



“JSW Energy Q1 FY-16 Earnings Conference Call”

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MODERATOR: **GIRISH NAIR – BNP PARIBAS**

Moderator: Ladies and gentlemen good day and welcome to the JSW Energy Q1 FY-16 Earnings Conference Call hosted by BNP Paribas. 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. Girish Nair from BNP Paribas. Thank you and over to you, sir.

Girish Nair: Good evening to all of you who have joined this call, it is our privilege to have with us the management of JSW Energy to discuss the company’s performance in Q1 and the road ahead for the company in this sector. We have with us Mr. Sanjay Sagar – Jt. Managing Director & CEO of JSW Energy, Mr. Pramod Menon – Director, Finance and Mr. Pritesh Vinay – Vice President, Capital Markets & Group Investor Relations. Without further ado I hand over the proceedings to Mr. Pritesh for the opening remarks. Over to you, Pritesh.

Pritesh Vinay: Thank you, Girish. A very good evening to all of you on behalf of JSW Energy. We welcome you to discuss the first quarter of fiscal 2016 results which I am sure you have seen by now the presentation has also been uploaded on the website. One housekeeping issue at the start. You all might be aware that we have recently signed a MoU with Monnet Power Company for initiating due diligence process for the possible acquisition of a majority stake in their thermal coal based project in Orissa. As we are currently in the middle of a due diligence process we would not be able to comment at all on this particular asset. So I request all the participants to please refrain from asking any questions pertaining to this and at an appropriate time we will come back to communicate whatever development takes place.

Now to come back to the matter at hand, I would like to hand over the floor to Pramod Menon – Director, Finance to give his opening remarks about the results and then we can jump into Q&A and make it efficient for everyone. With that over to you, Pramod.

Pramod Menon: Good evening to everyone and thanks for joining us on this conference call related to the quarter one results of JSW Energy. I think the results basically reflect what we have been experiencing in terms of unprecedented set of events unfolding as far as the Q1 was concerned. And it is something that the entire industry is undergoing - something that has not been experienced earlier with respect to Q1; especially in the Southern region and also in the Western region. It typically has been the quarter wherein we would have generally seen an uptick or let us say the peak loading coming through.

What we have seen as far as the power sector is concerned, there has been a healthy growth in terms of the capacity addition coming through and the benefits of the private sector investments into this sector has held up as far as the capacities are concern. And at the same time during this particular period what we have seen is the PLFs have also reduced. On one hand what we have seen is the total installed capacity going up to about 275 gigawatts but at the same time the all India PLF has come down to about 62%. There are three or four reasons

which can be attributed but still at the beginning of the quarter the kind of slack demand that we have experienced in Q1 is something that we had not anticipated for. So despite having the complete schedule or let's say the entire contracts or the entire capacities; we still had seen close to 20% or 17% to 19% kind of back downs across the different units. It is primarily on the back of a very weak industrial demand which is coupled with a fact that the distribution companies continue to maintain very tight fiscal discipline in terms of their buying pattern. So, until and unless there is really a need and they have got surplus cash flows, they are not going out and buying power. And third, of course has been the unseasonal kind of rain which happened during the month of May across the Southern region and certain part of the Northern region. All these factors put together had contributed to a fall as far as the demand is concerned and if we look at the Southern region itself what we have seen is on one hand the power demand on a Y-o-Y declined during this period by close to 4.4% whereas, the supply actually increased by 0.4%.

All the issues are the major factors for a lower PLF for JSW Energy. Overall outlook what we have seen during the quarter one – the coal prices to remain benign as far as the South African indexes were concerned. At that same time what we have seen is rupee slightly depreciating by 2 percentage points to 3 percentage points during this between the beginning and the end of the quarter. And at the same time what we have seen is a steep decline as far as the Indonesian prices and indices are concerned but the South African coal index still continues to look promising in terms of let's say the landed cost per unit of coal is concerned.

