted to understand whether there is a corresponding sale agreement also been achieved?
- Pramod Menon** Partly it has been covered, partly not, but we are fairly confident of, at this point in time, realizing the values that we have accounted for in the closing stock.
- Rakesh Vyas** So no loss will be accounted for and final question sir this 50% expansion, you don't need to run through the whole process again that you have done for 25%?
- Pramod Menon** That is what our understanding is and the ministry is currently examining.
- Rakesh Vyas** But EAC will not get into details again, that's what I wanted to understand because that process is fairly long in most of the cases then?
- Sanjay Sagar** They have already done that while awarding the 25% expansion to us and the policy change simply says that the 25% is now to be read at 50% and this has already been the process while getting 25%. Logically, we do not need to go through the process again.
- Rakesh Vyas** And sir there are no restriction on the amount of resource that you can use, apart from the land use itself the total land, there are no restriction on how you want to achieve the higher production right?
- Pramod Menon** There are certain set of 5 – 6 conditions but we meet them all.



- Moderator** The next question from the line of Bhavin Chedda from Enam holdings. Please go ahead.
- Bhavin Chedda** Sir this Raj West how was the deemed PLF did 87% arise because I understand if there is a back down you get deemed PLF of 74%?
- Pramod Menon** For the year as a whole, we have to look at, this is only for the quarter.
- Bhavin Chedda** You recover based on 74% PLF on annual basis?
- Pramod Menon** Yes.
- Bhavin Chedda** That's how the quarter number was high.
- Pramod Menon** Yes.
- Pramod Menon** I missed out on the hedge cost which was accounted, it was ₹35 crores in the interest cost?
- Pramod Menon** ₹36 crores.
- Bhavin Chedda** And the buyers credit which is hedged is US\$250 million.
- Pramod Menon** At the end of the quarter it was US\$263 million.
- Bhavin Chedda** And you said we can consider 5% cost on it which you will apportionate it on annual basis right?
- Pramod Menon** If I am hedging lets say one year, at the cost of 8% then what I am accruing is only on a quarterly basis. I will not debit the entire interest on day 1. Interest will get accrued over the period of 12 months' period.
- Bhavin Chedda** I missed out on the refinancing part you mentioned, what was that? Is it the Barmer loan 40% you refinanced?



- Pramod Menon** Yes.
- Bhavin Chedda** Are you mentioning the rate how much it has been refinanced, what was earlier rate and the new rate?
- Pramod Menon** Effectively, we are bringing down by 1% point down.
- Bhavin Chedda** Over this 40% of loan.
- Pramod Menon** And eventually it will get covered for the entire 100% but that will take another 6 months.
- Moderator** Next question from the line of Deepika Mundra from JP Morgan. Please go ahead.
- Deepika Mundra** The first question is if you can give a breakup of the short term energy sold between Vijayanagar and Ratnagiri in terms of units?
- Pramod Menon** I will leave it to the IR team but generally we are not providing granular details because I think it is very clear as to the total quantum of merchant sales that we have done, but I leave it to the IR team.
- Deepika Mundra** Secondly on Jallipa, can you tell us as to how much of the land acquisition has been completed over there?
- Sanjay Sagar** The entire land acquisition for Jallipa has been completed. There is 1 to 2% land for which some people have gone to court. That's all.
- Deepika Mundra** So sir when do you expect to commence mining from this one?
- Pramod Menon** Jallipa, we plan to commence mining somewhere in the next financial year.



- Deepika Mundra** And sir any view on the international coal prices that you all are budgeting for FY15?
- Pramod Menon** I think we will at this point in time we are still in the process, so I think we will have greater clarity over the next conference call.
- Deepika Mundra** And sir last question what is the current debt outstanding at Barmer?
- Pramod Menon** For Raj West, it is ₹4062 crores is the long term loan for Raj West.
- Moderator** Next question from the line of Abhishek Tyagi from CLSA. Please go ahead.
- Abhishek Tyagi** Just one more question what was the average tariff for Barmer during the quarter sir, if you can share that?
- Sanjay Sagar** The tariff for Barmer remains static at ₹3.74/unit, there is no change in it.
- Abhishek Tyagi** Since you were claiming a deemed availability for the full 1080 MW and you sold only 672 million units, was all of that loaded on this, that's what I was wondering because you mentioned a revenue of ₹435 crores and there was 672 million units net of generation. So that gives ₹6.47/unit as tariff.
- Pramod Menon** The tariff is ₹3.74, on the deemed generation, you will get a fixed charge which is roughly about ₹2.15 per unit.
- Sanjay Sagar** That is why with respect to Barmer, we speak to you in terms of deemed PLF.
- Moderator** Next question from the line of Akash Fadia from SBI Cap Securities. Please go ahead.



- Akash Fadia** My question on the Barmer plant, since you have generated if I am not mistaken 3.3 billion units and assuming that the lignite clearance to 4.5MTPA might not come across by March or may be at least in the near future or in this fiscal, so does it mean that assuming lignite requirement is 1 kg per unit to generate power. So you might run out of lignite during the quarter.
- Sanjay Sagar** Yes I already said that if the MoEF clearance does not come through, then we may have to back down to plant for few days.
- Akash Fadia** And currently the plant is running at what amount of PLF sir?
- Sanjay Sagar** Currently the units are running at 80%.
- Moderator** Next question from the line of Devam Modi for Equirus Securities. Please go ahead.
- Devam Modi** Firstly wanted to know what the major medium and long term realizations at Ratnagiri?
- Pramod Menon** We have never given granular details on the realizations.
- Devam Modi** Just wanted to confirm, you just mentioned that the current outstanding debt at Raj West is ₹4050 crores, so when we say we have refinanced 40% of the Barmer loan it refers only to the Raj West loan or the mining loan also covered over there?
- Pramod Menon** The ₹4062 crores was only Raj West loan and the 40% of refinancing is only restricted to Raj West.
- Devam Modi** And what is the regulated equity at the whole Barmer level, including mining operations?
- Pramod Menon** What do you mean by regulated equity?



- Devam Modi** What is the equity base that has been recognized on which you will be given the fixed return equity?
- Pramod Menon** Incase of BLMCL, it is on 70 – 30 and incase of Raj West power, it is on 75 - 25.
- Moderator** Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Amitav Chatterjee for closing comments. Thank you.
- Amitav Chatterjee** Thanks to all for joining in this conference call. That's it from our side.
- Moderator** Thank you sir. On behalf of JM Financial, this concludes the conference call. Thank you for joining us. You may now disconnect your lines. Thank you.