



“JSW Energy Q3FY21 Earnings Call Hosted by  
Kotak Securities Limited”

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**MODERATOR: MR. MURTUZA ARSIWALLA – KOTAK SECURITIES  
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**Moderator:** Ladies and gentlemen, good day, and welcome to the JSW Energy Q3 FY'21 Earnings Call, hosted by Kotak Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Murtuza Arsiwalla from Kotak Securities Limited. Thank you, and over to you, sir.

**Murtuza Arsiwalla:** Thank you, Monica. On behalf of Kotak Institutional Equities, I welcome you all on the Earnings Call of JSW Energy for 3Q FY'21 Results. From the management, we have Mr. Prashant Jain - Joint Managing Director and CEO; Mr. Pritesh Vinay -- Chief Financial Officer; and Mr. Ashwin Bajaj -- Group Head, Investor Relations.

I would now hand over the call to Ashwin and management to follow through. Thank you.

**Ashwin Bajaj:** Good evening, ladies and gentlemen. This is Ashwin Bajaj. As Murtuza introduced, we have Mr. Prashant Jain and Mr. Pritesh Vinay with us. So we'll start off with opening Remarks by Mr. Jain, and then we'll open up the floor to Q&A. So with that, over to Mr. Jain.

**Prashant Jain:** Thank you, Ashwin. The quarter gone by was very interesting quarter for all of us. And in terms of the power demand, we saw a robust recovery in power demand. In Q3, we saw power demand went up by 6.4%. And interestingly, in the month of October, we saw the double-digit power demand growth at 12%, which was due to lower base effect and also rebound in the economic recovery. And in the current quarter also in the January month, we are seeing the power demand is growing at the rate of 4.5%. So till nine months, we are seeing that the power demand contraction of close to 4%. I'm expecting that we will be closing the year below 3% in power demand contraction and close to 5%, 5.5% demand growth in the H2. Due to lower base effect in the H1, next year, H1 we'll be seeing a robust power demand growth. And I am quite confident that we will be seeing power demand growth of 4% to 6% in next 10-years timeframe consistently. So that gives us a very good opportunity.

In terms of the company net generation, the long-term power net generation was up 6% year-on-year, and in total, net generation was up by 1%. So that demonstrates that our merchant volumes were lower. Because of lower merchant volume, our EBITDA was down 6% at Rs.655 crores. But due to lower interest cost, our PBT was higher at 14% year-on-year, and profit after tax was higher 12% if you take out one-off which was there in the year last. Now during the quarter, we did exceptionally well in terms of receivable. We have seen the receivable at Rs.1,693 crores at the end of the quarter, which is at seven-quarter low and which is 22% lower year-on-year.

Because of strong cash flows and strong recoverability in the receivable, we reduced our net debt by Rs.952 crores during the quarter, and during the first 9 months, we have reduced our debt by Rs.2,226 crores in the first nine months. Therefore, at the end of the quarter, we are at Rs.6,719 crores of net debt with a weighted average interest cost of 8.29%, which will be also further going down due to the resets which will be coming up in the coming quarters. And with

this, our net debt-to-equity is 0.48x, and I don't have the numbers in front of me, but I believe that this will be the strongest balance sheet amongst Power producers in the country with the net debt-to-equity of 0.48x and net debt-to-EBITDA of 2.17x.

Now before I speak about our plans - during the quarter, also the JSPL loan has been settled in totality. So we don't have any outstanding from JSPL. Going forward, as we talked about 810 MW of the SECI tender, which we have received LOA last quarter, we are expecting that the PPA will be signed for 540 MW in the current quarter, and balance 270 MW will be signed in the Q1 next year. We are absolutely ready in terms of the execution of the project, whether it is with respect to the sites, or with respect to the placing the orders. And we will be in a position to commission the project well ahead of the schedule of 24 months from the date of the PSA.

With respect to 240 MW of the Kutehr project, the project execution is going on fast track, and we are running as per the schedule. In terms of the PPA, we are expecting in the current quarter, PPA will be signed and sent to the regulator for approval.

