“JSW Energy Limited Q4 FY23 Earnings Conference Call”

May 23, 2023

MANAGEMENT: **MR. PRASHANT JAIN – JOINT MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. PRITESH VINAY – DIRECTOR OF FINANCE & CHIEF FINANCIAL OFFICER
MR. BIKASH CHOWDHURY – HEAD INVESTOR RELATIONS & TREASURY

MODERATOR: **MR. ROHIT NATARAJAN – ANTIQUE STOCK BROKING.**

Moderator: Ladies and gentlemen, good day and welcome to the JSW Energy Limited Q4 FY23 Results Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohit Natarajan from Antique Stock Broking. Thank you. And over to you sir.

Rohit Natarajan: Good evening, everyone. First of all, I would like to thank JSW Energy Management for giving us this opportunity to host the post-Earnings 4Q FY23 Earnings Conference Call.

Today we have with us from the management Mr. Prashant Jain – Joint Managing Director and CEO; Mr. Pritesh Vinay – Director of Finance and CFO; and Mr. Bikash Chowdhury – Head (Investor Relations and Treasury). We will begin the call with the opening remarks from the management, post which we can start the Q&A. Over to you, sir.

Prashant Jain: Thank you. Good evening ladies and gentlemen. The year gone by has been very interesting year for the power sector. The year witnessed highest ever power demand growth in last 30 years at 9.5%. This came in on a backdrop of 8.5% power demand growth in FY'22. So, this is showing us certain structural change in terms of the power demand growth.

And as of Mar-23 the total capacity in the country stands at 416 GW which talks about a total net capacity addition of 16.6 GW of which majority which is 15.3 GW was renewable. The important point that you have to see is that out of this 16.6 GW of the net capacity increase, the net generation is close to 4 to 4.5 GW whereas the net demand increase was approximately 14 GW. That means 9.5 GW of the overcapacity was absorbed and this similar was the situation in the previous year in which total capacity addition was 17GW of which 15.5 GW was the renewable capacity.

So, the point that I am trying to say is that enough net capacity addition is not taking place as compared to the net demand increase in the country which is also reflected into the abrupt increase in the power prices at the energy exchanges.

Second thing also to be seen is that volumes available in the merchant market are lower YoY. In the last year in day-ahead-market the total volume was 51 billion unit which was down by 21% YoY. And the tariff increase by 36% at Rs. 5.97 as compared to Rs. 4.39 previous year.

The thermal coal prices are continuously falling. In the Quarter 4 the thermal coal prices came down by 37% on an average of $148/tonne. It has been continuously declining in the current quarter also. And in April average prices were $130/tonne, in May it was $118/tonne and as we

are speaking the prices has touched $102/tonne. And on a lower calorific value basis they are in a double digit number. So, we continue to see the moderating coal prices. And power demand is, very interestingly, increasing in a very robust way.

Coming to the company, this year has been for delivering the promises. JSW Energy reported second highest ever EBITDA and second highest ever PAT. The last time we saw 2016 during the high merchant prices and shortage of power we saw such kind of a EBITDA and also in 2015 we saw the similar kind of a PAT. But in last 7-8 years this is the highest ever operating EBITDA as well as the Profit after Tax.

Now our business has also transformed as compared to the past when at that point of time 55% to 60% of the capacity was untied. We were dependent on the vagaries of the merchant market, power demand scenario and supply scenario. Today 85% of our portfolio is completely tied up. This 85% I am talking if I am considering Ind-Barath capacity also, once that's get commissioned. And so we have a very strong visibility of all our cash flows going forward.

In terms of the good development, we have now won 2.4 GWh power of the pump storage bid and 1 GWh power of the battery storage bid. These are the two projects which we will be constructing. So, this is giving us the first mover advantage into the energy storage space. India is at the inflection point from the energy storage requirement point of view because today our baseload power demand is 185 GW whereas the total renewable capacity which is installed is 173 GW. The moment the baseload power demand and renewable capacity equates and when renewable capacity overshoots, grid will start becoming unstable and which is expected to happen in next 18 to 24 months timeframe because during solar hours when the sun is at its peak all the power will be coming from renewables and thermal capacity cannot be turned down to zero. That is where the grid storage requirement comes into the play.

And CEA has forecasted that by 2030, 322 GWh of the energy storage capacity will be required in that the light the tenders have started coming in and we are getting the early mover advantage. And we have already tied up or locked in 3.4 GWh of the capacity which is going into the construction. And we will be generating higher than the normative returns in these projects.

And also we have already secured close to 72 GWh of the hydropump storage projects where we have got the allocation and we are in process of taking the necessary approval. One of these hydropump storage will be going into the construction this year.

I am happy to share also another interesting landmark decision which our Board has taken today. We are starting India's largest green hydrogen project which will be 3,800 TPA capacity. This project will be setup to produce green hydrogen to be used for production of green steel by JSW Steel at Vijayanagar. This project will be tied up using the 100% renewable power which will be consuming 25 MW of round the clock renewable power. So, on an installed basis it will be approximately 80 MW of renewable capacity along with requirement of pump storage and

battery storage. This project will get commissioned in next 18 to 24 months timeframe. And, this will be on a cost-plus mid-teen RoE basis for a 7-year contract. During the 7-year period the entire plant will be amortized. And post that it will be on the basis of variable cost and RoE basis between the parties. This is going to be the largest project in the country, first time for the green steel manufacturing. And the first project where the entire PPA is fully secured. This will be giving us a huge fillip and advantage for going forward because as we have spoken in the past that we have created our own Microgrid and Solar/Wind farm capacity along with the pump storage. And we will be able to enter into electron to molecules business. Additionally, we are also contracting the entire green oxygen which will be produced, which will be the eight time of the capacity of the green hydrogen that can be also sold to JSW Steel.

