



“JSW Energy Limited Q2 FY24 Earnings Conference Call”

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**MANAGEMENT: MR. PRASHANT JAIN – JOINT MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
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Moderator: Ladies and gentlemen, good day and welcome to the JSW Energy Limited's Q2 FY24 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. 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 this conference please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Majumdar from Batlivala & Karani Securities. Thank you and over to you Sir!

Rajesh Majumdar: Good evening everyone and thanks for the opportunity. We have the conference call of JSW Energy Limited today being taken by the management team comprising of Mr. Prashant Jain, JMD and CEO, Mr. Pritesh Vinay, Director, Finance and CFO, and Mr. Bikash Chowdhury, Head, IR and Treasury. First of all Sir Congratulations on an excellent set of numbers. Without much ado let us now handover the call to Mr. Prashant Jain for making his opening remarks. Thank you Sir.

Prashant Jain: Thank you Rajesh. Good evening ladies and gentlemen and it is late in Friday night, but the power sector has been in the news for the good reasons now and to start with the power demand during the quarter went up by 13% and for the year till date it was up by more than 7%. In the month of October till date the power demand is up in excess of 19%. So all-in-all we have been seeing a very robust trend of very high power demand and because of which we are seeing the very high power deficit the kind of a deficit which we saw in 2004 to 2006 period, and remember that the grid capacity was miniscule at that point of time close to 80-85 GW and today it is 200 GW. So the kind of a power deficit at this kind of a grid size is it translates to a large shortage of the power capacity.

During the quarter we saw a total capacity addition of 3.5 GW and year till date 9.3 GW and now we have a total installed capacity of 425 GW. The merchant volume during the quarter was up by 26% and year till date 20%, and power tariff for the quarter was 5.9 on an average.

For the company the power generation was up 29% at 8.6 BUs due to higher renewable power generation as well as higher merchant sales. The company clocked highest ever EBITDA of ₹2,008 Crores and highest ever cash profit of ₹1,180 Crores and profit after tax of ₹850 Crores. The merchant tariff during the quarter for our short-term sales was ₹8.17 as against just I mention ₹5.90 of the exchange price for the quarter. This demonstrates the capability of the company to do the bilateral contracts at a 35% higher tariff than the merchant tariffs available in the exchange and which also contributed a lot for this higher EBITDA. During the quarter we commissioned 86 MW of SECI X capacity which completed total till-date commission capacity of 260 MW, all our existing 2.4 GW projects

are running as per schedule we have guided in the previous quarters and you will be seeing all those capacities getting commissioned in the current quarter, current financial year, and next financial year, and as per the scheduled timelines.

For the Ind-Barath the boiler light-up has been done, turbine is ready to be synchronized in next 7 days timeframe; however, the transmission line, the one or two bottlenecks are being sorted out. We expect next month the unit one will get commissioned, unit two will be commissioned as scheduled in Q4. Mytrah did a very good exceptional performance in terms of availability as well as generation, generation increased by 27% year-on-year and which contributed significantly to the EBITDA and we are running ahead of the schedule in terms of integration as well as the EBITDA improvement program which we guided to the street, and you will be seeing in the current financial year a lot of the hard work has been done and then that will be flowing into the bottomline of the company ahead of the schedule.

Receivables, excluding acquired RE portfolio, improved 10% year-on-year. The net debt of the company stood at ₹24,260 Crores and with the debt to EBITDA of 3.3x without CWIP and 4.6x with CWIP, weighted average interest cost reduced from 8.68% to 8.51%, and there is an interesting development which we have now to share with all of you is we have been guiding for next batch of our growth, we have disclosed that there is a visibility of 10 GW which is getting commissioned by December 2024. Now JSW energy has signed a MoU with JSW Steel for building 6.2 GW of the renewable capacity, 2.7 GWh of the storage capacity, and 85000 to 90000 tons of green hydrogen for manufacturing green steel. This 85000 to 90000 ton of green hydrogen will be associated with additional 1.8 GW of the renewable capacity and 1 GWh of the storage capacity; all these things will be done by 2030. So this entails a total within the group around 8 GW of the renewable capacity, 3.7 GWh of the storage capacity plus the green hydrogen and green oxygen and we will be deciding in due course about the pricing mechanism, but what I can explain is that historically whether it is third party or the group captive we have been doing all our projects at least mid-teen equity IRRs. With this I would like to open the forum for question and answer. Thank you.