And we are also working very actively with the group companies to finalize close to 1,100 MW of RPO obligation, which will be met by solar and wind projects. And during the course of the current quarter and next quarter, we are expecting to finalize those terms and conditions. And we expect that those projects will also get completed in next 18 to 24-months timeframe. Therefore, we believe that we will be in a position to execute close to 1,800 MW of solar and wind capacity and 240 MW in next 36-months timeframe. So that's how we see that capacity is going forward. That means that we have seen the end of the deleveraging of our balance sheet. So what you are seeing the net debt of Rs.6,719 crores is the lowest one, and we have hit the bottom of the net debt.

There are a couple of further developments we did during the quarter. And during this board meeting, we have approved for slump sale of 18 MW of the thermal power plant, which was set up at Salboni - to sell this asset to JSW Cement. We have appointed a valuer who will be valuing the transaction. And the transaction will be done at the investment value at our books or more than that, and we will be able to disclose it and during the end of this quarter, as and when the transaction is consummated, we are expecting that the transaction will get completed by 31st of March, and sales proceed will be received before 31st of March.

The company has been focusing very strongly on ESG compliance and that has demonstrated in its rating. We have received the highest rating achieved by any power producer in India from CDP. In fact, it is the highest rating probably in the world by any power producers because average rating for the world is D and then in Asia is C. And we are looking forward that going forward maybe next year or year after that, we will be aspired to achieve the highest leadership rating of 'A'. Similarly, our MSCI ESG rating has been also upgraded from B to BB, which is also amongst highest-rated power producer in India and there also, we are aspiring that to achieve BBB and subsequently 'A' rating going forward. So we are making a substantial progress towards the ESG compliance and also making this company as a growth company in the renewable space.

We are also very, very much excited with the government policies in that regard. Today, Ministry of Power has notified HPO obligation trajectory also. And thereby, I am expecting close to 10,000 MW of the PPAs will be signed up in the next five years time frame based on those HPO obligation. That demonstrates our commitment in the hydro sector also, and we are really working very aggressively towards building the portfolio.

In addition to this 1,800 MW of wind and solar and 240 MW of hydro, we are trying to build a large book of resources in solar, wind, and hydro sites because we believe execution time in solar and wind is very small. But you need to have those locations or the sites in your control including the right of way and then connectivity. So your company is working aggressively in acquiring such locations in various states, which are having a high potential of wind and solar resources, and we are continuously investing on that. And therefore, in time to come, we will be able to leverage upon as and when good bids come at attractive return ratios, we will be able to participate in those bids and then grow the business.

And with this, I end my opening remarks, and we are happy to take any questions you are having. Thank you very much

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Just some kind of color on the CAPEX and the weighted average tariff that you will have for this 1,800 MW renewable?

**Prashant Jain:** So look at this way, like as far as SECI 810 MW is concerned, the tariff is at Rs.3. And whatever wind capacity which we are putting up, it is in the range of Rs.6 crores to Rs.6.5 crores per MW and solar will be between Rs.3.75 crores to Rs.4.1 crores per MW. That's the kind of CapEx which will be there, depending upon how much lending we do. And in case of balance group captive projects also, the CAPEX amount per MW will remain same. And we are expecting around 225 to 250 MW will be the solar capacity we will be putting up and approximately 800 to 850 MW will be the wind capacity, which will be put up. So this is how it will look like. So all in all, it will be in the range of Rs.9,500 crores to Rs.11,000 crores I can give you the range, this entire 1,800 MW will be set up. And the group captive tariff will be also on a similar kind of range what you are looking at, SECI-9 tariff. So that's how it will be there.

**Atul Tiwari:** Sir, just one clarification on that. So this CAPEX amount that you mentioned broadly, it includes the cost of land as well?