Another interesting piece which I wanted to talk about is the solar module manufacturing facility. We had informed during the quarter that we have got LoI under the PLI scheme by Government of India for 1 GW per year capacity for wafer-cell-module manufacturing facility. For which we have been allocated a Rs. 320 crore of the PLI. The total project cost is going to be Rs. 1,600 crore in addition to that we are finalizing the package from the State Government. This project will be commissioned in 18-to-24-month period. This will enable us to completely backward integrate for our own captive requirement of the module manufacturing wherein we will be able to produce the latest technology Solar PV module at most competitive price. Therefore our positioning will further strengthen to remain a lowest cost renewable power producer in the country.

The next piece which I also want to touch upon is about the Ind-Barath. We had completed the acquisition of the Ind-Barath asset. This is going to be one of the lowest cost pithead plant completed at a capex of less than Rs. 4 crore per MW including the FGD installation. And the interesting piece is on a Coal India Linkage prices this project will be one of the lowest fuel cost power producer, close to Rs. 1.30 to Rs. 1.40 will be the fuel price on a Coal India Linkage price.

The first unit is expected to get commissioned in the first half of the current financial year and the second unit will be expected to commission in the last quarter of the current financial year. And we are seeing that this is going to be hugely value accretive for us because of the high merchant power prices. We are expecting that on a conservative basis we will be making Rs. 2 to Rs. 4 kind of a range for the fixed cost recovery which will be very value accretive for this particular project.

We also completed the Mytrah acquisition during the last quarter. This is one of the greatest example and one of the largest acquisition in the renewable space. Originally we had envisaged that the EV will be Rs. 10,500 crore as against that we completed the transaction at Rs. 10,150 crore for a installed capacity of 1,753 MW. This translates to Rs. 5.77 crore per MW of the capacity as compared to today's replacement cost in excess of Rs. 7.4 crore to Rs. 7.5 crore per MW.

The normalized EBITDA of the asset will be Rs. 1,650 crore which translate to Rs. 941 crore per GW. Today on a competitive landscape the best bid which we are winning at JSW Energy, also the per GW EBITDA is around Rs. 840 crore to Rs. 870 crore per GW as compared to that Rs. 941 crore so that translated to the hugely value accretive transaction.

We have given a guidance that from the actual EBITDA of Rs. 1,200 crore we will be going for Rs. 1,650 crore in 12 to 18 months timeframe, of which Rs. 400 crore or Rs. 390 crore to be precise was coming from the generation increase and grid availability and machine availability, and Rs. 60 crore was coming from improvement and operation and maintenance cost.

I am happy to share that in last 45 days we have already made up and running 103 wind turbines out of 128 turbines which were down. And balance 25 turbines, they will be also up and running by first week or second week of June. Thereby we will be getting the generation much ahead as compared to what we had earlier envisaged. Same is the situation in terms of the machine availability improvement we have already improved the machine availability by 500 basis point. And the performance ratio in the solar generation has been also significantly improved. Therefore, we are expecting that the guidance what we had given that 12 to 18 months timeframe which will be achieved much ahead of the schedule. And during the current financial year itself we will be achieving the normative EBITDA exit runrate what we had forecasted earlier which is Rs. 1,650 crore. I am expecting on a most conservative basis this year also as compared to Rs. 1,200 crore EBITDA last year we will be doing between Rs. 1,400 to Rs. 1,470 crore EBITDA in the current financial year, because some of the high wind season which is right now going on will not be available for us for generation.

Now I am coming to the very important subject which is our strategy which we have explain in 2021 wherein we had given a formal guidance that JSW Energy is going to be a 10 GW company by FY'25 and 20 GW company by FY'30. In that particular strategy we had spelt out that our EBITDA will be going up to 2.5x in 10 GW and 5x at 20 GW capacity. Because we are doing exceptionally well we have already locked in 9.8 GW of the operating capacity which will be completed in the calendar year 2024. In addition to that we will be also completing 1GW W-C-M manufacturing facility and also 1 GWh of the battery storage capacity. Because of this our cash flows are also improving dramatically. And we are coming out with an enhanced guidance which will be improved by 25%.

Now our revised strategy 2.0 is by 2030 we will become a 20 GW generation capacity and 40 GWh of the energy storage capacity along with green hydrogen facility of 3,800 tons per annum and also 1GW of W-C-M capacity. All this is without any equity dilution, only from the internal accruals.

Also what we are talking about is that earlier guidance was led by FY'30 we will be having the leverage of net debt to EBITDA of four times. Now we will be reducing our leverage to 3.5 to 4 times. And our Profit after Tax and EBITDA both will go up by 25%. So, we are giving guidance

that our EBITDA will be 6 to 6.5x at 20 GW capacity in FY'30 as well as our Profit after Tax will be 7 to 7.5x which is also 25% up at 20 GW capacity.

