



“JSW Energy Limited
Q2 FY2022 Conference Call”

October 29, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the JSW Energy Limited Q2 FY2022 earnings conference call hosted by Dam Capital Advisors 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. Mohit Kumar from Dam Capital Advisors Limited. Thank you and over to you Sir!

Mohit Kumar: Thank you, Faizan. On behalf of Dam Capital, I welcome you all to the Q2 FY2022 earnings call of JSW Energy. 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. We will start with brief opening remarks followed by Q&A. I would now hand over the call to Ashwin. Over to you, Sir!

Ashwin Bajaj: Thank you, Mohit and thanks for hosting the call today. Good evening everyone. This is Ashwin Bajaj and it is my pleasure to welcome you to our Q2 FY2022 call. As Mohit introduced we have Prashant Jain and Pritesh Vinay on the call, so I will hand it to over to Prashant for his opening remarks and then we will take questions. Over to you!

Prashant Jain: So, power demand in the quarter two was up by 9.9% and similarly we saw in quarter one power demand up was at 16.4%, in the entire H1 we saw 13% power demand growth. First time we saw a peak power demand touching 200 gigawatts in the month of July. In the first 27 days in October 2021, power demand is up by 3.3%, which is year-on-year, but if you look at FY2019, it is 14.4% up, so we are seeing a robust trend in the power demand and that is also reflected in the day ahead market in the merchant. During the quarter, the merchant volume was up by 22% for the country at 6000 million units, but for JSW Energy also the overall net generation increased by 2% during the quarter. Total thermal generation was also up by 4%, whereas the hydro generation was down by 1%. In terms of the long-term sales, it was flat at 6200 million units, whereas the short term sales in the merchant market was up by 116% at 236 million units, the similar trend was continuing in the month of October also. In the first 25 days, we were the largest seller of the power in the entire merchant market. During the quarter, our EBITDA was up by 10% at 1080 Crores, which was primarily due to the higher short-term sales as well as recoveries in late payments surcharging. Our profit after tax was at 339 Crores, but if it is adjusted, PAT is 414 Crores, but PBT saw the robust growth of 24% at 604 Crores.

Our receivables saw the downward trajectory: year-on-year 19% down and quarter-on-quarter 7% down. Our net debt was also lower by 1% during the quarter at 6500 Crores with the weighted average interest cost of 8.04%. Now, as far as the growth of the company



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is concerned, all the renewable projects are moving on track, the 2.5 gigawatts. We have completed more than 50% tunneling, 10 kilometers in our Kutehr project ahead of the schedule. The phase at which this project is being built if everything comes true, it will be the fastest ever project built in the country for any hydro power plant.

With respect to the solar and wind plants, we have already ordered all the equipments and construction work is going on for our 225 megawatts solar power plant. We have already started receiving solar panels and they are being installed at this point of time and the commissioning of the project will start from the Q4 of this financial year. For our green hydrogen project, the scoping work has already started in terms of the technology selection, working with OEMs, with also the partners who will be sourcing hydrogen for steel production or consumption of ammonia per se and we believe that once this scoping exercise is complete, we will be ready with a pilot project sooner than later.

We have also started taking concrete steps in terms of the intermittency solutions as we discussed last time in line of that and developing a large pipeline of intermittency solution, the first 1500 megawatts of the hydro pump storage project MOU was signed with the Government of Maharashtra and similar some other projects are also being developed. So JSW Energy will be moving in lithium ion battery storage solution as well as hydro pump storage solution to provide integrated solution to round the clock green power. Also company has already appointed the legal advisor, tax advisor, the financial advisor for reorganizing our grey and green energy business and we are expecting in a couple of weeks a final scheme will be presented before the board and that once the board approves it then the implementation of scheme will start to unlock the value.

With this, I would like to open the floor for the question and answer session and I take this opportunity before closing my remarks to wish you and your family a very happy Deepavali in advance. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.

Mohit Kumar: Good evening, Sir. Firstly, on the reorganization of grey and green, what are the timelines you are looking at, what are the steps after board approves, we as an investor will get to know more about and then the related question is, this hydrogen is part of the green, what are the projects you are looking at in the next 12 to 24 months, which you believe, where you can start some work?

Prashant Jain: I will take the second question and I will ask Pritesh to answer the first question. As part of the reorganization of the business whether it is renewable generation by hydro, solar and



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wind, also the intermittency solution by lithium-ion batteries storage or hydro pump storage, the green hydrogen, green ammonia initiatives all this will be part of the total green business. The only grey power business will be having only the thermal business, which is right now at Ratnagiri, Vijayanagar and Barmer, so this how the reorganization will be happening and any other future venture also which is with respect to either generation or any other specific initiatives with respect to which is ESG compliant and green will be a part of the entire green vertical and Pritesh, would you like to answer on the timeline?