Coming to the company specific results, on the back of this unprecedented, I would say a challenging environment which was not anticipated, it resulted in the company on a whole achieving a total PLF of 75.23% as against 84.23% that we had done in the corresponding quarter of the previous year. And this PLF reduction other than on account of planned maintenance was in the region of about 17% to 19% across Vijayanagar and Ratnagiri units and it was close to 8%, the kind of back-down that we had experienced, as far as Barmer unit is concerned. Even at the place where the power was completely tied up across all the three units we were reasonably more or less I would say covered as far as the plans were concerned, still we had to grapple with the lower PLF. At Ratnagiri, if you look at it there we have taken a shutdown with respect to the unit number one and a significant portion of the PLF is also attributable to the availability or let's say better contracting as far as the capacities are concerned for unit number two, three and four. And I would say on a Y-o-Y basis the plant performance at Ratnagiri was better than that of last year considering that the unit number one was not available during this quarter. So the company as a whole had a total generation of 4,480 million units of which 1,990 million units ie about 44% was sold in the short-term and 56% of capacity was sold in the long-term.

The average realization that the company had was a marginal drop to about Rs. 4.18 per unit. The company during this particular quarter, on a consolidated basis, apart from lower PLF, it also had certain one-time kind of income or hits as you will look at the results. The company has during this particular quarter received the truing-up and the mid-term performance review

order from MERC for transmission related project which has basically provided for close to Rs 43 crores of additional income. Out of this, close to Rs 26 crores is towards the truing-up part and about Rs 17 crores were related to the delayed payment charges that the MERC has approved. This amount of Rs26 crores has been reflected as part of the total income from operations and balance Rs17 crores forms part of the other income.

Apart from this, during this particular quarter what we have had is the joint venture company Toshiba, where we are accounting for the earnings as that of an associate. It has declared a loss of Rs 98 crores for this particular quarter. The loss is primarily because they are increasing the capacity of their Chennai unit from 3,000 megawatt to 6,000 megawatt and due to the capitalization of the interest and the depreciation related cost at that particular unit has gone up. At the same time the plant has not got fully loaded. They have got two additional orders for supply of turbines and because of the increasing competition what we understand is that the margins at which they have been able to secure these additional orders are also thin. However, they are confident as the economy picks up and they expect more orders to come through, and with the loading of the plants they are also expecting certain service related exports to also commence in the second-half of this current year. And certain amount of exports is also expected to begin from this particular unit in terms of supply as well.

So we believe that this is going to be a one-time kind of loss of such a big nature and during the course of the current year, we should see this particular loss from the joint venture getting moderated. Apart from this it was all as far as the normal operations were concerned so, this has resulted into a total turnover of Rs 2,176 crores for the company with an EBITDA margin of 41% resulting into an EBITDA of Rs 886 crore.

The interest and depreciation have fallen in accordance with the reduction and the repayment that has been affected by the company and the total interest stood at Rs 264 crores on a consolidated basis and depreciation at Rs 198 crores. From this particular quarter onwards Raj West will not be providing any deferred tax asset or liability because it is having a long-term two part tariff kind of a PPA which provides for actual pass through of the actual taxes paid and hence there is no timing related difference. So as far as the accounting norms are concerned and as per the industry practice, there is no requirement for providing for deferred tax liability/asset. So it is not being provided in case of Raj West as also in case of Jaigad Power Transmission Company Limited. This has resulted into a total profit after-tax of Rs 277 crores on a consolidated basis. The company continues to remain fairly liquid and the total net debt to equity as of 30th of June, 2015 stands at 0.91 times and the weighted average cost of debt till 30th of June stands at 10.7%, down from 10.87% as on 31st of March, 2015.

In terms of the Hydro project at Kutehr, we have called for the EPC bids and these EPC bids are currently under evaluation. And we would be looking forward to placing or let's say looking at finalizing the contracts as we get into the second-half of this year. As far as the mining related project is concerned, during the quarter we have been able to secure the mining lease for Jalipa and the mining related operations have commenced at Jalipa.