**Prashant Jain:** Everything. Includes cost of power delivered at the delivery point. So, if the SECI tender is there, it is the delivery point, the CTU periphery, and in case of it is a group captive, it is to the particular transmission point wherever it is. If it is private transco, then it is delivered to the customer. Or if it is through STU, then it is at the periphery of a particular substation. Including the pre-operative costs, all statutory fees, everything all put together.

**Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal. Please go ahead.

**Aniket Mittal:** Sir, just a couple of questions actually on the renewable front. Firstly, I just wanted your broader views on the recent fall in tariffs that we've seen in the renewables market. And how do you look at the competition intensity right now in the sector? And secondly, given the decline in tariff that we've seen, just wanted to understand, from the signing of the 810 MW PPA, you've mentioned that each spectrum 540 MW to come in, in this quarter, could you highlight which discoms are we in talk with? And is there any uncertainty on the price as well on the tariff rather given the decline that we've seen?

**Prashant Jain:** So look at this way, Aniket. Solar and wind are different animal, that's number one. And both are guided by different RPO obligations. So similarly, is now tomorrow, the hydro HPO obligation has been notified, where the power levelized tariff will be a north of 4.25 or 4.50. So each type of renewable power has a different competitive strength and different load profile and generation profile. And discoms need different kind of power in order to manage their grid as well as to meet their requirement. And then that's why they are ready to pay that kind of a tariff. So wind, I think the current tariff is absolutely doable. In solar close to 24 GW of the PPA is yet to be signed, whereas in case of wind in three months, I'm talking that the PPA is going to sign in the current quarter. So that's what demonstrate the certainty of the signing of PPA as well as the viability of the tariff. So we are absolutely confident that this is a viable tariff, and this is viable tariff for the discom point of view also, and the PPA will be signed. Second thing is you asked about the reduction in the tariff that is happening primarily into the solar space. And you need to really see the people who are bidding those kind of a tariff. Every time a new entrant come and they make a bid, and because of certain option value, whatever they are trying to do, but those bids are also not seen light of day in terms of finalization of PPA and also execution by the developers. Even when you see the Bhadla project, which was done at Rs.2.44 tariff three years ago, how many developers have developed it, and how many have surrendered that. And people are ready to put the tariff at a lower intensity even now. And that's where JSW Energy is shying away in participating in such auctions where we feel unsustainable behavior is demonstrated. Therefore, we are ready to look at in certain niche area where we are seeing the responsible behavior and we continue to look at those areas, and we see that there are enough opportunities are available for people like us. And because the space is large, country's renewable capacity, addition requirement is close to 25 GW to 30 GW annually, which is going to happen in due course of time. And in that, we can have a very small pie for us. So, we would like to look at the niche segments.

**Aniket Mittal:** I think would predominantly be from a wind perspective. And sir, just to get a perspective based on your discussions, the 550 MW that you're looking to sign for PPA, prima facie are there discoms that have been shortlisted for this?

**Prashant Jain:** Yes, there are, but I cannot talk about that, I'm bound by the confidentiality and then that is being done by SECI. As and when SECI does a PPA with me, I will be able to disclose it. But I can

give you a color that it has already been approved by the particular discom and it's in the signing process.

**Aniket Mittal:** So next question that I had was probably more to do from a group captive perspective and the opportunities apply over there. Maybe firstly on the thermal front, just wanted to understand the pending PPA that we have with JSW Steel Dolvi plant, what would be the quantum of this PPA and when do we expect it to get operational?

**Prashant Jain:** In my opening remarks, this is one point I have really missed. I'm sorry about it. As a company basis, we have been operating at 82% of the long-term PPA tied-up capacity which has gone up now to 87%. With this recent acquisition, whatever we have done in Asian Color as well as the increase in the capacity at Dolvi, now the total PPA tied up capacity at Ratnagiri will be 1,145 MW out of 1,200 MW installed capacity, so only 55 MW is the open capacity at Ratnagiri. And at Vijayanagar, we are having 310 MW of the tied up capacity out of 860 MW. So we are having 550 MW of the open capacity. So that's the situation we are having in the next financial year. So in various quarters, you will see the operationalization. But you can reasonably be sure that we will be operating at 87% in the majority part of the year next year. And going forward also, in next two to three years' timeframe, I am seeing that our capacity will be 100% tied up. That means what I'm trying to explain is that Vijayanagar as well as Dolvi 100% will be tied up in next two to three years' time frame. And whatever incremental capacity, which we are setting up is 100% tied up, be it a key group captive or whether it is Kutehr or any new project because the project execution will be only done once we are securing the PPA. So the company is becoming 100% PPA tied-up company, and that's what we really see.