Pritesh Vinay:

Yes, sure, Prashant. Mohit, you know, if you just take a step back and you look at the way our corporate structure is today, we have of course thermal business in the parent company, then we have another wholly owned subsidiary, which is a Barmer entity, which is the thermal asset, we have a separate JV, which is the transmission asset, we have hydro in a 100% subsidiary, which in turn has subsidiary of Kutehr project and then we have currently this entity called JSW Future Energy, which is earlier called JSW Solar Energy, which is basically the vehicle for all our wind and solar initiative so far, so last time when we have shared that the whole purpose of reorganization was to have one vehicle within just one step below JSW Energy, which will house all the green initiatives and as Prashant rightly clarified that not only from the generation point of view, but all the new energy initiatives both on storage as well as hydrogen point of view, so I would not be able to preempt and answer specifically what you have asked, but typically as it is the norm with these kind of things the idea is to see that what is going to be the most efficient way from income tax stamp duty, Company Act other regulatory approvals etc., point of view in order to do it in the most efficient manner and typically they will be elements which will involve a scheme of arrangement through an NCLT process, etc., so I can give a very generic response, but as Prashant was saying that the advisors have already presented options and the board has kind of taken cognizance of and hopefully in due course we should be able to going back to the board with a full proposal after making sure that all the eyes are dotted and T are crossed post which we will be making due disclosures to the stock exchanges.

Mohit Kumar:

Sir, one clarification, has you signed the PPA for the Kutehr project with Haryana?

Prashant Jain:

That is still under the finalization, Mohit, we hope to get to that crossing line hopefully sooner rather than later. It is a procedural matter, not a principal issue.

Mohit Kumar:

Understood, Sir. One more question as far as the merchant capacity is concerned, how much in capacity, do you expect that capacity to reduce with the new steel plant up and running?

Prashant Jain:

Right now, 13% of the total capacity is open and we are happy to have 13% open capacity as we are speaking, but yes, as a long-term strategy, as and when we find out the opportunities to tie it up, we will be certainly doing it.



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- Mohit Kumar:** Understood. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Sir, thank you so much for the opportunity, so you said that post separation of grey and green businesses all the ESG compliant businesses will remain in green, should I read this that this sort also will enable us to foray into grey businesses if need presents itself, particularly say for example, the Barmer expansion is first sort of a pending issues?
- Prashant Jain:** As of now our strategy is that we are concentrating only on the renewable power business and that is what we would like to hold on, but if at some point of time if two companies are separated and ambical chord is disconnected, then I will not be in a position to comment about that at that point of time.
- Apoorva Bahadur:** Sir, makes sense. Secondly on this basically government allowing private coal mines for sale of coal the third party, does that help us in Barmer in any way or no sale possible from there?
- Prashant Jain:** Yes, it makes sense and it helps, so it is permitted in law now to make a sale and so we are working with the respective government authorities to look at that.
- Apoorva Bahadur:** So, what would be the quantum if the sale commences?
- Prashant Jain:** As of now 3 million tonnes of lignite can be sold as per the environment clearance, so that is the opportunity, but it is subjected to the various approvals if Government of Rajasthan agreed.
- Apoorva Bahadur:** Sir, just one last question from my side and that is on the battery storage part, do we see any opportunities crystalizing as of now, are we participating in any of the government tender?
- Prashant Jain:** So I see a large opportunity, which will crystalize in time to come, so right now some tenders are being crystalized and they will be coming into play, but at this point of time you know the costs are pretty high and these will be the exploratory tenders but for the meaningful capacities to come, it will take at least two years with that we will be seeing a lot of storage applications, but I see more potential on hydro pump storage as compared to the battery storage solution because of the shelf life and also the environment friendly nature and third is cost competitiveness, so once hydro pump storage project build, the life is 100 years, whereas the battery storage system life is only 6 to 7 years, so there are only a



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number of cycles, which can be used for charging and discharging for a lithium ion battery, so the cost become high for them.

Apoorva Bahadur: Sir, the MOU with Maharashtra, which we have signed, what type of timeline can we expect for a possible execution?