Moderator: Thank you very much. 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: Congrats on very good set of numbers. Just one clarification on the merchant sale. Safe to assume that this was done from Vijayanagar and Ratnagiri projects right?

Prashant Jain: That is right.

- Atul Tiwari:** What was the quantum behind this ₹8 merchant sale, how many units, etc.
- Prashant Jain:** You are talking about during the quarter the total MUs that is sold in merchant market?
- Atul Tiwari:** Yes and what was the landed price of imported coal for you if you could hint on that, so those are the data points I want?
- Pritesh Vinay:** On the imported coal let me take that first. If you see the API4 index which is a benchmark for the 6,000 Kcal High GCV coal that was actually down 65% Y-o-Y during this quarter to an average about \$113 per ton compared to the same time last year and you will be able to kind of derive that because we do of course just to reiterate what we have shared in the past for Ratnagiri we do a blend of low GCV and high GCV and for Vijayanagar because it is inland and there is an additional inland transportation cost involved we typically try to go with maximum high GCV coal. So therefore if you look at the standalone financials you will be able to compute the implied fuel cost, so we will not be able to disclose that separately, but coming to your first question we sold roughly 660 MUs of total in the short-term markets from thermal plants during the quarter.
- Atul Tiwari:** Now that the power market appears to be tight so do you have bilateral contracts for third and fourth quarter as well already or do you plan to kind of having that?
- Pritesh Vinay:** No, it is on a rolling basis because it works both ways like typically states are also in the past have been reluctant to go for longer-term bids we have seen 7 day, 15 day, 30 day, but we have not really seen anything going beyond 30 day yet, but I think it is a matter of time and historically also if you see typically third quarter tends to be weaker.
- Prashant Jain:** So the reason that why I explained this point is not from the point of view about the differential we have garnered, the point what I told is that power shortage is for real, that is why most of the DISCOMs are trying to lock in the power instead of waiting to secure it into the day ahead market because there is no reasonable assurance to get the availability of power. So the reason is to explain this point is to look at from that point of view not from the point of view of any other way.
- Atul Tiwari:** I totally agree and just one more on that. Now that Ind-Barath unit one is going to be commissioned next month so you have already tied up on the bilateral side or like you want to keep it completely merchant or what is the status of PPA I know in past you have spoken about keeping it open and trying to take advantage, but any thought process on that?
- Prashant Jain:** We would like to not to say anything about that part because on a day-to-day basis we take decision and what is in the interest we will be doing it depending upon the market scenario,

but the point is that it is a really tight market and it will remain a tight market for many months, quarter and year.

Atul Tiwari: That is true, that I agree and any comment on the coal arrangement for Ind-Barath, have you managed to tie up anything from CIL or any other source?

Prashant Jain: We source the coal from the nearby mines and we already have the coal available with us in various auctions and we have already secured the supply till January and beyond that is already under tied up. So for the year whatever we are going to produce we will be having the coal, which have been already secured from the coal India or its subsidiaries through the auction mechanism including the Shakti tranches.

Atul Tiwari: Thank you Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.

Lavina Quadros: Hi, congratulations firstly on a good set of results. Just wanted some clarity on Mytrah how is that acquisition ramping up and is it in line with what you were projecting of ₹1,450 Crores?

Prashant Jain: I think we guided higher number than that in our acquisition presentation where we talked about ₹1,650 odd Crores of normalized EBITDA, which will be achieved by FY25 and whatever ramp up plan for the increased energy as well as reduced O&M cost we have guided for we are running ahead of schedule, and that is what I explained that by the end of the financial year you will realize that majority of what we guided for in FY25 you will see in FY24 itself so it is doing pretty well.