**Aniket Mittal:** Sir, just to get correct, so you are saying after the tie-up for Dolvi, which should happen next year, the open capacity at Ratnagiri would be 55 MW?

**Prashant Jain:** That's right. With the current board approval, we have tied up. Now the point is, as far as the PPA is concerned, it will be signed probably in the current quarter itself. But the issue is open access. So open access delivery will be happening in phases as and when their units are getting commissioned, which we have been given to understand, in Q4 of this year and Q1 next year, they are commissioning their facilities in phases, and probably it will be ramped up into the Q2. So you will be seeing in Q4 this financial year and Q1, Q2 next year, this entire capacity gets ramped up. That's why I'm saying majority of the year you will see this PPA tied up.

**Aniket Mittal:** Just on Vijayanagar, where do we see the visibility coming for the tie-up?

**Prashant Jain:** So there is a thermal RTC combined with the renewable 5,000 MW tender from SECI, that's one opportunity. And second opportunity we are looking at is the group captive also where JSW Steel is planning to increase at some point of time their capacity at Vijayanagar. So that's why we are looking at two to three years perspective, we will be able to secure entire capacity.

**Aniket Mittal:** Just a note of group captive. I think you mentioned around 1.1 GW of RPO obligations that you plan to tie-up with the captive. If you could just throw in some timeline as to, a), how this could

progress? And also, the model for this, I mean, would this largely be on a regulated basis given the business with a group captive?

**Prashant Jain:** As I said, is timeline, you can look at it that by March 2023, this entire 1,800 MW capacity should get commissioned in and around that one quarter here and there. And in terms of the tariff, you will be seeing as and when we are finalizing between the parties. But the format will be same like SECI controlled PPA format. It's a single tariff kind of a construct like SECI is having. Because whatever group captive transactions we have been doing, we have been doing it an arms-length either based on the CERC formula or prevailing market conditions. And today, the renewable contracts are prevailing on market conditions are identical to the SECI PPA. So the construct will be similar to that.

**Aniket Mittal:** That was actually the doubt that I have. If it was in a group captive level, how would the tariff get decided?

**Prashant Jain:** We will disclose it to you as and when we finalize.

**Aniket Mittal:** Just wanted some color on how is the merchant market progressing for you? I think there's been a sharp pickup in the merchant prices that's happening in January. So just wanted to get a sense in terms of the possibility of any new contracts that you signed as well as what are the dark spreads that you're looking at right now?

**Prashant Jain:** My comment about that it is a volatile market, very highly unpredictable. So what we have been seeing that economic recovery is taking place and so is the merchant tariff. But I'm not sure that how long they will continue on a sustainable basis, and I'm not sure when you will be seeing the average prices picking up. That's why if you might have noticed that as a company, we are migrating from a merchant capacity to the long-term capacity. So, yes, we will be in a position to capitalize whatever we can do in due course as and when any kind of opportunity comes, but that does not fit in our long-term strategy for keeping any capacity open for merchant. So our focus is to tie up as much as possible and have as much as possible assured cash flows for our projects.

**Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Firstly, on the SECI wind project, let's say, we are able to sign the PPA in next one month or two months, will we be able to commission this in the next fiscal somewhere 12 to 13-months down the line or do you think it will take more than that?

