"JSW Energy Limited
Q2 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the JSW Energy Limited Q2 FY2019 Earnings Conference Call, hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Santosh Hiredesai of SBICAP Securities. Thank you, and over to you, Sir!

Santosh Hiredesai: Thanks, Inba. Good morning to one and all. On behalf of all of SBICAP Securities, I would like to thank the management of JSW Energy for giving us an opportunity to host this call.

To discuss the second quarter results and also share the outlook we have with us the senior management of JSW Energy represented by Mr. Prashant Jain, Joint Managing Director and CEO; Mr. Jyoti Kumar Agarwal, Director - Finance; Mr. Sharad Mahendra, Chief Operating Officer, Energy Business; and Mr. Pritesh Vinay, Head of Investor Relations for the group. We will have the opening remarks from management, post which, we will open it up a question and answers. Over to you, Pritesh!

Pritesh Vinay: Thank you, Santosh. A very good morning to all of you, and thank you very much for logging in to the earnings call to discuss the second quarter fiscal 2019 results of JSW Energy. I am sure all of you have had the chance to go through the results, the press release and the earnings presentation, which is already on the website. We will start with a few minutes of opening remarks by our Joint Managing Director, Mr. Prashant Jain, and then we will open the floor for Q&A. With that, over to Prashant!

Prashant Jain: Thank you, Pritesh. Good morning, ladies and gentlemen. First of all, Happy Dhanteras and seasons greetings to each one of you and your family members. The quarter gone by was very, very interesting quarter, and as we have been vocal about the demand scenario in the country, the capacity addition and the climate in power sector, the things are rolling out the way we actually envisaged.

During the quarter, the power demand went up by a robust 6.9% year-on-year and sequentially by 2%. And this was seen across the board - the power demand in west region, south as well as east region was clocking close to 8% to 12% of growth.

One very interesting study, which we have done, which you will find in our investor presentation also, in last three years, actual power demand went up by close to 17% based on actual billion-units consumed in the country. As against that, the total capacity addition was 22% on a gross capacity basis. But if I calculate on PLF basis, it was tad lower than 8%. And if I calculate that on a PAF basis, plan availability factor basis, it is close to 12%.

So what does this signify is that the demand is growing faster than the actually usable capacity addition and that is what is driving higher PLF for the existing plants. The another interesting thing is, sequentially we went up by 2% demand growth and 7% in year-on-year basis, whereas the thermal generation went up only by 2.2% y-o-y. And this has happened primarily because of less availability of coal. If you see, for the first half of the year, for private sector IPP, the thermal PLF is down by close to 1%, that indicates less availability of coal and the number of power plants having the critical coal stock levels have gone up.

Another interesting thing, which I also would like to highlight. During the quarter, the coal imports went up by 44%. That means the power plant, which are based on the imported fuel were running on a higher PLF because of the shortage of domestic coal. And that also signifies during the month of October, our merchant plants in Vijayanagar and in Ratnagiri the average PLF for the entire October month was close to 95%- 96%. I believe we did not see this PLF probably for more than a decade.

This is also getting reflected in higher merchant volume, which is 14% higher during the quarter. The prices of the merchant power were also up. In 2016-2017, it was Rs.2.42, which went up to Rs.3.25 in 2017-2018. And in actual, this year till date, it is close to Rs.4, to be precise, Rs.3.98. In the month of October, it is Rs.6.

So all in all, it is a robust demand scenario, which is adding up, and on top of it the kind of the non-performing assets, which are rolling out in power sectors is creating a bigger and bigger deterrent for people to put up additional capacity and lenders to lend additional money, and that is restricting the capacity addition.

During the first half of the year, only three gigawatts of the renewable capacity was added up as against the plan of 22 gigawatts, because of overhang of the policy uncertainty in the sector in India as well as in China. And because of which, JSW also has put on hold its solar expansion. And during the first half, we have completed 12 megawatts of solar capacity for growth captive purpose as against planning of Rs.1200 Crores of capital expenditure, which we had envisaged during the financial year for solar business we will be doing only Rs.55 Crores and that is what balance has gone for deleveraging of the balance sheet.