Pritesh Vinay: To add to that, of course there is a lot of as Prashant already said in his opening remarks. He used the performance improvement and asset optimization plan. So just to give you a flavor in this particular quarter Mytrah generation on a like-to-like basis Y-o-Y basis was actually up by 27%, and that was primarily led by higher machine availability which improved by close to 700 bps on a Y-o-Y basis and machine availability for the wind capacity stood at about 97% for the quarter. Similarly, on the solar side actually the actual generation was a better than the P90 generation so that close to 165 MUs. If you look at the delta increase in Mytrah generation improvement almost half of that was on account of focused interventions in terms of getting higher throughputs, ensuring higher availability and adequate spares management and O&M management, etc. So all of that is leading to better generation has better revenue, optimization of O&M cost and therefore even at the EBITDA level what Prashant was saying that if you go back and listen to the transcript or the recording of the

call that we had done for the fourth quarter of fiscal 2023 when we had consummated Mytrah acquisition we had guided to hit that normalized EBITDA run rate in about 18 months post acquisition, but on a run rate basis point of view we are actually ahead of those timelines and all of that is reflected in improved EBITDA. Mytrah reported an EBITDA of about ₹557 Crores during this quarter and over and above this we of course have talked extensively about the benefits of lower financing cost due to a benchmarked debt refinancing and debt resizing and therefore Prashant mentioned in his opening remarks about how the weighted average interest rate during this quarter on a sequential quarter-on-quarter basis has actually gone down despite the rate cycle not turning and MCLR is actually continuing to pressure upwards, and that was because the full impact of the debt refinancing at Mytrah was flowing through and just to add to that and close the loop as Prashant also touched upon that is in terms of the receivables what is happening at Mytrah portfolio on a year-on-year basis Mytrah receivables actually down by 30% compared to the same time last year. So I think that all in all operationally financially it has been a very robust integration and optimization play out of the Mytrah acquisition.

Lavina Quadros: Lastly on green hydrogen would you like to elaborate a little bit on, you are expanding the plan, you love to import the electrolyzes, anything else you would like to add on that front on the ecosystem?

Prashant Jain: I will suggest that give us some more time and so I think with this MoU the whole objective is to first bring the visibility from 10 GW to 20 GW and also electron to molecule business and now that is put it into the place. So maybe in couple of months you will see that we are talking about each and every item in detail; however, already our first green hydrogen plant is under construction, equipments have been already ordered we are going ahead with alkaline technology, we are importing it from the Chinese manufacturer and the construction has already been started and we are expecting that by March 2025 this will be up and running.

Lavina Quadros: Great. Thank you.

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

Anuj Upadhyay: Thanks all the opportunity Sir. Could you elaborate on the current status on the PSP side, we have got the LOI for 2.4 GW so exactly at which stage of development we are in, and is this only across in Maharashtra or this 2.4 GW factors in other states?

Prashant Jain: All places we have already started the work and right now the kind of the work which we are doing is in terms of the regulatory approvals as well as ordering of the equipment. So

ordering of the equipments are in advanced stage and regulatory approvals are with respect to the forest and environment clearance. So one project already the EC is in final stage the meeting has been concluded and we will be receiving EC within the current quarter and also the forest clearance will be also available by next quarter and we are expecting once EC and FC are in place in early next financial year we will be starting the construction and by the time the project equipments will also be ordered. Other than that there are total six projects which are in advanced stage of similar regulatory approvals and also the plant ordering because later on when we see that there will be a lot many bids which will be coming up quickly we want to create the complete preparation. So there are total six projects where we are moving very aggressively with a cumulative capacity of 7.8 GW with around 6.5 hours of average storage time. Those are being done in parallel with respect to environment clearance, forest clearance, land acquisition, and also the ordering of equipment, and we will keep them ready and as soon as we are able to lock in the bids to supply those storage capacity we will immediately start the construction and issue the notice to proceed to the equipment manufacturer. This is how the status of PSPs.

Anuj Upadhyay: Will it be possible to specify the quantum for which we are awaiting the EC next year, Sir. On which we believe we expect to begin the construction work so what could be the quantum for that?

