



Orient Green Power Limited

Q1 FY14 Results Conference Call Transcripts

Moderator: Good afternoon, ladies and gentlemen. I am Momita, moderator for this conference. Welcome to the Q1 FY '14 earnings conference call of Orient Green Power Company Limited. We have the senior management team with us today. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. Please note, this conference is recorded.

I would now like to hand over the floor to Mr. Mayank Vaswani of CDR India. Please go ahead, sir

Mayank Vaswani: Thank you. Good afternoon, everyone. I welcome all of you to the OGPL concall to discuss the performance for the quarter-ended June 30, 2013.

We have with us today, Mr. T. Shivaraman - Vice Chairman; Mr. S. Srinivasan - Director, Mr. P.Krishnakumar - Managing Director; and Mr. J. Sivakumar - Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were e-mailed to all of you earlier and have also been posted on our corporate website.

I would now like to hand over the floor to Mr. Krishnakumar to share his views on the performance for the quarter. Over to you, sir.

P. Krishnakumar: Good afternoon everybody. Thanks for taking the time out to join our call. We are delighted to share with you that we continued to make progress on our expansion plans. As mentioned in our results documents, we have added 67 Mw of wind assets in recent months, taking our total wind capacity to 400 Mw and above. We also have 60.5 Mw of capacity in our biomass power business, which in effect gives an operating capacity of 466 Mw as on date.

Further, we expect to commission another 18.6 Mw of wind power capacity and 15.5 Mw of biomass capacity during this month and with this, our total capacity will be just over 500 Mw. This 500 Mw will comprise on the ground, operating revenue generating assets.

Further, another positive development in the last couple of days is the reintroduction of Generation Based Incentive (GBI), which was announced during the budget 2013. The government, as per the new terms, have offered ₹1 crore per Mw as a GBI, which can be spread over a period of 10 years.

We await the final notification to understand the full implication. This will benefit OGPL to the extent of 144 Mw of capacity that is under the GBI scheme.

Since it has been a couple of quarters, from our previous concall I will quickly touch upon recent developments before discussing the operational performance of the quarter.

As many of you would be aware, the Shriram Group, pursuant to an internal reorganization, has transferred the promoter stake earlier held through Shriram EPC (Singapore), from SEPC Ltd. to Shriram Industrial Holdings Ltd. (SIHL). This transaction will result in the indirect acquisition of the shareholding and control of OGPL by Shriram Industrial Holdings. In addition, Shriram Industrial Holdings had infused ₹150 crore of additional capital through a preferential issue of 10 crore shares at a price of ₹15 per share, representing a ₹5 premium on the share value.

The above reorganization of promoter holding combined with the preferential issue had triggered an open offer as per the SEBI guideline. The open offer commenced on April 22, 2013 and concluded on May 07, 2013 and against an offer to acquire 1,477 lakh shares, SIHL was able to acquire 712 lakh shares.

Following the successful conclusion of the open offer, SIHL holds 47.54% of the shareholding of OGPL directly and indirectly. This reinforces the strong commitment of the Shriram Group towards growing the renewable energy business.

As you may be aware, as per the objects of the issue, during the IPO, we were to set up three biomass-based power plants. However, considering the uncertainty in getting the right tariff and fuel at the right cost, the company has decided to abandon these projects and accordingly obtained shareholder approval for this decision. The capital earmarked for these discontinued projects as well as the major part of the funds from the preferential issue have been utilized towards completion of the 300 Mw under the subsidiary Beta Wind farms.

Coming to our performance during the quarter, we are pleased to report growth in operations which has resulted in better revenues from the wind units. Higher generation of units on account of increased capacity as well as better PLFs aided in improving the performance of the wind business.

Overall revenues for the quarter stood at ₹126 crore as against ₹135 crore. While the performance of the wind business has been good, the performance of biomass business remained a bit subdued primarily on account of suspension of operations in two of our units in Rajasthan on account of high fuel cost and low tariff level.

However, despite witnessing a decline in biomass revenue, we were successful in expanding our consolidated EBITDA from ₹66 crore during Q1 FY13 to ₹73 crore during the present quarter, resulting in improvement in operating margins from 49 % to 58% during the current quarter.