During the current year looking at the way the first quarter has evolved we believe that Kapurdi at 7 million ton will be able to meet not only let us say the entire requirement of normative PLF but also it should be in a position to meet some of the additional requirement in case if we have to take the actual PLF beyond 77.22%, which would be the normative PLF. And hence, the need for getting additional lignite from Jalipa looks to be remote. However, we are not leaving anything to chance and we are keeping ourselves in a state of readiness in case we need to take the lignite from Jalipa.

With these friends, I would now leave the floor for Q&A session. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question and answer session. Our first question is from the line of Atul Tiwari from Citi Group. Please go ahead.

Atul Tiwari: Sir, my first question is on the hydro acquisition. When is the acquisition likely to close and if you can share the new acquisition cost after the adjustments that will be helpful.

Pramod Menon: Yeah, Atul as far as this particular hydro transaction is concerned the critical event was to get the High Court approval which they have received and we believe that it would take about 45 days to 60 days to complete the transaction post the receipt of the High Court approval because there are lots of processes in terms of compliance of CPs which basically emanate from this particular transfer order that they got through. They have received the order on the 25th of June of 2015. So within that kind of a timeline is where we will look to close. And I think there is an endeavor on the part of both parties to ensure that all the requirements as per the agreement are being done. Only after we have closed the transaction we will be in a position to give you the exact enterprise value which will be payable. So at this particular point in time I would not like to hazard a guess as to which what that amount would be.

Atul Tiwari: Okay. And sir has the debt funding being tied up and if you have, how much debt you have tied up for the transaction?

Pramod Menon: See as the transaction is consummated I would say there are two parts to this. One part is for us ie JSW Energy to acquire the unit and hence, whatever will be the enterprise value which will be derived minus the debt which would be coming there will be only a certain quantum which has to be paid towards the equity value as well as the value for the securities. So that amount has already been secured. The second part is once JSW would have acquired the particular SPV, the refinancing and how much eventual quantum of debt would be there in the SPV level – on that also more or less we have been able to secure I would say 90% to 95% of the debt which we are anticipating at about 7,500 crores.

Atul Tiwari: Okay. So the SPV level debt that you will acquiring is about 7,500 crores which you will be refinancing?

- Pramod Menon:** No, that would be lower when they are going to give it to us so we will wait for let us say the SPV to be created what is the full quantum on debt which would be there. In our view it will not be a 7,500 of course it has to be significantly lower.
- Atul Tiwari:** Okay. And sir, what is the current outlook on the merchant power prices in the past you have sort of mentioned 4.25 to 4.5 range for this financial year. But given the fact that first quarter was quite soft in terms of demand, how does the outlook look now?
- Pramod Menon:** Atul, I do not know how much you are right or wrong but I think our guidance at the beginning of this particular quarter was slightly higher than the 4.25 to 4.5. We have given a guidance that we will be maintaining or be in a position to maintain whatever we have achieved for the last fiscal. Now, I think we would like to slightly moderate as far as the expectation is concerned, from those to about Rs 4.25 to 4.50 per unit for the current year based on where we are. So basically we are downgrading as far as the merchant realization expectation is concerned, to range of 4.25 to 4.50 and I think we will be guiding you on a Q-on-Q basis depending on how the scenario evolves.
- Atul Tiwari:** Okay, sir. And sir my last question is on Kutehr, in past you have communicated that you will go ahead with the project only after securing the PPA and now that we are very close to awarding the EPC contract which should mean that the CAPEX will start. Do you have PPA in place?
- Pramod Menon:** Yeah, I think we will be taking a call on all those. So I have mentioned to you we are in the process of evaluating the EPC contracts and so as far as the actual order placements and the process is concerned and I think we will be making clear once we have taken the final call.
- Moderator:** Thank you. Our next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, my first question, what is the status of true up at Raj West Power, sir has there been any movement in the...
- Pramod Menon:** Debt in Raj West Power.
- Mohit Kumar:** True up on Raj West on capital cost.
- Pramod Menon:** True up on Raj West Power will happen once we have received the final tariff. And the final tariff in our view, it will take another three months to four months' time. Now I do not want to hazard a guess but I think all the data is already available with the regulator. So it should not be taking much time from now.
- Mohit Kumar:** Okay. Sir, second question pertains just on clarification. Sir, incentive for Raj West is payable on actual PLF or the incentive is payable on deemed PLF?