Prashant Jain: We will not start the construction until unless we win the bid and do the financial closure, so please understand what are the various enablers to start the project of PSP first project is that first is that you get the allocation, second is you get the regulatory approval, third is you win the bid and fourth is you do the financial closure. So these are the things. So what we are doing is the allocation part is when we are completing the regulatory approvals and then keeping the ordering ready. Now there will be the two milestone which we need to achieve before we put that into the construction is winning the bid and doing the financial closure. So once we win the bid then at that point of time the turnaround time will be very, very less to put them into the construction, so we will be able to tell you as soon as we win more bids.

Anuj Upadhyay: Lastly all the seven projects are in Maharashtra or we have across other states as well?

Prashant Jain: Across other states. So it is in Karnataka, it is in Maharashtra, it is in UP and it is in Rajasthan, so these are selling projects, which are in advanced stage.

Anuj Upadhyay: If I may please ask another question which is related to the module manufacturing thing so it is like what we heard in the last call is that we are probably shifting the base to another state could be Rajasthan so any development over there sir?

Prashant Jain: It is in Rajasthan we have already acquired land boundary has been done, equipments have been ordered, we have also secured incentive package from government of Rajasthan and it is now under construction and as per schedule of A 2025 it would be up and commission.

Anuj Upadhyay: This would be for 1 GW?

Prashant Jain: Yes right.

Anuj Upadhyay: Thank you Sir and thanks for the opportunity.

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

Sumit Kishore: Good evening Prashant and Pritesh. My first question is on the MoU that you have signed with JSW Steel the generation capacity of 6.2 GW is basically going to explain 60% of the increase that you do from 10 GW to 20 GW by 2030 so this is just formalizing the contribution that steel would have to your capacity expansion beyond 2024?

Prashant Jain: Yes, this is 62% of that capacity plus in addition to that another 1.8 GW which will be coming up for green hydrogen manufacturing also. So all in all total around 8 GW we have a visibility plus we will be doing SECI projects or maybe acquisitions maybe we will be having C&I portfolio, so everything is available in front of us. So whatever is remunerative we will continue to lock in, but you can really see that 80% is having a clear visibility which will be within our control.

Sumit Kishore: Now given that you have 80% visibility is there any sense of whether the 20 GW number itself is going to get upgraded?

Prashant Jain: I think let us talk about it maybe one year from now or one-and-a-half year from now and if we see that we need to revise our guidance and come out with this strategy 3.0 we will be certainly doing that and if you ask me personally as my confidence yes there is a possibility that we will be doing better because of better balance sheet, better cash flows, and better visibility, but at this point of time we stick to our strategy 2.0.

Sumit Kishore: The energy storage project these are mentioned in the MoU of 2.7 GW are these going to come from your pump storage hydro capacity or is it going to be new battery energy storage system projects?

Prashant Jain: It is a combination, so it will be full of combination and depending upon the needs. So we are seeing that 3.7 GWh will be for JSW steel perspective 1 GWh for hydrogen and 2.7 GWh coupled with the RE generation, but it will be a combination for sure.

Sumit Kishore: So this 2.7 GWh is separate from the storage solution that you will have to combined with the RE power solution for green hydrogen?

Prashant Jain: That is right.

Sumit Kishore: In JSW 2.0 strategy you had about the ₹20,000 Crores kind of an EBITDA by FY30 almost a 6.0 to 6.5 times increase over the Rs.30 billion plus run rate that you were doing, so that number if I want to just think aloud here has an upside with this MoU that you have signed because there are fresh projects which have got added to that tally?

Prashant Jain: Yes, that is true.

Sumit Kishore: Also if you could speak about the battery energy storage system project in terms of progress there have you tied up the battery, etc., how close are we to actual implementation of the project because you have earmarked this for completion before CY24 end and an associated question on the SIGHT program is there any progress in terms of bids being submitted and when is progress expected there?

Prashant Jain: So we are absolutely ready I think there is a little bit of delay on signing the PPA because there are certain approvals which SECI is taking and since it being the first of its kind project where central government is also giving certain subsidy to the DISCOMs who are availing this and there are certain procedural aspects of that and because of that there is a delay in signing the PPA which can happen any time and once we sign the PPA we will be immediately awarding the contract and we will execute the project as per the schedule because the time taken will be not much and the other things are already ready. So we do not see any kind of a challenge in terms of the execution of the project or on the timeline where we have guided for at this point of time, but there are the procedural delays.