Also, it is important to note that on an achieved capacity in FY'23 basis already we have achieved on a normalized EBITDA of 1.8x and Profit after Tax at 2x as against what we have guided. So, we are quite confident that we are not only doing better. And we will be growing much aggressively.

Earlier we have given a guidance that we will be doing a capital expenditure of Rs. 75,000 crore. Now this all is envisaging a total capital expenditure of Rs. 112,000 crore of which Rs. 35,000 crore has already been deployed which will get completed in next 12 to 18 months timeframe. The important thing which I am also envisaging and putting up on record that our balance sheet size will grow at 22% CAGR from FY'23 to FY'30 while we are delivering our balance sheet and deploying only our cash flow. And our cash profit yields are going to improve from the current levels.

With this I would like to hand over the forum to Pritesh, to touch upon the operating performance as well as the gearing ratios and the receivable cycle. Over to you, Pritesh.

Pritesh Vinay: Thank you very much, Prashant. A very good evening to all of you. And thank you very much for taking time out to join us for our 4th Quarter and Annual Results conference call.

Prashant has already said the macro context in terms of what happened to the broader power markets for the year as a whole. In that context if I were to briefly touch upon the performance for the 4th Quarter and then I will come to the Annual Results performance. If you see the net-generation for JSW Energy during the 4th Quarter was up by 16% YoY to over 5BUs. This was on account of (a) additional renewable energy capacity like the 225 MW solar plant. And first batch of the SECI-X project that were commissioned earlier in the year as well as higher sales of power on the merchant side as well as the long-term offtake.

So, from a revenue point of view on a reported basis you will see that the revenue for the quarter at Rs. 2,806 crore was up by 6% YoY. However, I would like to highlight that in Q4 of 2022 there was truing up order at JSW Hydro for the Karcham Wangtoo plant that had come because of which there was a one-of exceptional impact of Rs. 525 crore included in the revenues. Adjusted for that on a like-to-like basis the revenue for this quarter on a 16% higher net generation is actually up by 32% YoY. This is largely on account of the fact that higher fuel prices on a YoY basis which led to a pass through of the fuel cost also impact in that.

Coming to the EBITDA performance, again after stripping off the EBITDA for exceptionals including the truing up liability of last year, the EBITDA for the quarter stood at Rs. 881 crore which was up by 7% YoY. And the adjusted net profits stood at Rs. 272 crores for the quarter.

Wrapping up the year as a whole if you see for Fiscal 2023 the net generation was up by 5% at 21.8 BUs. The reported headline total revenues was at Rs. 10,867 crores which is up almost 25%. Again, the impact of truing up on hydro stood at last year of almost close to Rs. 600 crores so adjusted for that YoY the revenues are up by 33%. EBITDA adjusted for exceptional for the year as a whole stood at Rs. 3,817 crores which is up by 8% YoY. And the adjusted Profit after Tax after taking off exceptional, while we had truing up liability exceptional last year, this year we had an exceptional gain of Rs. 120 crores in the first nine months due to reversal of a loan that had been given to a third party in the previous years. So, adjusted for that on a like-on-like basis the adjusted net profit at Rs. 1,358 crores was up by 15% YoY. That was on the P&L side.

Now coming to the balance sheet side, and here I would like to set a few things in context. We completed the Mytrah acquisition on 29th of March 2023. And therefore, the Mytrah assets were available to us from a consolidation as per the book's point of view only for two days of the year till 31st March whereas the balance sheet is consolidated as of that particular day. So, therefore, to make sense out of these numbers we think that it is important to look at the proforma basis on a combined basis. So, I would request everybody you have access to our presentation which has been uploaded on the website.

So, if you can please look at Slide #39 which explains the net debt bridge that would give more clarity in terms of how to interpret the debt levels. So, as of the quarter and nine month ended December 2022, the total net debt of the company stood at Rs. 9,840 crores. Of this Rs. 6,475 crores was a net debt on the operating company and another Rs. 3,365 crores was the project loans drawn for the capital work in progress.

During the quarter if you see the debt on the operating companies went up by about Rs. 3,500 crores to just under Rs. 10,000 crores. And this incremental debt was largely the balance sheet borrowing that we did at the existing thermal business in order to fund our growth both for M&A as well as to infuse promoters equity contribution into the ongoing projects. So, on the operating companies the net debt stands at roughly Rs. 10,000 crores so on a underlying Rs. 3,800 crores of EBITDA the net debt to EBITDA for the operating company now stand at 2.6 times.

The next batch of a debt to look at is the debt on the CWIP, so what was Rs. 3,365 crores has gone up marginally and now it stands just north of Rs. 3,600 crores. For Mytrah, there is a net debt of close to Rs. 8,600 crores that has come on to the books.

Mytrah let me spend a few minutes on that in terms of how to look at Mytrah's performance, Prashant already mentioned in his opening remarks that if you look at the proforma 12 month performance of Mytrah for the year-ended Fiscal 2023, it stood at about Rs. 1,187 crores. The headline net debt stood at Rs. 8,600 crores. However, the EBITDA is not normalized, we have a very active asset optimization and performance improvement plan that Prashant already talked about, there are very encouraging signs. And this has an EBITDA potential of Rs. 1,650 crores.

So, Rs. 8,600 crores of net debt on a Rs. 1,650 crore normalized EBITDA translates to about 5.2 times net debt to EBITDA on the Mytrah business.