- Pramod Menon:** No, incentive is payable on actual PLF.
- Mohit Kumar:** And the amount is 30 paisa per unit, am I right?
- Pramod Menon:** The amount is 25 paisa per unit, sir. *(During the call, inadvertently a number of 25 paisa was mentioned but the correct number for incentive payable is 30 paisa per unit.)*
- Moderator:** Thank you. Our next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** Sir, a couple of things firstly, can you give us a break-up of the sales from power generation and transmission. I believe transmission will have 26 crores in the income here right now.
- Pramod Menon:** In the total income 65 crores is that of Jaigad PowerTransco.
- Abhishek Puri:** 65 crores?
- Pramod Menon:** Yeah.
- Abhishek Puri:** Okay. And sale from power generated would be about roughly about close to 1,880?
- Pramod Menon:** Sale of power generated?
- Abhishek Puri:** Yeah, I mean excluding the power trading income.
- Pramod Menon:** I think it is slightly close to 2,000, maybe I think this break-ups can you take it subsequently?
- Abhishek Puri:** Sure, okay. And secondly, in terms of the contracts that we have for South India plant specifically Vijayanagar at Bellary, out of 860 megawatt is the entire quantum now tied up on medium term contracts until when?
- Pramod Menon:** Abhishek, we have not been giving the tie ups on a plant wise basis but let us say against these two plants currently we may have close to 1,260 or thereabouts in terms of the total merchant power. As we speak we are covered to the extent of 75% as far as the entire capacity is concerned. However, from an available capacity perspective we are almost 100% covered because currently one of the units of 300 megawatt is fully shutdown. So that unit is going to come up only around the second week of August and by which time we are reasonably confident that the entire capacity would be tied up. So I do not think the tie up will be an issue as far as for a period up to March 2016.
- Abhishek Puri:** Understood. And there is a minimum guarantee off-take guarantee of 70% to 80%?
- Pramod Menon:** Yeah.

- Abhishek Puri:** And just to quickly get on the balance sheet numbers I think I am looking at the net debt has reduced by 500 crores in this quarter versus our profitability which is about 270 crores in this current quarter?
- Pramod Menon:** Yes.
- Abhishek Puri:** So the cash generation has been more than profitability?
- Pramod Menon:** No, the cash generation has not been more than this thing. But yes, there has been some amount of increase as far as the buyers' credit is concerned which has gone up from about 185 million to about 226 million during this particular quarter because that is the cheaper source of raising funding for us at an effective cost of 9% and we are keeping ourselves liquid in terms of trying to close the forthcoming deal.
- Abhishek Puri:** Okay. So a profitability plus depreciation is about 450 crores and with the similar amount our debt has also reduced?
- Pramod Menon:** No, the debt repayment during this quarter has been 176 crores on a consol basis.
- Abhishek Puri:** 176.
- Pramod Menon:** That is the amount repaid; there could be a small amount. I think, a drawal of about 30 crores or something.
- Abhishek Puri:** Okay. So indirectly I mean cash would have gone up in the balance sheet, fine. And when do we expect this I mean you said 45 days to 60 days from the date of judgment that judgment came in early July, right?
- Pramod Menon:** No, 25th of June.
- Sanjay Sagar:** No, 25th of June. Yeah, actually the physical copy of the judgment came in early July you are right. It was pronounced on the 25th of June but the physical copy came in early July.
- Abhishek Puri:** So just to understand this better I mean will we lose out on this hydro season when we acquire this asset or the equivalent amount of debt reduction would happen and the adjustment in the EV value?
- Pramod Menon:** See there are certain EV adjustments which are customary - which has been provided in the agreement. However, let us say if all the CPs and everything are met, we will honor the agreement and go ahead and close. I do not think we will be looking at the season. But I think what is more important is we are buying an asset which is having on one particular asset there is about 36 years or 35 years left out on another asset that is close to 27 years life left out. So I think we are looking at a more long-term aspect rather than a short-term and as long as all the