Prashant Jain: So, these are the project which will be built for the grid, like they will be very sticky projects which will be coming, this project is not for Government of Maharashtra, we have signed it MOU for allocation of project, now we are taking environment clearances and the various plant acquisition, which have been started, so over a period of time these kind of projects will be seeing the light of the day because once the large capacity of the renewable capacity is coming up then intermittency solution needs to be solved.

Apoorva Bahadur: Make sense and capital cost would be similar to normalize our project?

Prashant Jain: No, may be 20% to 25% of that.

Apoorva Bahadur: Thank you so much, Sir.

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

Sumit Kishore: Good evening and thanks for the opportunity. My question is regarding JSW Energy position as a seller in the merchant market, so what proportion of your power is getting sold on the exchanges and what is in contracts?

Prashant Jain: So, we have been selling a large volume like in last quarter if you see there was a total merchant market of 6000 million units and we sold close to 236 million units, which was only 4% of the total size, but in the month of October, we sold more than the volume what we have sold in the last quarter itself and in terms of the individual ICP, we were the largest.

Sumit Kishore: And what proportion was on exchanges, so just wanted to understand?

Prashant Jain: 100% on the exchanges, we sold 100% on exchanges, so during the good by print market we sell 100% of our capacity and sometimes our plants run at 104% to 105% capacity also, so October month was a good month for us.



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Sumit Kishore: And given that long duration contracts are likely to get international exchanges, so now would you think it is bilateral market would be something of the past and now because when we see the providing option on the exchanges for a few months or a year?

Prashant Jain: I do not think you will be seeing in time to come the merchant market only, over a period of time once this all capacities get crystallized it will be only a long-term market in India, so I absolutely differ from the some of the theories, which are being floated around that the PPAs will be over permanently and then it will be only a merchant market, I think they all had happened because of certain over capacity, which came up without any PPAs during 2005 to 2008 time frame where people conceptualized the projects based on the merchant market and lot of funding happened for those projects and people came up with those projects, now those projects have been tied up over a period of time and now balance some of the capacity will get tied up, whichever is pending because most of the projects which were under construction they died down and they are sitting in NCLT as a bad debt at this point of time and some of the projects which are operating, their capacities are getting tied up like if you look at JSW Energy was having 55% tied up capacity and 45% was merchant, today we are only 13% merchant and we will also tie-up. Now for the last 5 years, no capacity has been built on merchant and right now also nobody is building it, so once this all capacity gets built up and gets tied up then there will be no merchant market in this country, it will be only the long-term market. Who is going to set up for 25 years in merchant market a power plant will make investment today and then wait for a merchant to decide, so no lender funds, no person would say it is all myth which is being created by some people.

Sumit Kishore: So, share of the short-term market, which 11% to 12% of the overall market, in your opinion will still remain in this range?

Prashant Jain: It will also get tied up. Everything. Because given a choice you talk to any seller in the market he wants to tie up with capacity if there is a long-term buyer and all these people will be tying up, like look at a situation 2 years ago pilot 2 scheme auction was done by Government of India, there was no taker at Rs.3.25, all PPAs were signed once this October crisis happened, so once the shortage happened, look at the situation every year only 10 gigawatt capacity has been adding up in this country, which is renewable, which is equivalent to 2 gigawatt, actual power demand has been growing 9 to 10 gigawatt, so last 5 to 7 years timeframe around 35000 to 40000 over capacity was absorbed and this was the capacity which was floating in the merchant market, now once you are seeing this kind of economic recovery first this all open capacity will get absorbed, they will get the coal linkages, they will get the coal from the commercial mining or the mines which are going to source the coal from the captive mines which is Government of India has allowed, with that



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basis people will try to tie up this capacity, once they tie-up this capacity merchant market will dry up and no new investment is coming based on the merchant, that is the only thing.

Sumit Kishore: But, why are you are saying 25-year long term PPA or auctions happening to absorb that capacity now for the last couple of years also we have not really heard of any 25 year PPA?

Prashant Jain: Sorry, your line is bad, I could not hear you.

Sumit Kishore: I was saying that in the past 12 months we are yet see any states asking for 25 years PPA, you are basically suggesting that in the next 12 to 24 months, they will be multiple states coming out with requirement for 25 years PPA?