Now coming to the business front. During the quarter, our net generation went up by 9%, and our turnover was up by 15%. Our EBITDA was down primarily due to lower other income by 5%. However, interest cost was down by 22% because of which, our profit after tax was up by 6% at Rs.316 Crores.

Our Long Term PPA portfolio has been continuously increasing in the last six quarters, which was earlier at 63% and we concluded the current quarter with 80.5%. Today we are deliberating, given the kind of the business environment, what should be the ideal product mix between the long-term portfolio and the merchant portfolio because it is a unique advantage for JSW Energy. We have the visibility of another 5%-7% of long-term PPA in next 12 to 15 months' timeframe, so we are uniquely poised in terms of our basket.

In terms of improvements in operating parameters, we have been consistently working for last six quarters to reduce our O&M cost, which we have been able to reduce by 9% - 14% different quarters, and these are the sustainable numbers. We have also been able to reduce our auxiliary power consumption across the board, all of our plants, anything between 0.75% to 1.5% lower and which has given us higher net generation availability to be sold in the merchant market and which has also improved our ability to run the plants with more and more agility. We have also developed internal efficiencies and algorithm to run plants for very quick ramp-up and ramp down in order to capitalize in the merchant market because you know our power is sold in the 15-minutes window, and that is what we will have developed internal algorithm to do that.

In terms of our financial profile in last six quarters, we have reduced our long-term and short-term debt by Rs.3900 Crores and our debt-to-equity has come down to 0.9:1. During the quarter we reduced our long-term debt and short-term debt by Rs.766 Crores. Our credit ratings of JSW Energy as well as all its key subsidiaries have seen an upward trend and all of our key subsidiaries are at a AA- with a stable outlook and is also reflected in our lower finance cost which is close to 9%.

As I explained on the solar initiative, there is a reduction in our capital expenditures during this financial year. As regards to our electric vehicle business, we have also recently announced on-boarding of a senior executive for sales and marketing space, he is a renowned person in automotive industry. With this, our automotive EV employee strength is 33 and we are in discussion with our partners for various tie-up and other things, we are feeling more and more confident, and as we spoke during the last call that during this financial year, we will be coming up with a robust plan and we stick to that. However, during the last quarter, we had given a guidance that we will be doing a capital expenditure of close to Rs.1000 Crores during this financial year. I feel that the capital expenditure may be deferred this financial year; however, we are progressing much better.

In the absence of this capital expenditure, which we had envisaged earlier, the balance sheet continues to be deleveraged and we will be undertaking various growth opportunities in terms of our acquisitions as and when they are coming in our way.

For Kutehr project, which was acquired in 2007, we have done a meaningful progress on securing a PPA and we expect that during this financial year, if we are able to secure PPA then probably next year we can start construction of that project, which will be increasing our size of our balance sheet. With that, I would like to, once again, greet each one of you for the festival season, and we can open the platform for question-and-answer. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Atul Tiwari of Citigroup. Please go ahead.

Atul Tiwari: Good morning Sir and congratulations on continuing very strong performance especially the cash addition in other wise subdued environment still. I have couple of questions. First, can you share your thoughts on what is the origin of the strong power demand? Is it more industrial growth happening in India? Or is it coming from more electrification of villages? I mean, because it has been happening across the board for quite some time now, which is quite exhilarating, but I just wanted to find out what do you think is the source and how sustainable this is?

Prashant Jain: Good morning Atul. If you look at the GDP to power demand elasticity, it is close to 1:1 or in a good time it is 1:1.3 times. In 2012 to 2016 period, there was an overcapacity situation as well as two things happened that there was a specific drive for energy efficiency in terms of LED as well as reduction in AT&C losses. You saw during this five-year period, AT&C losses came down by close to 5%, and there was close to 4.5%-5% demand reduction, primarily for energy efficiency drive. Because of which, the power demand grew only 4.2% as against the CAGR of GDP of 6%, which trend has now reversed. So as long as GDP continue to grow to 6% to 7%, power demand is going to grow at 6% to 7%, in case if you forecast GDP is going to grow double-digit or 8%-9% in time to come, power demand will be growing at that level. So from all around, it will be happening, and that is what it is getting reflected and the environment of business has been so bleak in terms of the power sector that nobody wants to talk about power sector, or any capacity addition. You might have also heard recently that the banking system is not ready to do financing for environment norms compliance, and that is what the power project builders have been complaining recently. So in the absence of that kind of environment, no new capacity will be coming up, power demand will continue to go up and this aberration and then this mismatch is going to create shortage of power in time to come.