**Prashant Jain:** As I said, we are obligated to complete the project in 24-months time from the signing of PSA, and we are quite confident that we will do within that pipeline. So one good part, which I can explain to you is in case of renewable projects, on any format, they are mandated to be commissioned in a modular format. So the PPA terms suggest that even in a block of 50-MW, you can complete and declare COD. So quarter-on-quarter, we will see the progress and those

kind of things which will keep on happening. And as and when PPAs are signed and probably what we will be coming out as a disclosure from the company in time to come, we will be making a progress report before the investors and telling you in advance that what kind of a schedule we are seeing in which quarter, what commissioning schedule we are anticipating for that particular project. So we will keep you posted on that. But I can assure you on one part is that it will be well ahead of the schedule, and it will be in a modular format.

**Mohit Kumar:** One classification, sir. Does PPA has an option to supply prior to 24-months, and what is that kind of tariff?

**Prashant Jain:** Same tariff. You can do at any point of time. Outer limit is 24 months' time. You can commission it before and same tariff. And you can do it in a modular format of 50 MW.

**Mohit Kumar:** Secondly, since we will be supplying more and more to steel or group companies, and I believe the group company need to have 26% stake in that particular project, right. So does it mean that JSW Steel will have to buy more and more share of JSW Energy to comply with that particular norm for group captive?

**Prashant Jain:** So it is certainly required to meet that norm. And now those things will have to be seen that whether there are existing, whether they have those shares in their hand or from the other say inter promoter transfer, which will be done in order to mitigate that part. And for new generation solar and wind projects, it will be the equity, which will be taken probably at the SPV level instead of doing at the main list co. level. For existing thermal projects, it is at the list co. level, the assets are owned by the JSW Energy parent - both Vijayanagar as well as Ratnagiri assets are owned by the list co. But when we are building renewable projects, it is at SPV level. So there the equity will be owned at the SPV level by them. So they will be subscribing to the new capital which will be issued.

**Mohit Kumar:** Thirdly on Kutehr, sir, is this tariff of Rs 4.50 fixed for 25-years or is it possible to share some kind of detail...?

**Prashant Jain:** The regulator will be deciding the final tariff based on the total expenditure as per the CERC regulation. And based on our estimates, it will be close to Rs.4.50 or lower.

**Mohit Kumar:** If I look around 24 to 36-months down the line, can you list out the kind of growth projects which we are considering at this point of time given the fact that we have done absolutely nothing in the last 24 to 36 months, so apart from wind and hydro, is there anything in your mind, is this something where we want to deploy our capital and grow our profits?

**Prashant Jain:** Keep following us and you will see quarter-on-quarter differentiation, which we have done in the difficult challenging environment in last couple of quarters also. We delivered what we promised. And we did differently than the industry. And as we promised, we are on the execution table for close to 2,100-2,200 MW of the renewable project. Some are already started, some are getting started, ready to just take off. And then quarter-on-quarter, you will see the progress.



And as I said that the opportunity is huge. We are operating in a niche segment; we are very selective. And you will continue to see that our order book or the growth book will be built up. So keep following us quarter-on-quarter, you will be surprised.

**Moderator:** Thank you. The next question is from the line of Rahul Bhangadia from Lucky Investment. Please go ahead.

**Rahul Bhangadia:** Sorry, if you have picked up this topic maybe in some of the calls before, but you just mentioned you are selective with the project that you're going ahead with. If you could just give us a sense of what equity IRRs or ROEs are you looking at? Also both debt and equity you are speaking about for all the projects that you mentioned in the call previously, all the Rs.10,000 crores to Rs.11,000 crores that you're going to invest over the next two, three years?

**Prashant Jain:** So typically, we look at 25% to 30% equity and balance as a debt, and typically, we look at mid-teen's equity IRR. So that's what we have been looking. So we are not comfortable in assuming absolutely low interest environment. We are not keen on in assuming that you can operate the assets at 11% -12% of equity IRR. We are not comfortable for P50 or P75 generation profiles. We are only comfortable at P90 generation profile. So that's how we have been very conservative. And that's why we could survive in a difficult environment. And that's why our receivables are seven-quarter low, whereas the industry receivables are seven-quarter high.