So, on a combined basis, Mytrah normalized EBITDA plus the existing debt on the operating business we have about Rs. 18,500 crores of net debt which is going to be serviced by EBITDA of close to Rs. 5,500 crores. And therefore, the combined net debt to EBITDA is 3.4 times. And if you look at the combined EBITDA as I said will be close to Rs. 5,500 crores for both the businesses for the entire 12 month of Fiscal 2024 from a run rate point of view.

So, this is on a net debt side, I would also like to take a few minutes on Mytrah's financing itself, this was a very complex transaction and a very landmark and benchmarked refinancing and debt sizing package was put in place immediately. It is very rare typically for large sized M&As the typical model is that you do a bridge financing, acquire the assets and then you take between 6 to 12 months to put a permanent capital structure in place. Here what has happened is that we consummated the deal on 29th of March and we drew down the first tranche of the refinancing facility on 31st March itself.

So, on Mytrah portfolio per se while we have talked about the EBITDA improvement but there is going to be a substantial benefit below EBITDA as well. There is more than 240 basis points of annualized weighted average interest rate savings that we have achieved by putting this refinancing and debt sizing package in to place which will lead to a close to Rs. 240 crores to Rs. 250 crores of savings on the finance cost from a run rate point of view from day one itself. That is all on the Mytrah financing.

Now I will take another moment to talk about the receivable cycles. I will break this conversation into two parts, one is the JSW Energy portfolio on its own without Mytrah. There if you see there has been a very encouraging performance there as well, if you look at one of the particular slides that we have on the receivable cycle. At the end of March 31st, 2023, in terms of day sales outstanding the receivables stood at 60 days of sales compared to 63 days of sales. While you would look at the headline absolute rupees crore number is higher. But that is because of the higher fuel cost and therefore the higher revenue is that we talked about. So, the right metric to look at is in terms of days sales outstanding. Even within that if you see the total amount of overdues that stood at the end of the year were about close to 20% of the total receivable. And we have had very healthy collection trend in the last month and a half since then so receivable cycle continues to be healthy.

If you look at the Mytrah receivable cycle that is also a very interesting situation in the Investors Presentation we put one full slide on that, Slide #10. When we were submitting our binding bid this was last year when the Mytrah sale process was on, we had the March '22 audited numbers and Mytrah's receivables outstanding were touching almost close to Rs. 2,000 crores. In the last almost 12 months since then maybe 13 to 14 months then we have seen that that receivable cycle has come down by close to Rs. 500 crores during this period.

We have put in place a very strong and focused collection efficiency that is also in play. So, month-on-month what we are collecting vis-à-vis what we are billing is consistently high. If you look at the bottom left-hand chart on this particular slide that shows for three particular months on an index basis we are collecting between 150% to 220% higher than what we are billing. So, we are very confident that we will be able to optimize the receivable cycle of Mytrah portfolio as well to healthy levels within the 12 months which will release a lot of liquidity into the system. And in this context now if you look at the enterprise value that Prashant had talked about for Rs. 10,150 crores plus net current asset this is really going to be a very cash accretive transaction for JSW Energy.

So, maybe I will just stop here and operator we can open the queue for Q&A please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: My first question is in relation to the government which has given a monthly plan to award 50 GW RE capacity every fiscal starting FY'24, what do you think is likely with this fiscal that's my first question?

Prashant Jain: It's a tough call for me because we are not concentrating more on these kind of a bids as a company because we are still finding that the rates which are getting discovered in these bids are not remunerative for company like us to undertake the projects and achieve the normative returns what we are targeting. So, that's why we are not at all following these bids. So, it's a tough call for me.

Sumit Kishore: Also, a follow up on this, given that you are setting up a 1 GW manufacturing facility for modules integrated up to wafers, does that also mean that it is setting up a platform for you to setup at least 1 GW solar capacity as JSW Energy every year thereafter?

Prashant Jain: Yes, so we consider that that kind of a requirement we will be having because most of our requirement, what we are contemplating that close to 1.8 to 2 GW of the kind of a capacity which we are going to build which will be both by solar and wind put together. And so majority of the capacity which we will be able to utilize.

Sumit Kishore: Over the next three to five years in addition to the locked-in capacity of 10 GW on the generation side, what visibility do you have on group captive generation projects which is requirements from the JSW group especially JSW Steel?

Prashant Jain: So, we have made a medium-term plan. And we are looking at we will be having close to 6 GW of kind of a group captive requirement going forward. In addition to that we are also looking for certain C&I segment. And in addition to that we are also looking for electron to molecule business also. So, that's how we see that this generating capacity we keep on adding will be primarily within the group captive or C&I customer or certain very attractive tenders where there

is not a substantial competitive landscape. The way we have been building our business is it's different kind of an energy product segment which are there. So, whether it is battery storage, whether it is pump storage, hydro or solar, wind, thermal wherever we find a great opportunity to deploy the capital, to generate industry leading returns for which in our case minimum mid-teen returns are most important that's how we have been deploying our capital and we will be continuing to do that.

In addition to that we are also scouting inorganic growth opportunities. If any good growth opportunity like Mytrah is available, where we will be getting on a normative equity base, we will be getting north of 16% equity IRR whereas the entire transaction for us is a 100% leverage buyout. So, on a net worth basis, the entire thing is value accretive for us. But this is how we are contemplating and we will continue to do that.

Sumit Kishore: Just to clarify the 6 GW number that you said the captive plus C&I is in addition to the 10 GW locked-in capacity.