Atul Tiwari: Okay, thank you Sir. Correct me if I am wrong and if I heard you incorrectly, but you guys seem to be having a rethink on your strategy of signing up more long-term PPAs. I mean, is that right impression?

Prashant Jain: I did not say that. What I am saying is that we have been continuously improving our long-term portfolio, but the current environment is such that for a short period of time, you know, until for another two, three year or four years, it may be a good idea to keep certain capacity to remain open, but eventually, you need to look at this way also that fresh capacity addition or acquisition will be the long-term portfolio for us. So we need to see what really ideal mix is. So maybe 85-15, or 90-10 could be an ideal mix, but it is a continuously evolving situation. But for the short-term period of three years, I think having some open capacity is a good idea.

Atul Tiwari: Okay. And my last question is on the group long-term PPAs. So even at these, kind of, high fuel prices based on the imported coal and the currency, etc and I am assuming that JSW Energy will be earning 15% ROE on that part. So I mean is it beneficial for the group companies to sign PPAs with JSW Energy and not buy the power in the market?

Prashant Jain: Okay. So to answer your question, if you look at my average price of the long-term PPA, which we disclosed is close to total portfolio for the entire company, is substantially lower. So because you know you need to see our plants have fully depreciated and our fuel cost is very, very efficient. And in terms of the power, which you can secure from open access basis from any of the source, this is a very low-cost power for all of our group companies. So it is a win-win situation for all of our customers, be it whether group or whether it is a distribution company and that has been always the philosophy for JSW group to have a very efficient capital allocation because of which we can have the low fixed costs as well as our variable cost is also industry-leading.

Atul Tiwari: Yes, Sir. But I am looking at the power source from say Ratnagiri or Vijayanagar project, which exclusively use imported coal will be much higher than the power source from your hydro projects or even higher than RWPL. So in that situation, I mean to the group companies still find it cheaper to source power from these projects compared to an open market access?

Prashant Jain: You need to do that math yourself, whether any company, which enters into a PPA whether it is, for example, at Vijayanagar, what is the alternative for a steel company, either to buy the power from discom- will it be cheaper or higher ?. Let me complete, if they set up their own, from where they will source the coal? And so, either way it is the best possible option for them, that is why they are going with that. And in terms of our variable cost for imported coal, it is also one of the lowest. And next thing is the availability of the coal. If you look at today, the coal availability, if you want to do for a CPP basis from Coal India basis, is it available? It is not at all available. And the new pricing, new guidelines for auction of the coal mines is recently been announced for the CPP and those coal mines will also go into auction and then get into commissioning in five to eight years timeframe now and with the premium which you have to pay for captive mines is as good as the variable cost, which you are doing from an imported coal basis and that is what I have explained that in hindsight, it looks like domestic coal is cheaper, but the coal is not available.

And second thing is, you need to also add up 56 to 60 paise of the transmission cost. If you are sourcing power, at pithead plant, you have to spend 56 to 60 paise including the transmission losses and then connectivity charges, which is as good as the differential which you are paying for the transportation of the imported coal.

Atul Tiwari: Thanks a lot.

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

Mohit Kumar: Good morning Sir. Sir first on the acquisitions, we have been hearing in the newspaper that we have bid for Prayagraj can you just please update on the same?

Prashant Jain: Mohit, I would like to refrain on any update on any specific asset because we continue to remain interested in this space for consolidation and as and when any specific asset we have an update to share with you, we will be coming back to you. We have been; given the size of our balance sheet and our growth opportunities and our appetite, we would like to look at various distressed assets in the sector and it will be safe to assume that we are interested in most of their assets and our basic criteria is merit order dispatch and as and when anything is coming up for any specific asset, we will share with you.

Mohit Kumar: Understood Sir. Sir one clarification is you bidding with some private equity entities or are you bidding on our own balance sheet across the assets? Is it possible to throw some bit of ballpark or guideline?