Prashant Jain: See once the shortage starts happening PPA will sign up for it and I believe the shortages, we have just seen the tip of the iceberg what happened in the month of October, because no investment has taken place in the power sector. It is not about the coal shortage, which we have seen, it is about the load which has come up on the thermal power plant. We have 100 gigawatt of the renewable capacity which is operating at 19% CUF nationwide which means you are talking about 19 gigawatt actual supply which is being done by renewable power, 45 gigawatt of the hydro power plant, which is running at 49% to 50% PLF, which gives you another 21 to 22 gigawatt, effectively out of 225 gigawatt of the thermal power plant approximately 45 gigawatt is out of function because of gas nonavailability as well as the thermal power plants, which are with the state government not having enough coal so from there the 200 gigawatt of the peak power demand will be met, so now the coal crisis has happened because the demand has really has come up and coal prices in the import market went up substantially so the power plants which were dependent on the imported coal stopped operation because it was not viable for them to import coal at Rs.8 unit power and supply in the market and that is why some of the power plant stopped. Once they stopped one side the generation was going down, another side the domestic coal requirement was going up. Thirdly there is 65 to 70 gigawatt of captive power, which is generated based on the imported coal by the industry, the big large refinery with the large steel plant, cement plant, they import coal, they started switching over to domestic coal, so the more and more pressure came on the domestic coal. Coal India has been increasing production this year as compared to last year, so the pressure was on Coal India because captive guys and the imported guys everybody moved there, but the actual problem is there is not enough capacity.

Sumit Kishore: Got it, moving over to the quarterly result itself two questions there, 150 Crores in the September quarter there is some composition of this other income, how much is treasure income, what is the total liquid cash balance including liquid investment on the balance sheet and second one on tax, the tax rate seems to be high?



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- Prashant Jain:** So, I will ask Pritesh to take his.
- Pritesh Vinay:** Sumit, sorry, we lost you for a few seconds during the first part of your question, I got the other two parts, one is on the other income and on the tax rate, what was the first part of your question?
- Sumit Kishore:** Cash equivalent liquid investment on the balance sheet and what is the contribution of that other income is it all treasury income?
- Pritesh Vinay:** Sure, I got it, so the cash balance at the end of the quarter was about 1777 Crores, that is also mentioned in the presentation and if you look at the tax rate, you are right, the tax rate is appearing higher, but the way to look at it is, there are two things that are happening, one is hydro business of course is seasonal where the earnings are front loaded because of seasonality and hydrology in the first half of the year and it reverses in the second half of the year. What has happened in the hydro business is that if you recall our disclosures of the first quarter, we had done a \$700 million US bond issue in a month of May and because of that when the proceeds came, we prepaid the existing rupee term loans and they were one time charges which had to be booked on account of the prepayment charges as well as the absorption of the unamortized cost of that loan, that amount was 92 Crores that was in the first quarter, so as a result of that what is happening is that the effective tax rate in the hydro entity is going up because Karcham is already under 80IA, so one was not able to get a tax shield on an account of this provisioning that was done or one exit that was done in the books of hydro, but that is going to normalize during the course of the year, so if I were to kind of you know help you to improve this that end of the day what should be the effective tax rate on a consolidated basis looking like, what is going to happen is that if you see the last few years on an average on a consolidated basis our effective tax rate is in the ballpark of about 25% plus or minus something any given year, we should be largely in that range for the whole year as well. I hope I was able to explain that tax part, the other part of the question that you asked is the composition of the other income, right?
- Sumit Kishore:** Yes.
- Pritesh Vinay:** Now, in the other income there are essentially two components, which are material, one is you know one this case of the Supreme Court on an account of the LPS charge at MSCDL because of which we have got 57 Crores of income has been booked on an account of that, this is basically an old case, which was around the rate at which the LPS needs to be paid where there was a difference of you between MSCDPL versus you know what the PPA felt, we had already won it in APTEL, but MSCDL gone and appealed against Supreme Court and Supreme Court has adjudicated on that, so that is one. The second component is there was the higher dividend income this time from JSW Steel because of the shares that we own



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in JSW Steel so roughly 89 Crores as it is explained in the other income on account of this for the quarter, these are the two largest.

Sumit Kishore: So, largely the other income of 150 Crores is explained by these two item?

Pritesh Vinay: Largely, correct, because when you are talking 150 you are talking the half year, right?

Sumit Kishore: No, September quarter is 1499?

Pritesh Vinay: Correct, you are right.

Sumit Kishore: Thank you so much.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: Good evening and thank you for the opportunity. My first question is with regard to the domestic coal supply crises that we have seen and recent data seems to show that coal supply seems to be finally in place and demand is flattening, so probably the plants coal supply is starting to happen, so in your view do you think we are over the arms and we may see this coal supply crisis tapering off going ahead?