Prashant Jain: Absolutely, so my guidance what I am giving is that we are talking about by FY'30 we are becoming 20 GW of generation of that I am talking close to 6 GW will be a group captive in next 7 years timeframe which will be coming up and another 4 GW from various other opportunities.

Sumit Kishore: My last question is that MoEF has recently approved exemption of pump storage hydro projects from environmental impact assessment, is this likely to help speed up your project plan in pump storage hydro, how much capital are you likely to commit to pump storage hydro over the next three years. And what is the actual balance sheet investment likely over the same timeframe?

Prashant Jain: Sumit, as I explained that our FY'30 target is around 40 GW hour of the pump storage capacity. And which means it is going to be close to Rs. 25,000 to Rs. 26,000 crore of the total capital expenditure we are going to do by FY'30. And first project will be getting into the construction end of the current financial year and which we have already locked in with PCKL (Power Company of Karnataka Limited). So, this is how we are seeing.

Second the approval side, yes there are a lot of exemptions which are being provided by Ministry of Environment and Forest in terms of EC, in terms of the geotechnical surveys. So, these are really welcome steps and these are really going to help us to execute the project at a much faster speed. I also want to tell you that we are the largest private sector hydro power producer in the country and having the best experience of operating of these assets. For last 3.5 to 4 years we have been building Kutehr project which is going to be the fastest ever build the project in spite of the Corona wave conditions and various other difficulties. So, we have built the strong execution capability of doing the project which is primarily being done in-house with a small contractor teams which is making us more and more confident that we are one of the best placed in terms of the industry to execute these projects.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: My question was around the collections at Mytrah, in terms of how did you manage to accelerate? And is there a systemic change that has happened that where in the future also you will not see the collections build up or is this any one-off that has happened because of the governments schemes?

Prashant Jain: So, it's the way we do our business and we take pride in doing that. And that's how we maintain our receivable cycle low for all our existing business also and that same thing we are trying to replicate at Mytrah. Of course, one thing which I want to tell to you as well as all the audience that there are the structural changes which is taking place in the power sector. The Government of India has taken very interesting steps which is helping to recover the receivables at the same time we are also having a strong relationship and a very good management of the receivable.

And today if you look at our presence we are present pan India and with all kind of a discoms. And we are able to maintain a very low receivable cycle. So, I can assure you that Mytrah receivable cycle will be aligned to JSW Energy past performance and it will be a permanent solution.

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

Nikhil Abhyankar: I have got just one question. So, can you explain the economics of the battery storage project because 60% of our capacity will be reserved for SECI. So, how do we plan to utilize the remaining capacity and what will be the cost economics of the storage?

Prashant Jain: In terms of the storage the first tender what we have won we have contemplated two opportunities:

i) Opportunity is the ancillary market which has got opened up. And we are seeing very attractive trend in that particular ancillary market. And we see that we will be in a position to generate better returns than what we have contracted with SECI.

ii) And second thing is we also have the option to make a bid in any of the energy storage bid which is going to come in future.

So, both the options are available to us, but at this point of time we have considered the ancillary market where the battery storage power will be scheduled in order to maintain the frequency and demand. So, new POSOCO guideline which had come up based on which the ancillary market has opened up and we will be generating a much better return on what we have contracted. And later on we can continue to participate in ancillary market or we can tie it up in any of the future bids.

Nikhil Abhyankar: What portion of our Ind-Barath plant is tied up in the PPA?

Prashant Jain: We will not be tying it up with giving the macro situation.

Nikhil Abhyankar: So, 100% will be for merchant.

Prashant Jain: Yes, because this is going to be very low cost. And if I say that for example last year average tariff for the entire year was Rs. 5.96. And as I explained on a Coal India linkage price the fuel price will be Rs. 1.30 even if I pay 100% premium on the Coal India linkage price in the e-Auction market. My fuel price will be close to Rs. 2.20 that means I can make around Rs. 3.50 as a fixed cost into the merchant market. So, we will be keeping this capacity open for some more years and then as and when we see that macro situation changing, we will be going into the long-term market.

Nikhil Abhyankar: And is the coal tie-up already done MCL?

Prashant Jain: So, coal is available under the SHAKTI linkage scheme. We will be making the bid and also the spot auction which is being done by the MCL. There is enough coal available in an around mines which can be done either the SHAKTI scheme or we can do it in the Spot e-Auction.

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

Anuj Upadhyay: Few clarifications, on Ind-Barath you just mentioned that the entire capacity would be setup for the merchant, kindly correct me if I am wrong, because my earlier assessment was part of this capacity would be tied up towards the module manufacturing site. So, is there any change in the strategy for that?

Prashant Jain: Anuj, yes initially we were considering that the Polysilicon capacity we will set up at the Orissa. And that is the most important thing in our management agility that we take a decision on a dynamic situation. Right now, the Polysilicon market is becoming overcrowded globally. Last year the total demand was 800,000 ton and now China is putting up a large capacity of Polysilicon in next 12 to 14 months timeframe, total capacity will be in excess of 2.5 million tons which is sufficient to produce 850 GW of the solar panel.