Prashant Jain: We continue to evaluate all opportunities and all options and our debt to equity is 0.9:1. Typically, a right capital structure for a power company will be anything between 2 at 2.5 times debt to equity and so it offers us enough headroom and legroom, but that does not mean we would like to stretch our balance sheet to that level also, so all options and opportunities are always open for us, it depends, asset to asset, where we would like to share what kind of a risk with our balance sheet, so I would not like to categorize asset by asset. The second thing is, each asset is a unique asset in the power sector because they have their own opportunities, own upside and own downside because somewhere there are no PPA, somewhere there is no coal, somewhere there is a capital structure problem and in some cases, all these problems are there, so each asset has a unique solution and we will continue to evaluate that unique solution asset by asset. I hope I could answer your question.

Mohit Kumar: Yes understood. Second question is on long-term PPA, we have signed a 231-megawatt long term PPA, and I am assuming this is from JSW Steel, so what are the tenure and the return expectation?

Prashant Jain: All of our PPAs are long term and when I talk about long term it is 20 years plus and all our PPAs are as per CERC norm.

Mohit Kumar: Last question why there is a sharp rise in other income and also on the receivables during the quarter? I meant QoQ?

Jyoti Kumar Agarwal: We have been doing the better cash management of our cash resources. We have been using the cash to prepay our debt and to that extent, there is a reduction in other income primarily attributable to lower cash being carried and to that extent the interest income being lower and the other question was.

Mohit Kumar: I asked why the other income has gone up QoQ from Rs.67 Crores to Rs. 137 Crores on the consolidated basis.

Jyoti Kumar Agarwal: I think, you know, the way we classify other income for reporting purposes, is not the right way to look at. If you look at all the components of other income, right. Other than the one off in the form of the deferred payment charges, which we have got this quarter, other income is actually lower this particular quarter primarily because the lower cash being carried like I explained to you. There has been a component of deferred payment charge, which we received this time the late payment charges, but adjusted for that on a carrying value basis on a sustainable basis, it is actually going to be lower.

Mohit Kumar: What are the deferred payment charges, which have got paid in the quarter?

Jyoti Kumar Agarwal: Maharashtra has paid a deferred payment charge. There has been some dispute going on in terms of what should be the rate on this the deferred payment charge should be paid, but that got resolved, so we got deferred payment charge in particular quarter, but if you take the overall other income including the other income that we get for our O&M business in Vijayanagar, I think, overall, consolidated on the quarter basis other income has actually gone down against a total of about Rs.189 Crores, it has gone down to Rs.163 Crores primarily because of the lower carrying amount of cash that we have carried this particular quarter. You other question was?

Mohit Kumar: Why the receivables as you know has jumped from the 11 billion at the end of March 2018 to 15 billion at the end of September 2018?

Jyoti Kumar Agarwal: You mean the debtors, right?

Mohit Kumar: Yes, debtors, Yes, Sir

Jyoti Kumar Agarwal: Yes. The variable cost has gone up and all our two part PPAs have got affected because of that. Because realizations have been higher so was the merchant rate and the overall throughput has been higher. PLF is higher across all our locations, as you have seen, so almost the entire increase is explained due to the higher volume or velocity of the business in terms of the quality of the receivables in the form of overdue debt and debtors, which actually improved the number of overdue days is much lesser this particular quarter compared on a year-on-year or in March basis, but the absolute value has gone up because I explained both the realizations are higher and the volumes are higher and to that extent that is reflected in the higher amount of working capital including debtors.

Mohit Kumar: Thank you.

Moderator: Thank you. We will take our next question from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.

Apoorva Bahadur: This is Apoorva. Sir congratulations on a very good set of numbers. Two questions. First is, basically, on the stressed assets acquisition, NTPC highlighted that they will be entering into the fray with assets being bid out by NCLT, so do you see now the entire competitive landscape changing because till now, I think we have the strongest balance sheet and now with NTPC say there could be pressure or higher competitive intensity for the good assets?