obligations by the respective parties under the agreement are met I think both of us then will honor the contract.

Moderator: Thank you. Our next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: From a year-on-year comparison of the revenue I understand there was an element of banked energy possibly in the last year's revenue. What would that quantum be and so what is the adjusted sort of revenue decline we are looking at both in the standalone and the consolidated? And correspondingly, if you could give us a sense of what the standalone realizations would look like if one were to make that adjustments? The second piece is was there any conversion sort of power which happened at the plants during the quarter?

Pramod Menon: You are absolutely right, as far as the corresponding quarter or the previous year is concerned there was a total banked energy which was sold of 598 million units and 225 crores is the total value of this banked energy which is sitting in the revenues for the corresponding quarter of the previous year.

Murtuza Arsiwalla: Right. So this would be there in the standalone as well as the consolidated the same amount?

Pramod Menon: Yes, both standalone and consolidated.

Murtuza Arsiwalla: Right. And to that extent these sort of 1Q FY-15 versus 1Q FY-16 a better comparison would be to adjust this?

Pramod Menon: Let's say if you were to look at it on a comparative basis you would see almost the revenue is lower by 25% but if you were to adjust for this then the revenues would be let's say lower by about 14%-odd.

Murtuza Arsiwalla: Right. And just any conversion related generation during the quarter?

Pramod Menon: No, conversion is an agreement which has not been there since almost a year now.

Murtuza Arsiwalla: So nothing in any of the periods. And just one last bit on the standalone – would it be possible to give a sense of what the blended realizations would have looked like during the quarter and in comparison to the same period last year especially that it was this banked energy?

Pramod Menon: No, I think that is data which generally we are not being providing but you know the numbers as far as the total generation from Vijayanagar.

Murtuza Arsiwalla: Sure.

Moderator: Thank you. Our next question is from the line of Rahul Modi from Antique Stock Broking. Please go ahead.

Rahul Modi: Sir, my first question is with regard to the fuel cost per unit on a standalone numbers. On a Q-o-Q basis there is around 7% kind of an increase so is that because what we have seen is the South African coal has been firm over the last couple of months or so, is it because of that? And if you can throw us some light on the break-up of the coal sourcing please?

Pramod Menon: Actually the fuel cost has gone down in my view by about 7% not gone up by 7%.

Rahul Modi: Sir, I am talking on a per unit basis, if you look at the fuel cost...

Pramod Menon: Yeah, I am also talking on a per unit basis also if you were to look at it, it has actually fallen down, and the fall is close to 7% to 8% on a standalone basis. The total import of coal has been of high grade coal 98% we have used the South African and the Indonesian coal and about 2% has been the LCV coal. So as far as the on a Q-on-Q basis also if you look at it the per unit fuel cost has actually come down by 7%.

Rahul Modi: Okay. Sir, my next question is more on your strategy point of view – we have seen the recent bids in Kerala and Andhra Pradesh going if you remove the transmission bids it is actually less than Rs. 4 and we have been selling consistently at higher than 5 bucks. So sir, what is the strategy going ahead because within the Southern region we have seen PPAs of more than 7,000 megawatts being signed and the power supply should begin over the next 18 months? So there is a scope of crash in power prices, if I may say so. What is our strategy and how do we plan to sign PPAs for the same.