Last year, the solar PV panel demand was 260 GW because of this Polysilicon prices which were ruling at $42 per kg has come down to $16 per kg and are expected to come down to below $10 per kg. That is why we have taken a decision to not to venture into the Polysilicon capacity at this point of time and because of which we have also refrained in participating in PLI scheme for Polysilicon to module capacity. However, we can look at that situation two years to three years down the line, but we don't want to be caught onto the wrong cycle. And that's why we are not looking at any Polysilicon manufacturing facility at least in the near foreseeable future until this demand and supply situation is favorable to set up such kind of a facility in India. And

therefore, the entire capacity will remain open up for the merchant tariff because we are in a position to capitalize in this kind of scenario.

Anuj Upadhyay: Just to follow up on this capacity of around 850 GW, any timeline by when this will get commissioned?

Prashant Jain: Another 12 to 14 months timeframe this all capacity is coming up in China.

Anuj Upadhyay: And on your capex plans you mentioned around Rs. 37,000 crores of incremental capex would now be required over the next six- or seven-years kind of a time period, and for which we won't be diluting anything. Could you just elaborate further what kind of internal cash flows we could or likely be generating from the equity capex, capacity?

Prashant Jain: So, last year, we had generated close to Rs. 2,700 or Rs. 2,800 crores of the cash and which is going to go up in the FY'24 and thereafter, because our EBITDA is going up very rapidly because from Rs. 3,800 crore our EBITDA for the next year will be at least 1.7x to 1.8x and that's the similar kind of situation which is going to happen which if you are taking incremental debt on 3:1 debt equity basis you are in a position of doing the capital expenditure between Rs. 12,000 to Rs. 13,000 crore per year and which will be going up as the cash flow further increases.

Therefore, we will be deploying close to Rs. 112,000 crore capital expenditure as against what we have envisaged earlier Rs. 75,000 crore. Out of Rs. 112,000 crore already Rs. 30,000 to Rs. 35,000 crore has already been planned like Rs. 16,600 crore on the capacity expansion of the SECI and group captive project; Rs. 2,700 crore on the Ind-Barath; Rs. 1,600 crore is now, we are talking about for wafer-cell manufacturing facility, and Rs. 2,200 crores for the SECI XII. And in addition to that Rs. 10,150 crore is for the Mytrah acquisition. All this put together is translating to around Rs. 30,000 to Rs. 31,000 crore. So, balance Rs. 85,000 odd crore will be spent from 2024 to FY'30, this is how it will translate.

Anuj Upadhyay: And lastly on the green hydrogen, what capacity exactly are we looking out and the selling arrangement, I mean exactly to whom this green hydrogen would be supplied, what kind of PSA selling agreement we are eyeing to, have you already tied up?

Prashant Jain: Yes we have already tied up this capacity is 3,800 tons. This will be sold on a Take or Pay Contract with the JSW Steel. The period is seven year and the complete plant is amortized over a period of seven-year, post seven year it will be variable cost plus RoE. It is cost plus mid-teen RoE which will translate approximately to $3 to $3.5 per kg kind of a number on which this will be contracted and also the entire oxygen will also be contracted.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: If I get it right you mentioned the group captive itself can give you about 6 GW that's over and above the 1 GW that's already in the pipeline, right.

Prashant Jain: That's true.

Dhruv Muchhal: And so I understand, so if it's for JSW Steel they would probably require round the clock power. So, will this also be accommodated along with probably some pumped hydro which can also drive some additional investments or battery storage or that just strictly your that we are currently thinking of?

Prashant Jain: You are absolutely right in addition to that there will be the storage facilities also.

Dhruv Muchhal: And it's safe to assume that large part of this will be on, I mean, what we can say regulated RoE kind of returns basis?

Prashant Jain: Absolutely.

Moderator: Thank you. We have the next question from the line of Mohit from ICICI Securities. Please go ahead.

Mohit: First question is on the guidance where we are talking about 3.5x normalized EBITDA, normalized PAT. Can you just clarify what is normalized EBITDA and normalized PAT for FY'23?

Pritesh Vinay: It's very simple, Rs. 3,820 crores is our own EBITDA, I am just rounding off, yes, excluding Mytrah, to that you add the normalized EBITDA of Mytrah which is Rs. 1,650 crores, right. So, that gives me Rs. 5,470 crores odd that is the normalized EBITDA, yes.

PAT, you will have to derive, on that Rs. 3,820 crores what is the PAT that we have done. And you will be able to model that with Rs. 1,650 crores of EBITDA what will be the, and you know there is a Rs. 8,600 crores of net debt. So, you will be able to derive Mytrah is at a roughly 25% tax rate paying portfolio so you will be able to derive what will be that normalized PAT.

Mohit: Second question is on the solar module and wafer plant; have you finalized the technology and have you given the equipment order? And when we expect this capacity to be up and running? And how are you planning to source Polysilicon inside India or from the outside India?

Prashant Jain: So, this facility will be set up in the State of Rajasthan. We have already closed the technology it will be a TOPCon technology. And equipment ordering is in the final stage. And Polysilicon will be sourced from China because that's the only place which is manufactured at this point of time other than Europe and U.S. and small capacity in Korea. And in India, nobody is producing and we don't know when it will be available and this facility will be up and running in next 18 months timeframe.

Mohit: Do you think at some point of time your ambition in solar manufacturing will expand to a larger size or to Polysilicon something?

Prashant Jain: So, we will take it step-by-step we don't see ourselves into the module manufacturing and third-party business. We are concentrating only into the energy and its derivative products, which is the electron to molecule business and storage products, that's where we are concentrating. Whatever we are doing a backward integration, whether in terms of PV cell manufacturing or other segments which we have talked about like in wind licensing and other things it's only to save our supply chain cost.