Prashant Jain: Apoorva, it is a very tough call for me to answer about NTPC, but what I can talk about one thing is that we have been hearing a lot of things in the last four, five and six quarters, but look at the resolution of any asset, which has happened in last four quarters in power sector, so still there is a lot of fluidity because each asset is having a very complex problem and then NCLT is also full of number of cases at this point of time and most of the assets in power sector were trying to be, the lenders were trying to resolve them outside NCLT so far, so there are hardly any asset, which has been getting attraction into healthy profit at this point in time. I would like to see and wait and watch that as and when the assets are getting to the NCLT process, we would like to comment at that point of time, but so far, there are no power assets getting resolved into or getting entry into the NCLT process at this point.

Apoorva Bahadur: Got your point Sir and Sir very good analysis on the demand side, the points that you highlighted, I just wanted to understand particularly on this AT&C loss reduction, so still, if I am not wrong, it is around 23% to 24% while the government under UDAY has been targeting roughly 15%, so there is still good scope of reduction over here, so do you see this again coming back and depressing the power demand over the next four to five years?

Prashant Jain: I do not think so because the low hanging fruits have been captured and if you look at the AT&C losses in terms of the stage, what they have been promising in UDAY scheme and whatever they are filing ARR now, they are faltering on their targets, so I think we have reached the bottom of the AT&C losses unless and until there is a substantial reforms, which are undertaken from the distribution side and which is not happening unless you see that kind of a political resolve in the states, it will be tough to reduce it further.

Apoorva Bahadur: Basically all the initiatives that the government has been pushing on the regulatory front as well the amendment to the electricity act and all and so overall, the implication, you do not see to be that strong so as to impact the demand as of now?

Prashant Jain: Yes. I think demand is going to continue improving and we feel that probably, it will be even going further up and the issue is primarily the mismatch between the demand and supply and then investment cycle where we are today, so any new capacity is going to take three to four years and right now, also, nobody is talking about any further investment and if that investment cycle continues to be a back foot in that situation, you will be seeing substantial difference between the demand and supply and that joker in the pack is coal availability. As long as the coal is not available and infrastructure constraints are continuing, you will be seeing that the power plants based on the imported coal will continue to do better.

Apoorva Bahadur: Got it. Sir if I may squeeze in one more and I mean, just sort of what my interpretation is about the EV business so as we see that the power situation is part of your cycle is becoming favorable to us at this point time and will it be a case that we will be looking to deploy more of our balance sheet on the power side and sort of deferring the EV outgo at this point of time? Is that being strategic intent?

Prashant Jain: No, I would not like to put it that way. I would like to put it that we have a huge optionality available in front of us in terms of our balance sheet side and given our free cash flows, we have talked about the projected gestation period for our EV business in three to four years for a $1 billion capital expenditure. We have talked about Rs.6500 Crores and you know, we have enough cash equivalents to support that business and in addition, our current debt to equity gives us a huge opportunity without putting any meaningful equity to grow our power business balance sheet size, which will be improving our ROEs of our existing business. Two things are independent; however, what I would like to put up a caveat here is that as a strategy, we have been always a very conservative management for allocation of capital, so whatever we will be undertaking will be with a cautious approach - number one. Number two - each and everything is not going to happen in one go because whether it is the capex program for our EV business, it is a gradual over a period of time and similar is the acquisition opportunities, these will be over a period of time and as I explained also that in the last two years, we have been scouting for a lot of opportunities, but we could not close on any meaningful opportunity, so it will be always case to case basis and you cannot predict it that how it is going to happen.

Moderator: Thank you. Our next question is from the line of Sumit Kishore of JPMorgan. Please go ahead.

Sumit Kishore: Well the falling merchant exposure, in case of JSW, is likely to improve the cash flow predictability, and in that regard, my first question is for the Hydro projects, which are now fully PPA, why was there a quarter-on-quarter variability in the kind of EBITDA contribution we had? I know the generation was much higher in the second quarter, but could you please shed some light as to, now, how should we look at quarterly results for the Hydro entities now?

Jyoti Kumar Agarwal: So Sumit, you are right. There was a higher realization on the Hydro business for the particular quarter, as you can probably see in our results. Of course, the EBITDA is slightly lower. The reason is that there is a one-time surge shaft repair exercise that we have carried out this particular quarter, which has led to higher O&M expenses, it is a one-off expense. Adjusted for that the EBITDA is also higher, corresponding to the higher water flow. You would appreciate that in case of Hydro, only half of your fixed cost is recovered through energy charge and to that extent, because of a higher throughput, we have recorded a higher energy charge this quarter. But whatever increase we bought, more than that was taken away by the surge shaft repair. So that explains why there's a slight drop in EBITDA for the quarter.