Prashant Jain: Not at all, because this is not a coal crisis this is what I just explained, this is the power capacity crisis and so demand has moderated because of the festival season number one, number two, there is a lot of imported based power plant, which started because of the some of the states agreed to buy the power at a higher tariff from those power plants, so they started with their higher fuel costs, they started increasing the supply and that is the primary reason, these two are the primary reason because of which you have seen the moderation, as soon as the demand starts again picking up you need more and more capacity. Like this year also you are seeing what kind of a capacity, you will be ending up seeing 10 gigawatt of the renewable capacity effectively 2.5 gigawatt, power demand is up by 10000 megawatts, so from there every year power demand is growing, from where the capacity will come up.

Subhadip Mitra: Understood, it is more of a demand, not a coal issue that is your point?

Prashant Jain: It is not the coal issue; it is a capacity issue.

Subhadip Mitra: With regard to the international coal price trajectory any sense of whether you see that flattening out going ahead?



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Prashant Jain: Yes, the thermal coal prices have already started coming down, on October 15, 2021, the API 4 index was \$280 today it is \$140, so it has just become 50% in the last 14 days and the thermal coal prices are coming down.

Subhadip Mitra: The other point we have seen power crisis in China as well and from what we read at least in the international media is that will also have a cascading effect in terms of module supplies, and module erection as well as cost, just wanted to get your sense on, how do you see the module pricing and supply panning out?

Prashant Jain: It is very tough call for me to tell you that what will be the trajectory, but what has happened is that in the last 6 months, 7 months the module prices have gone up from 18 cents to 29 cents as we are speaking and that is where we have been always very, very concerned about the kind of a predatory competitive bidding what some of the people have been resorting and making the bids at Rs.2 and Rs.2.40 and all just to make a book and which are not at all sustainable and that is the precisely the point that the bid happens, but the people do not execute the project and that is where the shortage is coming all above, so eventually what Government of India has been initiated to build the large capacity in the country and then under the new PLI scheme close to 10 gigawatt out of the new polysilicon to the module capacity will be built up, so I believe that that 10 gigawatt of capacity will be up and running in next 24 to 36 months of time and post that we will see a lot of stabilization because India can produce at very low cost thermal power plant and that power the low cost polysilicon can be produced and then we will be out of this problem, so I believe that this 10 gigawatt capacity will go up to 30 to 40 gigawatt and then that is what the capacity we need and some of the large players themselves are individually contemplating 10 gigawatts each, so with this first PLI of scheme I believe that the path has been chosen and in the next 3 to 4 years we will have large capacities in the country and till that time we will we have to bear with price variation, which will be overcome in due course.

Subhadip Mitra: Thank you, this was really helpful. Lastly, as you were mentioning earlier that the current crisis on the power supply side and the way merchant prices have been going up, should induce DISCOMs to start coming back to the medium term or long term PPA market, in your discussion with various DISCOMs do you see any move by the DISCOMs in planning their medium term or long term power?

Prashant Jain: So, I feel that the PPA will start happening for whatever residual capacity is there, but no new incremental capacity will be coming from thermal side, so all the incremental capacity will be coming only from the renewable side and so that is completely PPA tied up and no new project is being built without PPA, so even the funding does not happen, so only the



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existing open capacity is there which will be certainly tied up in the next couple of years' timeframe.

Subhadip Mitra: Understood, thank you for answering my question, very helpful.

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

Anuj Upadhyay: Thanks for the opportunity, Sir and sorry, if you have already answer this question, I joined a little late, so just want to know did we participated in the recent price hike in the spot market, the rally which we saw starting from last week of September and in the mid of October and benefited from this and how things are actually panning out now, do we have, I mean the international coal prices are still viable, we imported and sold in the current market, on this front and secondly can you please elaborate a bit on the MOU which you have signed with the Maharashtra for 5 gigawatt wind and 1.5 gigawatt of hydro pump storage?

Prashant Jain: So, we were having a good coal inventory at a very low cost and we could take the advantage of this good environment in September and October and right now, the demand is subdued, but post festival the demand is going to go up and imported fuel based power plant is the best place to capitalize on the merchant market because that is the way the minimum supply side constraints are there and as the imported fuel price moderates it is further helpful for the company like JSW Energy. With regards to the MOU what we had signed as we have been explaining that we have been securing the resources, which is particular locations where we would like to build the projects in due course of time because in India the most difficult part is to acquire the land and get the right of way and connectivity and that is what we have the building and so we have been doing this in various states, Rajasthan, Tamil Nadu, Karnataka and now we have done a similar kind of thing in Maharashtra also and pump storage project is allocation of a particular site, which we have identified and there we will be building 1500 megawatt of hydro pump storage. Right now we have started working on environment clearance, land acquisition and then over a period of time we will build this project and which will be supplied to SECI for the grid intermittency problems. Right now you are seeing that the new RFQ has been floated for storage solution which is 4000 megawatts so like that there will be the grid based solutions which will be coming and grid will be supplying power in certain of peak time and taking power in the peak time, so that is how the grid will get stabilized from that and then round the clock solutions will be coming. The grid solutions are economically viable, individual project solution is not economically viable, so that is how we are building these kind of the projects.