We are and we want to remain the lowest cost power producer and we want to remain at that competitive advantage in order to retain that advantage and to be competitive we are working on the supply chain side. But we do not want to deploy our capital for third-party manufacturing and getting into those kinds of business, because we don't know how they are going to pan out in future. So, we want to concentrate our capital deployment only for the segments where we are efficient and we want to concentrate.

Mohit: Last thing again on hydrogen, I see that we have taken some approvals from the Government of Karnataka about green ammonia. So, are you going to limit to green hydrogen in the foreseeable future. And have you identified the technology which are going to put up for the green hydrogen. And does anything of this has to do with the Fortescue?

Prashant Jain: So, it has nothing to do with the Fortescue that agreement has expired #1.

#2 We have explained in the detail about our readiness to enter into the electron to molecule business, but you need to understand that at this point of time globally there is no ecosystem for green ammonia, green hydrogen, the long-term contracts, transportation arrangements, everything is being worked out. In that kind of environment everything is a plan. But we are going ahead and executing a project by tying up for production of the green steel. So, we have all the resources in place. So, our existing contract with JSW Steel for a 1 GW or in Vijayanagar from where 25 MW of the round the clock power will be taken will be used to produce green hydrogen. We have already finalized the technology. The final equipment ordering is in the final stage post this approval from the Board by both the companies we will be entering into the contract with the equipment suppliers and get this up and running in next 18 months timeframe.

We will be deploying not only to the green ammonia, but also to the CO2 capture making the green methanol, sustainable aviation fuel, green chemical complex all that we have been working but those things are some time away, as soon as the complete ecosystem is well developed. While those things are under development by various Indian policymakers as well as global policymakers and transportation and port ecosystem, railway ecosystem is getting developed, we are putting a step into the right direction and creating a first mover advantage into the green hydrogen space.

Mohit: If I may ask is it alkaline or PEM technology?

Prashant Jain: Yes, so it will be alkaline technology.

Moderator: Thank you. We have the next question from the line of Atul Tiwari from Citi Group. Please go ahead.

Atul Tiwari: Just on Ind-Barath coal supply situation, so does it already have a linkage with Coal India or the linkage is yet to be tied up because you mentioned Rs. 1.3 to Rs. 1.4 kind of price?

Prashant Jain: No, I said and I was trying to give you the competitive landscape. So, on a Coal India linkage prices you cannot sell into the merchant market. So, you have to sell into the merchant market either you get the coal, you take into the SHAKTI B(ii) Scheme which is the Quarterly Auction or the Spot e-Auction, these are the two only opportunities in which you can source the coal wherein you have to pay the premium over and above the Coal India linkage prices. And that's how I explained you the competitive landscape even if I am paying 100% premium, what will be my variable costs and what will be the selling price. So, that's how I explained to you.

Atul Tiwari: So, even at the 100% premium the fuel costs will not be more than Rs. 1.4 that is what you mean?

Prashant Jain: No, no I said with the 100% premium the fuel price will be in the range of Rs. 2.25 to Rs. 2.30, because Rs. 1.30-1.40 is without the premium. So, there the royalty as well as the Clean Energy Cess will not be changing when I am paying the premium.

Moderator: Thank you. The next question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Natarajan: My first question is on the battery energy storage solutions part, the one that we have got an LoI you say the capacity charge we will get probably 1 million per MW per month. And it works for two cycles. Can you explain us the remaining 40% that is going to be sold into the open market, how will that IRR mode look like? And how much will be the levelized cost of storage that you have in mind?

Prashant Jain: So, the return on the ancillary market which I explained in the previous question will be close to or better than what we are having into the SECI contract. On an overall basis we are expecting that we will be doing better than the mid-teen equity IRR on this particular project.

Rohit Natarajan: Just to know the split between the battery package and the BOS charge, how does it look like? Is it like $130 per unit and the BOS is $170 per unit? How does that split looks like at this point in time?

Prashant Jain: I would refrain to give you those kind of numbers at this point of time. I hope you understand that these are new developing projects and developing trends, but we have explained to you that our overall project costs as well as we have talked about that what kind of equity IRR we will be getting. But however, in some time as the technologies are getting mature and this market deepens we will be happy to share those kinds of numbers.

Rohit Natarajan: From a hydro pump storage perspective, what is the concept to commissioning timeline that one should realistically look at for all the projects that you have in the pipeline?

Prashant Jain: So, all the projects, it takes once you get the PPA signed up and all the statutory approvals are in place, it typically takes between 36 to 48 months kind of a timeframe. These are very simple projects because here there are no tunneling**,** there are only upper barrage, lower barrage and you have to make one power house and a steel penstock. So, these are the very simple projects, government is also facilitating very express approvals in these kinds of projects, so post statutory approvals and PPA 36 to 48 months is a safe time to consume.

Rohit Natarajan: Is there a peaking tariff number that you have in mind when these PPAs are signed?

Prashant Jain: So, these are the different construct when the peaking tariff and other thing. These are basically lease kind of contracts which are being done. So, I am not concerned that you are using for one cycle, two cycle, three cycles depending upon the requirement or multiple cycle, which the grid or the utility who is taking it on a lease can utilize based on their particular requirements, so we are not concerned on that. So, it's a build, own and operate and leaseback.