Sumit Kishore: Okay. But when I compare Q1 versus Q2, then purely because of the higher generation, you're getting a higher energy charge?

Jyoti Kumar Agarwal: Yes, exactly, the water flow has been higher compared to Q1, and that explains why on a Q-on-Q basis, yes, we are doing much better. If you compare the half-year also, we are doing much worse compared to last year because the Q1 of this financial year was a major aberration it happens once in almost a decade in terms of the water flow being much lower. So to the extent, our contribution this particular half-year has been much lower on a year-on-year basis.

Sumit Kishore: Sure. And on a bookkeeping question, how much capacity now is really untied in Vijayanagar and Ratnagiri at this point before each of these lines separately?

Sharad Mahendra: In Vijayanagar out of total 860 megawatts, we have a tied-up capacity of 280 megawatts now, plus 36 megawatts. Total put together is 316 megawatts total tied capacity. And balances is all available for merchants. And in case of for Ratnagiri, we have also total 1,200 megawatts, almost 872 megawatts is tied-up.

Sumit Kishore: 862 megawatts?

Sharad Mahendra: 872.

Sumit Kishore: 872.

Sharad Mahendra: Yes. And total, put together, if we see the tie-up, the total is 871 is the total tie-up capacity. Open capacity, sorry, is 870 capacity, megawatts, open capacity. This is available for merchant.

Sumit Kishore: Okay. And just one more question on Ratnagiri, with the developments which have been happening in the Gujarat stress projects, is there any hope to improve the profitability of the PPA you have within the MSEDCL for 300-megawatt in Ratnagiri?

Prashant Jain: Sumit, I would like to refrain to comment at this point of time, and let's wait and watch.

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

Rahul Modi: Just one quick question on I guess what is your outlook on the imported coal prices, are we seeing any kind of non-linear discount coming in this year buying in bulk, how is it going on right now in the imported coal market?

Prashant Jain: So, Rahul, typically, I would like to give a generic picture because short-term prices projection is very, very unpredictable, and you cannot really project what will be the coal prices in 3 to 12 months' time frame. But to just tell you normally, the thermal coal prices follow in tandem with the oil prices and on a long-term average basis. And this is #1 scenario, which I would like to talk about. So I think if you feel like that we have seen a peak of oil prices then, probably, you have seen peak of coal prices on a sustainable basis. Second thing is the demand and supply scenario because globally, there is a lot of capacity addition, which is happening on the renewable side and because of which, there is no new thermal power plants are being built either in India or in China or any other place. So on a demand side, there is a cap, which we feel. On the supply side, no new mines are also being opened up. So probably, it will be range-bound on a short-term basis. But in the medium- to long-term basis, it will be a downward trajectory.

Rahul Modi: And last, what is the kind of Open Access Charges Maharashtra/Karnataka?

Prashant Jain: Open access charges. So basically, we are now into a group captive scheme so there, those charges are not applicable. And whenever we sell into the merchant at that point of time also, we need not to pay any kind of open access charges But typically, if you are looking, these are Maharashtra is around Rs 1.25 is the additional surcharge in case if you are applying for open access, but that's not applicable to us.

Rahul Modi: Is it because we are on the group captive but if we are selling outside Maharashtra it would be applicable?

Prashant Jain: Well, you don't pay. You need to pay only the transmission, state transmission charges. So just to give you a color that since we are not connected with the CTU in Maharashtra or Karnataka, so our realization will be anything between 48 paise to 70 paise lower in these 2 states at our bus. If the merchant price is INR 4, for example, in the exchange, I will be getting at my bus45 to 70 paise lower depending upon the state.

Rahul Modi: And for this quarter and the first half, what kind of coal mix have we seen in terms of high-grade, low-grade and if you are buying from South Africa and Indonesia?