**Pritesh Vinay:** And Rahul, if I may add to the other question that you asked on the leverage profile of the projects, if you look at Slide #5 of the presentation that we put up, SECI-IX will be funded with a debt-equity of 70:30 and Kutehr with 67:33 mix. As Prashant was mentioning, as and when in the subsequent quarters we finalize the group captive projects, and we talk about that, we'll also talk about the indicative leverage profile for funding of those projects.

**Prashant Jain:** And it demonstrates our capability, that in the last 10-years' timeframe - Kutehr is the first greenfield hydro project that has seen the financial closure or project debt approval, with a door-to-door 22-year term loan and at attractive interest rate terms. So that's how we have been operating. And no hydropower project has been constructed with a PPA upfront. We have done it first time in the country.

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

**Rahul Modi:** Sir, just a couple of questions. Sir, any progress on the Ind-Barath NCLT approval?

**Prashant Jain:** So we are also keeping our fingers crossed and working along with NCLT. So, at this point of time, it is moving slow due to the ongoing pandemic and a lot of pendency before them. So I'm not sure how much time will it take, but we continue to work with the various authorities.

**Rahul Modi:** You mentioned in your opening remarks that the JSPL loan has been repaid. So what was the amount that you closed this quarter? And was it all-cash deal?

- Prashant Jain:** Yes, yes, 100% cash deal along with the accrued interest, 100% was repaid. Pritesh?
- Pritesh Vinay:** Yes, yes, yes. So Rahul, the outstanding balance at the end of the quarter is zero. Just to give you sense of terms, at the start of the financial year, it was about Rs.261-odd crores that was due. So within the nine month period, they have paid out everything including the interest on that. So there's nothing outstanding from December onwards.
- Rahul Modi:** Just lastly, I would like to understand, sir, any reason for the sale of the 18 MWs of plant at Salboni to JSW Cement?
- Prashant Jain:** The only reason, Rahul, is that, as I mentioned, that we could not synchronize the plant because of the necessary discom approvals. And the asset could not get commissioned. And the asset was built for JSW Cement. And so this demonstrates the prudence between the related party that if some investment has been made by a company where the minority shareholders are present and asset has not been put to use, the counterparty has come forward, ready to take over the asset even if it is not being put to use. So that's what the two parties have done, and that's what demonstrates the credibility between our counterparties.
- Moderator:** Thank you. The next question is from the line of Shantanu Mantri from MK Ventures. Please go ahead.
- Shantanu Mantri:** Really impressive to see the deleveraging. Net debt is below Rs.7,000 crores. So very happy with that. Sir, I just wanted to know that this figure, Rs.6,719 crores exclude working capital and acceptances. So what would be that amount?
- Pritesh Vinay:** So Shantanu, at the end of the quarter, about Rs.623 crores was the outstanding acceptances plus debtors, that went up by about Rs.23 crores, I think at the end of September, that was around Rs.600 crores.
- Shantanu Mantri:** We have this Rs.10,000 - Rs.11,000 crores investment coming ahead in the next, say, 36-months. So if I just do a rough calculation, 70-30 debt, equities around Rs.3,500 crores equity will be infusing. I just wanted to know that the current thermal asset cash flows, will it be sufficient to meet this equity requirement?
- Prashant Jain:** So it's like this that we have been generating close to Rs.2,200 crores of free cash from our existing business, which will be used for this growth in order and also if you look at our existing debt-to-EBITDA and debt-to-equity profile, we can lever up our balance sheet even at the parent level and then use that money as an equity at the subsidiary level. So there is enough headroom which is available. If you do the math, any project in power sector is done at 5.5x debt-to-EBITDA and 3:1 debt-to-equity. And with a 0.48x debt-to-equity and 2x debt-to-EBITDA, we have enough headroom. So the need of the hour is to grow the balance sheet.