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- Anuj Upadhyay:** Got it, Sir. Any view on the timeline for the execution or on the tariff side?
- Prashant Jain:** Yes, it will take time you will see that as and when the bids come we will be able to participate because you know once you have the resources you can turn around very quickly, so execution does not take time, so real time takes place in getting the resource, getting the land, getting the connectivity, getting the clearances that takes more time, execution takes no time and bids keep on coming, so first is we do not want to first win the bid and then start looking for the assets and connectivity and land acquisition and then we do not build the project, which is the difference between the most of the companies and us. We started building the project immediately after we secure the bid, and now it is going into the commissioning so the turnaround time is few months.
- Anuj Upadhyay:** Got I, that is it, I will come back in the queue for more questions.
- Moderator:** Thank you. We will take the last question from the line of Swarnim from Edelweiss. Please go ahead.
- Swarnim:** Sir, this is Swarnim. Thanks for the opportunity, two questions, first, I believe that about our 600 megawatt of merchant capacity we are kept it open intentionally to take the advantage of merchant, but what according to you the likely trajectory for the next 6 months to one year, is it going to be somewhere between Rs.3 to Rs.6, how do we see that?
- Prashant Jain:** I am not sure I will be able to answer you that what will be the prices but I can say that power shortage is going to stay here for a couple of quarters so prices will be ultimately a function of demand and supply and I see that not enough investment has taken place in power sector in the last couple of years and because of this we will be seeing the power shortage in time to come and that will directly reflect into the merchant prices.
- Swarnim:** That will ultimately lead to the re-signing of the PPA, so that is what the interpretation, right?
- Prashant Jain:** That may happen, when did you last time see that in spite of having a PPA at x price DISCOM agreed to buy at a much higher price from the company with whom they have PPA and given a special approval, has that happened.
- Swarnim:** That is true and I take your point, but then you know they have that kind of obligation that is what they said, so that is another thing. Sir, my second question is, do you actually foresee, any deficit, which is right now just about 0.5% or 1%, do you foresee that we are going to 2010-2011 times when the peak used to be a lot 10% to 11% because you know



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India with renewable have a little role to play over there on thermal since we are not investing, **that after 2023-24 we will hit that peak deficit??**

Prashant Jain: I believe very strongly that we are going to see the power shortage because we have not made enough investments. So, that is what I am saying that the deficit is going to increase if there is a shortage there will be the deficit which will be increased both are the two sides of coin.

Swarnim: My point was that when are we likely to see that, is that likely to be visible in 2022-2023 or when do you see that is likely to happen?

Prashant Jain: No, I think we have already started seeing it, we will continue to see because you know where is the investment happening other than renewable and what is the pace of investment 10 gigawatt, which is 2000 megawatt a year, the demand is increasing by 10000 megawatt every year, from 2010 to 2020, how much capacity we have increased and how much demand has increased, so not in the installed capacity we have to see that generation capability so if in last 10 years we have set up 100000 megawatts of the renewable capacity last 10 years, which is equivalent to 19 gigawatts only, we are talking about capacity increase, but we are not seeing the actual capability to generate how many million units, whereas the demand is going up higher, so last 7 to 8 years close to 45000 megawatt of over capacity has been absorbed, we have been a power surplus country in terms of the capacity from 2013 onwards and that is where you have been seeing this kind of a NPA problem and also the subdued merchant market and all this kind of a thing, but this all over capacity has got absorbed in last 6 years, 7 years, now in order to overcome this you need to at least setup 35000 megawatts of renewable every year then you are meeting the incremental demand, then you will continue to have this kind of a scenario what you are having, but if you do not set up that kind of a capacity then we will be having shortage.

Sandeep: Got it, Sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you.

Ashwin Bajaj: Thank you everyone for joining us. Feel free to reach out to us for further questions, thanks again.

Moderator: Thank you. Ladies and gentlemen, on behalf of DAM capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.