Prashant Jain: So I think we do not talk about the grade mix because these are all dynamic in nature. What I can explain to you is that we had built the capability to run our plants on low CV to high CV, low ash to high ash, so we continue to do a law of dynamic management. As I explained, we have built our own proprietary algorithms to run the plant at different coal blends and different loads for a quick ramp-up, ramp down and because of which, we are able to improve our operating profile. And one more thing I just would like to say that when I talked about reduction in O&M cost and reduction in auxiliary power consumption, we have also significantly improved our heat rates also at all our plants, and this is based on the dynamic algorithm, which we have built upon by using different kind of coal blends. So these all are dynamic in nature and keep changing. And one more thing you see that if I tell you the prices of Indonesian coal and Newcastle and API4 they are not moving in the same trajectory on their short-term bases. So sometimes if Indonesian coal prices dramatically goes down, we go for Indonesian coal. And if it is other way around, we go for other type of coal. So we try and take advantage in our procurement and in our blend profile.

Rahul Modi: Sure. And just lastly, on this captive coal mine if there are any other mines that believe that are some are coming up? And what's your thought on that? And secondly, on the sourcing of domestic coal through SHAKTI auction there anything on that front coming up?

Prashant Jain: So right now, if I want to tell you is that the new coal blocks, which are coming up for auction, you know that getting into operations of these coal mines and development and making them on-stream will take it anywhere between 5 to 7 years' time frame. That's the general time frame, which you have to consider for any coal mine to get into operations.

And currently, Coal India is not able to supply the existing linkages, what they have already done, so few fresh e-auction or new linkages are not coming up. In any case there is a tremendous pressure on coal in India, the way that coal stock situation is. So I think we have to wait for some more time before we see more coal is getting available for newer plants or the newer capacities to get tied up for the coal linkages.

Moderator: Thank you. Our next question is from the line of Dhruv Muchhal of Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: So can you share the acceptances number because I believe that is also reduced quite decently over the last 6 months? We generally include that number in debt so.

Jyoti Kumar Agarwal: Yes. So the acceptances at the end of September are Rs 1,033. It's a drop-off, but they are Rs 1,033.

Dhruv Muchhal: **Rs.** 1,033, closing? So secondly, on the Vijayanagar PPA, the 230-megawatt, will it be housed in the 500-megawatt unit? Or is it the 230 megawatts, which is separately available? Because in Ratnagiri, I believe you are using the strategy of operating at the minimum PLF or the minimum thermal l PLF and optimizing in the evening where the rates are higher so that you can optimize on IEX and stuff like that?

Prashant Jain: No, it's immaterial.

Dhruv Muchhal: Okay. So, okay. So you'll not in that thing yet. So thirdly, on the Hydro project, the Kutehr project with Haryana, if you can share what state it is? And if it is signed, how long will it take to get the project commissioned?

Prashant Jain: I'd say, what I can tell you is that we are in an advanced stage of discussion. And the way we are working, we have the securing PPA. We have been working with various states. So it is one of the state, there are other states also, where we are talking about securing PPA. And two things have happened. #1 is that government of Himachal Pradesh of have come out with a policy where they have done the deferment of the 12% free power in first 12 years. So because, of which the first year tariff or the first 12 years' tariff for such projects will also reduce. And second is there are various states, where the load profile is matching with the hydropower generation profile. So we are working in that direction and we are quite confident that by end of this financial year, we should be able to tie it up.

Dhruv Muchhal: And so how long will it take once the PPA comes in, the project completion?

Prashant Jain: I think construction time will be close to 4 years.

Moderator: Thank you. The next question is from Inderjeet Bhatia of Macquarie. Please go ahead.

Inderjeet: Inderjeet from Macquarie. Can you quantify the higher O&M, which you said it was one-off as well as the deferred payment, which is one-off for this quarter?

Jyoti Kumar Agarwal: For the quarter, surge shaft repair has been about Rs 10 Crores. And we received about Rs 53 Crores as of the one-off for deferred compensation this particular quarter.

Moderator: Ladies and gentlemen, that was our last question. I now hand the floor back to the management for closing comments. Over to you, Sir!

Prashant Jain: Okay. All in all, it has been a good quarter and what we have been seeing that the power sector is getting good traction and what we feel we are pretty much encouraged, what we are seeing the trend in demand and prices. And so I can sum it up like that we are kicking in and then ready to go. And with that, I would like to, once again, wish each one of you and your loved one, a happy and prosperous Diwali. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of SBICAP Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.