Sumit Kishore: How is that SIGHT program progressing in terms of new opportunities coming up there?

Pritesh Vinay: Yes, it is work in progress and as and when the tender under the National Green Hydrogen Mission is done we would definitely evaluate I believe originally the bids were supposed to go sometime in September and then they deferred it. So let us wait for that, but yes that is another potential optionality, but with this MoU that we have signed with JSW Steel it puts us in a very relatively better spot to participate in the SIGHT tenders because you now have

an end used project to be eligible for this almost like a PLI equivalent scheme that what SIGHT really is right so we will actively be looking at that as and when it comes up.

Prashant Jain: Because most of the people who are talking about the green hydrogen they do not have any buyer available to them and what this MoU does is there is a buyer, there is application to manufacture green steel and so it puts us in an absolute competitive advantage.

Sumit Kishore: Finally on the 300 MW/2.4 GWh of the storage hydro project where you have LoA in place what exactly is the stage of progress on the ground?

Prashant Jain: I just explain to the previous speaker I think Anuj was asking the similar question. So, if you missed it I will once again repeat it that we are in process of taking the regulatory approvals EC and FC which we are expecting that by the end of this financial year both will be in place, equipment ordering is going on and we are expecting that early in next financial year we will be putting that into the construction and as I also mentioned that in order to avoid such kind of a situations later on we are already working on total including these two projects there are five more projects total seven projects we have already started the certain these preparatory activities to take various regulatory approvals, land acquisition as well as the ordering of equipment. Once we secure the bids and then do the financial closure those projects can be put into the construction stage ASAP.

Sumit Kishore: Very clear and if you start construction on this first 300MW/2.4 GWh next year it would take another 24 months to complete it or...

Prashant Jain: No, it will be taking 36 months to 48 months. So depending upon the projects one project we feel that 36 months, another could be 40 to 45 months, but we will be guiding that in due course.

Sumit Kishore: Thank you so much and wish you all the best.

Moderator: Thank you. The last question is from the line of Rajesh Majumdar from Batlivala & Karani Securities. Please go ahead.

Rajesh Majumdar: I had a couple of questions. Is the company looking out for any more coal assets with no PPAs under NCLT or any other such assets available or are we looking at them? That was the first question.

Prashant Jain: We continue to look at various opportunities and as and when we find any good opportunity we will certainly try to lock in. So for record you can consider that anything and everything which is available in the power sector we are interested in it.

- Rajesh Majumdar:** You do find any such opportunity still available that was my question actually.
- Prashant Jain:** That is a tricky question, but there are a lot of opportunities which are there but which are not available at a reasonable price and there are certain opportunities which are available for reasonable price. So at unreasonable price lot of things are available.
- Rajesh Majumdar:** My second question was on the JSW Steel 6 GW addition and in fact I was also the JSW Steel call a while ago the company has clearly mentioned that the capex funding for this will be a shared kind of funding. So would you highlight how this is going to work out in terms of the funding by JSW Energy and the way it is going to operate?
- Prashant Jain:** So it is as per the act wherein there is a captive power policy, wherein this project has to be housed under a SPV and the power procurer has to take 26% equity into that SPV and balance will be by JSW Energy, and based on that PPA the debt will be coming into the SPV for supply of the power. So this is how it is going to be and this is how all our existing power projects whether it is thermal or renewable for group captive structure.
- Pritesh Vinay:** Yes, it is just exactly the same what we are doing for the 958 MW in the current pipeline of projects under execution. So it is a similar model under the captive scheme.
- Rajesh Majumdar:** When you give the capex guidance you are obviously including this inside that right?
- Prashant Jain:** Yes, it will be similarly like we have already guided for a long-term capex plan which is under the strategy 2.0 and so it will be guided on that.
- Prashant Jain:** Right Sir, that is helpful. Thank you so much, and I do not think there any more questions. Thank you very much Sir for the opportunity and if you would like to make some concluding remarks we can conclude the call.
- Rajesh Majumdar:** No, thank you very much ladies and gentlemen and happy Navaratri and happy Dussehra to all of you and your family. Thank you.
- Moderator:** Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.