- Shantanu Mantri:** So as you see on your balance sheet, we have a few investments like in JSW Steel. So is there any chance of monetizing those investments, say, having a big opportunity in the renewable space, so freeing up some of those investments, is that on the cards?
- Prashant Jain:** As and when we need money, we will look at various options. At this point of time, we have enough money to grow the company. So should the need be there, we are open for all kind of opportunities.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal. Please go ahead.
- Aniket Mittal:** Sir, I think most of my questions have been answered, but just to get a sense on the receivable front, you've obviously managed it pretty well this quarter. But, if I look at the overall receivable amount, I think it's still hovering around 80 to 90-days. So let's say from the year-end perspective or you're going into the next year or so, do you see this number decreasing further?
- Prashant Jain:** Yes, I'm quite confident this will be decreasing further. And if you look at Rs.1,693 crores, as we are speaking it is below Rs.1,200 crores. But it's a dynamic situation. What I can tell you is that we have been able to do better than the industry, and we will continue to do better than industry. But if the industry situation deteriorates, our receivable will also deteriorate. But at the same time, we are getting all late payment surcharges because we are into a merit order dispatch. And that's what is demonstrable. Even during the pandemic time, our long-term PPA sales have gone up. And this I'm talking about the distribution companies. So my thermal generation in our Barmer plant is up by 28% in this quarter as compared to last quarter. My long-term thermal PLF is at 77% as compared to 71% last year in spite of almost negligible merchant volume. Last year, my merchant volume was significant. So you can see that we have been operating qualitatively. In spite of the 7% wage bill increase for last three consecutive years, our O&M costs have been consistently coming down. And we have hit lowest auxiliary power consumption in last several decades, and our plants are operating at the best of the efficiency parameter in the country. So we have done a lot of digitization, a lot of innovation in our operating practices during this tough time. And now we are absolutely ready in a new avatar to take on the growth. And that's what I mentioned to one of the investors who was asking that, that you will be positively surprised with the way we perform in coming quarters.
- Aniket Mittal:** Sir, just to get a sense, actually you mentioned that Rs.1,600 crores number has now gone to Rs.1,200 crores right now. How much of that would be overdue greater than 45 days?
- Pritesh Vinay:** So Aniket, about 40% would be overdues. Just to give a sense of things, while Prashant did mention earlier that on a year-on-year basis if you see our total receivables are down by 22%. But actually, on overdues, they are down by 30% year-on-year. So the limited point I'm trying to make is, a lot of the incremental collections that have happened have actually happened to bring down the overdues. So it's a very good quality improvement in receivables. We have seen maybe at the end of June quarter, which was the first quarter of the full lockdown the share of overdues as total receivables as high as 60%.

- Prashant Jain:** And majority of the long-term overdues which were disputable, we have got all favorable orders at various regulatory bodies. So they will be getting materialized in one or two or three quarters. So that's why we are seeing that the trend will be much better going forward.
- Aniket Mittal:** In your opening remarks, you mentioned that there's the possibility of our average cost of debt going lower as another interest reset comes into play. So going how do we look at this cost of debt, I mean, how much can that get down?
- Prashant Jain:** Below 8% you will be seeing in next financial year.
- Aniket Mittal:** Just one question from the numbers that we've reported in this quarter. One thing that I actually saw was if I look at your hydro generation for this quarter, it's actually down, I think around 4%-odd percent, but the EBITDA has grown around 15% year-on-year. So is there something at play?
- Prashant Jain:** It's a two part tariff business. So it has nothing to do with the generation, because as long as I'm above the design energy, I get recovered by the full recovery of my cost. And that's why it is protected, number one. So generation is only for optical purpose. Otherwise, you need to look at the EBITDA, and our EBITDA is better because of lower O&M cost and certain recoveries, which we are getting because two years ago there was lower generation, because of which, we got a compensation in the next year tariff. And that is what is reflected in higher power costs and higher EBITDA. So if any year in a hydro business, our generation is lower, that EBITDA shortfall will get compensated next year in the tariff. So that is how it works. So on a normalized basis you are protected for your EBITDA
- Pritesh Vinay:** And to add to what Prashant said, Aniket, Karcham also had certain incentive incomes because of higher PAF during the quarter at its facility, so that was also there.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Just I have only one question on the receivable side. Sir, is it possible to let us know the receivables from JSW Energy (Barmer) Limited, as of March '20, September '20, and December '20, so directionally, can you just tell us what is Rajasthan's payment, is it better than the other states, is something you can comment on?
- Prashant Jain:** So as far as we are concerned, we are perfectly fine with the payment history of all the discoms with whom we are working. Of course, there are certain hiccups at times happen with our customers. And because they have cash flow situation, but for that hiccup, we recover late payment surcharge as per our PPA, which is higher than our cost of capital, so we are in a comfortable situation.
- Mohit Kumar:** Are we expecting a large payment in Q4 because of discom liquidity scheme?