Pramod Menon: See you are absolutely right. What we have seen is that the states are starting to come out with the bids now. If you look at it the Southern states what we understand is they would want to keep a reasonably larger portion of their bought out power which they are souring for 12 years to 15 years from captive source and a smaller quantum is what they would be doing through the linkage route and/or imported coal route. So there will be a still smaller portion coming through imported coal route. We have seen tenders already being called by AP. There would be tenders we expect to be called by Telangana and Karnataka. This will be for smaller quantum not in line with that of the linkage. And because they would be looking at mixing the basket by certain ratios. So our plan would be secure ourselves from a long-term perspective under these kind of long-term imported coal based contract.

Rahul Modi: Sir, what is the potential threat of the gas auction based power plants being restarted now so that is being sold at 4.7 and we are selling at above 5 bucks. So there is a visible arbitrage over there. So do you think there will be a shift in demand from your plants to the gas plants?

Pramod Menon: As I mentioned to you over a period of 18 odd months currently we have firmed up as far as our capacities are concerned. But yes, going forward what you will have as far as the loads are concerned we expect once the transmission corridor comes through. Today everybody is looking at an impact because everything is subdued around. But once the industrial growth comes through and the demand comes through; in our view, the long-term kind of a tariff

range which we have been saying that on a blended basis we will still be able to maintain around Rs. 4.25 or thereabout across the entire capacity of merchant that we currently have.

Rahul Modi: Okay. Sir, just lastly, just wanted to check you had mentioned about the 98 crores loss from the Toshiba JV that is our share or that is the total?

Pramod Menon: That is the total and that was their total for this particular quarter, our share was 21 crores.

Moderator: Thank you. Next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: First of all one housekeeping question, can you share the income, EBITDA, and profit from the Barmer plant?

Pramod Menon: Yeah, can you be in touch with Pritesh from IR and he will be providing the standard kind of break-up that you have been seeking.

Deepak Agarwal: Okay, sure. My second question is can you comment on the volume guidance because in the opening remarks you mentioned that you are seeing a kind of fall in the demand which you had not anticipated and at the start of the quarter you guided for about 3% kind of volume growth so, you would like to revisit the volume growth assumption?

Pramod Menon: Yeah, I think given a chance I would definitely want to revisit. So I think we were guiding more than 21 billion r the year units generation fat the beginning of the quarter. I would say that it would be fair to take a range of about 19.5 to 20.5 billion units at this point in time and may be revisit it at the end of every quarter.

Deepak Agarwal: Okay. My third question is on this Kutehr project because since you mentioned that the EPC bids are under evaluation. So what exactly is the thought process of the management? Would you go ahead with the contract on a short-term basis and keep it open for the time being and because still the construction can easily take three to four years and may be wait for bids in future?

Pramod Menon: See at this point in time we are trying to evaluate and see what is the project cost is coming or is there any feasibility in terms of getting a lower kind of cost given that there is subdued offtake as far the equipment suppliers are concerned. So we would like to asses everything and then take a call how to move.

Deepak Agarwal: The project cost you mentioned in earlier calls is around 1,800 crores or so, right?

Sanjay Sagar: That was a CEA approved cost in 2008.

Deepak Agarwal: And what is the current level at which you are working?