So, my responsibility is to build the project, guarantee a particular efficiency and maintain a particular availability. After that what price, what time cycle the power is coming and what is the cost at which the utility is using is depending upon them. Some may be using the absolute free power, some may be using some purchase power so it depends on the utility-to-utility, grid-to-grid. So, this is how the business is going to be over a period of time.

Moderator: Thank you. The last question will be from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Pritesh one question for you, what is the weighted average cost of debt that we should use for FY'24? And what is your strategy going forward in terms of incremental debt that you take, is it all going to be local borrowing or you have a mix of local and foreign borrowing?

Pritesh Vinay: So, Sumit, very interesting question, it's easier to talk about the weighted average interest rate where we are already there, it's already there in the presentation, if you see we were at 8.36% at the end of March. If you were to look at the weighted average portfolio, post implementation of the debt sizing and the full drawdown of the refinancing at Mytrah that should be closer to a print of between 8.5% to 8.6%. So, overall, you are looking at closer to 8.45% on a weighted average portfolio basis on a run rate point of view, right.

Now, if I were to hazard a guess for the next year, now the underlying assumptions are already at the peak of the repo rate cycle? Do you think the bank MCLR catch up to the repo rate increase is done or how much more lags are left to that? Giving, some kind of thought to that kind of thing from a being conservative, from a worst case point of view, I would expect possibly another max 15 basis points increase from there, not beyond that.

Prashant Jain: So, 8.55%-8.60%.

Pritesh Vinay: That's right. So, maybe 8.6% is where we should kind of land up, but this is with these kinds of underlying assumptions behind and if any of these assumptions change that will change, that is one.

Yes the second part of your question is so far if you look at our financing philosophy as far as the organic growth projects are concerned, in our entire portfolio we have gone for 100% long term project financing depending on the nature of the project etc., with a door-to-door tenor of say 20 years average life between 16 to 17 years and they have been done at very fine and tightened interest rates given the JSW's credit standing in the bank loan market. And therefore, by an extension of that given the favorable INR liquidity and rates environment vis-à-vis the FX market we have been 100% dependent on INR markets.

Incidentally, if you recall two years ago we had done our maiden green dollar bond offering, and that was precisely with this view to lock in low levels of rates on our hedged basis for the next 10 years because one was anticipating a tightening of the rates market. So, that was a very good call in hindsight.

So, going forward if you are asking about what is the mix going to be likely be, the way it appears, at least in the near to medium term, it appears that the INR market is still likely to be much more favorable from rates, from credit spreads point of view vis-à-vis whatever limited visibility we have from FX denominated market. So, I would again hazard a guess that INR liquidity is going to be the way forward at least for the next 12 months or so. And whatever fillers we have as we bag more bids we are actually inundated with more number of banks wanting to come and have an exposure to our growth project than we are able to accommodate. So, that's where we are right now.

Sumit Kishore: My next question is so from your Ind-Barath project, would you also bring the output electricity to the electricity exchanges or would it be more of bilateral contracts? And similarly, from storage hydro does the strategy also entail managing the peak demand requirements and the higher prices. So, would you bring power on the electricity exchanges in both these projects the merchant thermal project which is being set up today or being commissioned after being shut down and from storage hydro.

Prashant Jain: Sumit, we do not envisage that we will be setting up any merchant capacity or any merchant pump hydro capacity. Ind-Barath is an incidental opportunity for us where there was a PPA

which at the time of making the bid, but we could not revive that particular PPA. And the macro situation is transforming so that's why we are trying to take the advantage being an agile company in terms of the business environment and to create the shareholder value.

I want to make it very clear that all the projects going forward or whatever investment will be a long term tied up business and this is how we want to play. But there are certain things which happen in certain construct where we see a huge economical value as part of the capacity could happen like for example, if we have a project of 1500 MW in Maharashtra, two projects and one project of similar kind of a capacity are in the Southern state. Now, that will be giving us close to 12 GWh of the storage capacity on a eight hour storage. Now, if I am getting a bid which is for 6 GW or 7 GW and I tied up and then another bid of 3 GW and then my 3 GW capacity is open while I am constructing the project and I have commissioned the project, I can play into the peaking market. But as soon as I am able to tie that up, I would like to tie it up. However, we will not be building any capacity which is purely based on the merchant, it could be some incidental where we can play a certain capacity on a strategic basis for some period, but we would like to tie up as much as 100%.

Sumit Kishore: My last question is so the 72 GW that you have tied up in pump storage hydro maybe in three to four years how much environmental and other approvals, pre-project approvals do you expect to complete in the next one year, two year, three year if you could give some sort of understanding?

Prashant Jain; So, approval basis you can reasonably assume that in next 18 months timeframe we will have all approvals on all the projects. However, in terms of the execution and capital deployment side we are only talking 50% of that by FY'30. Because we need to really see how much bids come whether they will be on a competitive landscape plus the capital requirements, plus execution issues so that's how you can see.

Moderator: Thank you. I would now like to hand the conference over to Mr. Rohit Natarajan for the closing comments. Over to you, sir.

Rohit Natarajan: We thank the management for giving us this opportunity. Before we close the call, I would like to ask the management if they would wish to make any closing remarks.

Prashant Jain: No, I think that's all. In case you have any questions, please feel free to contact our Investor Relations Department at any point of time. Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.