- Prashant Jain:** See, we are talking about our receivables and our receivables are on track, consistently going down and doing better, and then we expect that trajectory should be better in time to come because of resolution of certain disputes, where we are getting the favorable order. And if there is improvement in the liquidity of the discom, then certainly, it will be icing on the cake.
- Chaubey:** This is Chaubey. So I wanted to ask that now we know that in the recent years, the solar cost has reduced to as low as 90%. So while signing the PPA, is there any clause that India is protected by all these sorts of duty, that the safeguard duty, that is on the Chinese imports on the solar panels and solar glasses, is there some kind of clause in the fee while you sign the PPAs at Rs.2 or Rs.2.5 as and when in the prices increase going forward, the cost of power that is signed in this PPAs will also increase, is there some kind of a clause?
- Prashant Jain:** I can make a general comment about it because we have not executed any PPA as far as the solar projects are concerned. We are going to do only hybrid in the next couple of days. In case of solar, if a project developer is making a bid, they are assuming what will be the panel prices and they are assuming what is the current duty structure. Based on that, all cost to them, any changes to them, they have to make a bid. The only thing which can be allowed to have a change in the tariff is change in law. Change in law is any change in the duty structure by the central government. Then you can go and approach that at the time of the bid, this was the current duty structure or the taxes structure which has changed my economics and because of which this is the impact, then subjected to the approval by the regulator, you will get it approved. Otherwise, any other change in the prices is to the account of project developer, whether it is interest rate, whether it is the panel prices, or any other aspect.
- Chaubey:** Sir, could you just give me a rough figure about what would be your regulated equity?
- Prashant Jain:** I will ask IR department to take your further queries offline. They will approach you today itself.
- Moderator:** Thank you. The last question is from the line of Varun Suthar from Authum Investment. Please go ahead.
- Varun Suthar:** I just wanted to ask regarding the Vijayanagar net generation and Ratnagiri short-term sales which has declined on a YoY basis. So what would be the reason for that?
- Prashant Jain:** So Vijayanagar net generation was down in the long-term primarily because last year there was a capital shutdown of a captive unit of JSW Steel. Because of which, we were operating and we were supplying power to them. And that's why you are seeing that difference.
- Varun Suthar:** And the Ratnagiri short-term sales has come down?
- Prashant Jain:** Because of the poor market condition, short-term sales are lower.
- Varun Suthar:** So going forward, what would be the guidance for Vijayanagar on the capacity side?

**Prashant Jain:** As I said that the for our overall portfolio, long-term PPA tie-up is to increase to 87%. Balance 13% is dependent upon good merchant environment, which we do not see a very good visibility at this point of time as far as the Vijayanagar is concerned. So as and when any good opportunity comes, we will be able to capitalize it. But our strategy is to tie up this balance capacity, which we feel we will be able to do it in the next two, three years' timeframe, because Ratnagiri is almost completed, now only Vijayanagar is pending, which will take another two, three years.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Ashwin Bajaj:** Thank you, ladies and gentlemen, for joining us, and feel free to contact IR if you have any further questions.

**Moderator:** Thank you. On behalf of Kotak Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.