- Sanjay Sagar:** We have to look at the bids that we have received. Bids are still being evaluated.
- Deepak Agarwal:** Okay. My last thing I just missed that portion on the banked energy proportion of the revenue in Q1 FY-15. What was that number in crores?
- Pramod Menon:** 225 crores.
- Moderator:** Thank you. Next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Inderjeet:** This is Inder here from Macquarie. Couple of questions from my side, one is related to this transmission gain that we had, can you also quantify what is the impact at PBT or PAT level?
- Pramod Menon:** At PBT level Inder this was 43 crores one-time.
- Inderjeet:** We will assume a MAT rate on that, right?
- Pramod Menon:** Correct.
- Inderjeet:** Okay. Second is slightly technical question regarding this Andhra, Telangana and the bids which are coming and also bids which have been invited when the two states were one common state. So, what happens – is there transmission charge to move energy from Andhra to Telangana now or that is still waved off?
- Sanjay Sagar:** See since we are not generating in Andhra we are not the correct people to ask that question but we will also check upon this.
- Moderator:** Thank you. Next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Sir, regarding this JV Toshiba loss will this be on a recurring basis for this fiscal or there was one-off and you expect revenue and orders to kick-in so, this losses will be much lesser going into the year?
- Pramod Menon:** The guidance that they have provided to us is that going forward this will be lower as they are anticipating some service related exports and some supply related exports to kick-in partly from the Q2 into the second-half and at the same time some of the deliveries that were required to happen in Q1 which will happen into Q2. So they believe that for the next three quarters it will be fairly lower and that is the kind of guidance that we have from them at this point in time but this is one-off.
- Bhavin Chheda:** Okay. And regarding the Raj West you have been accounting at the PPA rate of Rs. 4.06 or is there a further revision to that number?
- Sanjay Sagar:** No, there is no revision. That is still maintained at Rs. 4.06.

- Bhavin Chheda:** Okay. And the deemed PLF which was accounted was 80%, what would have been the actual generation at Barmer?
- Pramod Menon:** It was 71%.
- Moderator:** Thank you. Next question is from the line of Pratik Kohli from Emkay Global. Please go ahead.
- Pratik Kohli:** Sir, the first question is on demand coming into July in Vijayanagar, so how has been the movement in generation from June to July? And how is it looking in the second quarter?
- Pramod Menon:** See we are not being giving any monthly data. I can only give you guidance with respect to what is there for the year as a whole.
- Pratik Kohli:** Actually sir, if you look at CEA data for first 17 days - 18 days the PLF is about 50%-55% so, is that a correct data?
- Pramod Menon:** Yes, but there is also a shutdown of 300 megawatt unit which I mentioned to you.
- Pratik Kohli:** Okay. CEA data is not showing any shutdown, okay. So there is a shutdown of one unit in that. It is basically maintenance shutdown you are saying?
- Pramod Menon:** Yeah.
- Pratik Kohli:** Okay. And secondly sir, the deferred tax liability which you mentioned in the Raj West and transmission company how much of the amount was there in previous year?
- Pramod Menon:** Specific numbers if you can kindly take away from Pritesh, he will be ready to provide you.
- Moderator:** Thank you. Our next question is from the line of Sumit Kishore from J.P. Morgan. Please go ahead.
- Sumit Kishore:** I have two questions. The first question is on Vijayanagar PLF which fell from almost 98% PLF in 1Q FY-15 to 81%. You mentioned that there were some planned maintenance related declines and something related to the weak demand that we are seeing in South. So could you break that up so that we understand how much is because of planned outages and given that first quarter is seasonally very strong for this Vijayanagar plant in 1Q FY-14 with 102% PLF. I mean so the planned outages were also a function of weak demand. So how should we look at it? And do you have any more planned outages for Vijayanagar plant in the remaining financial year?
- Pramod Menon:** As far as Vijayanagar is concerned as I mentioned to you as far as forced back down are concerned in both Vijayanagar and in Ratnagiri was from the region of 17% to 19%. And the

back down of one unit for 10 days, which was the Plant-1, has only contributed to about 1.5 odd percentage points at Vijayanagar.

Sumit Kishore: So when you are saying 17% to 19% that 17% to 19% of PLF basically is getting lost?

Pramod Menon: Yes.

Sumit Kishore: Okay, so only 1.5% is getting lost due to the maintenance outage of 10 days for the unit.

Pramod Menon: Planned maintenance outage at Vijayanagar. And it was more – about 12 percentage points at Ratnagiri.

Sumit Kishore: Okay. So for the remaining year should we know of any major planned outages in Vijayanagar because that is the fully merchant?

Pramod Menon: I think we had already guided at the beginning of the quarter also that one unit of 300 unit megawatt will be taken for a major overall which will be a shut down for about 40-day period and which started from the 1st of July and that is what we also mentioned during the beginning of this particular call that unit should be coming up into the operation in the second week of August. And beside that there are no other units which should be taken into shut down in this particular year at Vijayanagar.

Sumit Kishore: Okay. For my understanding is this Ratnagiri 300 megawatt or is this...

Sanjay Sagar: Vijayanagar.

Pramod Menon: You asked me a question on Vijayanagar Sumit so, I was replying on Vijayanagar.

Sumit Kishore: The second part of the question is on the O&M cost per unit of generation. In the fourth quarter of FY-15 you had said that there were some 300 million of increase to O&M due to boiler related technical issues. But I find that in 1Q of FY-16 it is slightly on the higher side on a per unit basis also.

Pramod Menon: That is if you were adjust for the PLF it is actually looking to be higher but on an absolute basis if I look at it there is about 8 crores of reduction which has happened between Q4 and Q1 of this year and vis-à-vis Q1 of last year and this could have been slightly further lower if the unit one shutdown was not being taken at Ratnagiri. So in our view a normal run rate in terms of O&M would broadly be in the region of about 65 crores to 68 crores.

Moderator: Sure, thank you. Next question is from the line of Aniruddh Gangahar from Nomura Securities. Please go ahead.

Aniruddh Gangahar: There are some units which are out in Vijayanagar and some were out in Ratnagiri. Could you just clarify that what are the units which are out currently, you mentioned nothing else apart

from a 300 megawatt at Vijayanagar which is coming back up in early August? Is something planned for Ratnagiri, is something under outage currently?

Sanjay Sagar: The one unit of Ratnagiri is currently under planned maintenance.

Aniruddh Gangahar: One unit and anything else planned for the rest of the year, sir?

Pramod Menon: As of now, no.

Aniruddh Gangahar: Sir, related question was that when we mention that 75% of our current capacity is tied up till March 2016 and by the time it comes early August we hope that 100% will be tied up that means the entire merchant capacity across Ratnagiri and Vijayanagar is what you expect to be tied up by mid of August or so?

Pramod Menon: Yes.

Aniruddh Gangahar: Alright, sir. And sir second just a bookkeeping question, you mentioned that the high GCV coal was 98%. Could you just give us the quantum of coal consumed please?

Pramod Menon: Pritesh and Shubhro will provide you that.

Moderator: Thank you. Our last question is going to be from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, one clarification. How do you intent to fund the hydro power asset acquisition in the sense how much of cash you would use and how much the debt will take up to fund this?

Pramod Menon: See as I mentioned to you, we would be looking at a mix of debt and equity at the SPV level. Eventually once we have acquired we would want to keep a debt of about 7,500 crores and would want to keep the company liquid at the same time. So though we have reasonable amount of liquidity we will look at taking some reasonable amount of debt depending on what is our liquidity requirements are concerned.

Mohit Kumar: So is it fair to say that we will infuse around 2,000 crore of equity?

Pramod Menon: Depends. If I want, I have that much of cash available. That is what I am saying – with that I may completely lose my liquidity but if I want to retain myself liquid there is no harm in raising some small quantum of debt at Energy level.

Moderator: Thank you. Ladies and gentlemen that was our last questions, I would like to hand over to the management for closing comments. Over to you, sir.

Pritesh Vinay: Thank you, everyone for talking time out to dial into the call. As we have mentioned repeatedly during the time of Q&A that for other housekeeping data, modeling related queries

please get in touch with me or Shubhro and we will be happy to reply to you. And once again, thank you very much. Good evening and good night.

Moderator:

Thank you very much, sir. On behalf of BNP Paribas, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.