A quick word on the regulatory environment – the finance minister had announced the restoration of Generation Based Incentive Scheme (GBI) in his budget speech on February 28, which put to rest the uncertainty which was revolving around the topic for a good portion of last year. The expected restoration which was announced yesterday could boost the performance of the sector. As mentioned earlier, the increased eligibility per Mw also will help in supporting the sector, and in particular OGPL considering the significant capacities we have under GBI scheme

Besides, as far as REC is concerned, greater penalties for failure to meet the RPO obligation would assist in increasing the demand especially during wind season when supply exceeds the demand. Further, recent orders passed by MERC (Maharashtra ERC) calling for compliance of RPO by all obligated entities before 31st March 2014 would help in quicker liquidation of REC inventories. We expect other state regulatory commissions also to follow a line similar to MERC in implementing the RPO in the coming months.

Our total capacity as on date stands at 467 Mw, of which wind comprises 406 Mw and biomass the balance 61 Mw. In FY14, till date we have commissioned 12.8 Mw wind assets in Tamil Nadu, 12.6 Mw in Gujarat and 43.2 Mw in Andhra Pradesh. In addition, we expect to complete 18.6 Mw of wind capacities in Tamil Nadu and Andhra Pradesh, apart from 15.5 Mw of capacity in biomass capacities.

In the biomass business, we are aggressively working towards revival of the two units in Rajasthan under a more viable sale model. This, coupled with additional capacity of 45 Mw which are under final stages and which will be commissioned in the next couple of months, would help revive the fortunes of the biomass business.

As a result of capacity expansion and an increase in our portfolio of projects, we maintain a positive outlook for the coming quarters; and eventual improvement in the REC market, should pave the way ahead for the company.

And with that, I would like to conclude my opening remarks and hand over the floor to Mr. J Sivakumar who will take us through the financials. Thank you very much.

Mr. J. Sivakumar: Thank you, Mr. Krishnakumar. Good afternoon to all investors, analysts and other stakeholders. I shall briefly take you through the financial performance.

Our net sales for the quarter stood at ₹108 crore as against ₹115 crore during same period last year. The total operating revenues including REC revenues stood at ₹126.3 crore as against ₹135 crore in Q1 FY 13. Of the total, wind units generated revenues worth ₹80 crore as against ₹73 crore during Q1 FY13, representing a growth of 9% Y-o-Y; while biomass registered revenues worth ₹45 crore as against ₹61 crore in the same period of the previous year.

Wind business generated 176 Mn units during the current quarter as against 159 Mn units during same period last year. PLF's for the business improved from 23.4% during Q1 FY13 to 24.3% during the current quarter despite facing certain back downs in Tamil Nadu.

The performance of biomass business was mainly affected due to suspension of operations in two of our units in Rajasthan on account of high fuel cost and low tariff level. As such, the units exported from the biomass business stood at 60.57 Mn during Q1 FY14 as against 85.3 Mn during same period last year. The suspension of the units also resulted in lowering the PLFs to 59% during the quarter as against 75 % during Q1 FY13.

The subdued performance of biomass units was however partially offset by increase in sales realization across biomass as well as wind business in the current quarter. The average realization for wind energy during the quarter has been ₹5.19 as against ₹4.77; while the average realization for biomass jumped to ₹6.28 from ₹5.81 as a result of better mix of the biomass energy sold from the Tamil Nadu units.

Operational EBITDA for the quarter was ₹73 crore as against ₹66 crore during first quarter last year. Of the total, EBITDA from wind units was ₹70 crore while biomass segment generated an EBITDA of ₹6 crore. The EBITDA Margin, as mentioned earlier has jumped to 58% as against 49% in the same period of last year.

With the increase in capacity and realization, it is expected that EBITDA as a percentage of revenues, should improve further in the coming quarters as we begin to get the benefits of scale. Depreciation was ₹28.5 crore for the quarter as against ₹26.0 crore in Q1 FY13 due to increase in capacity.

The interest during the quarter stood at ₹54.2 crore as against ₹39.9 crore in the same period of last year. One main reason for the increase has also been interest that has been unwound to the profit and loss account in respect of certain of the units wherein, in compliance with accounting standards, we've taken close to about ₹4 crore plus interest into the P&L, even though the units have not been commissioned and are expected to be commissioned in the next couple of months.

Our other income stood at ₹3.2 crore as against ₹5.5 crore in Q1 FY13, due to gradual deployment of all surplus funds into our projects. Loss after tax stood at (₹8.7) crore in Q1 FY14 as against ₹2.26 crore in Q1 FY13.

As mentioned earlier by Mr. Krishnakumar, we had commissioned 19 Mw of wind assets in the quarter, and further 48 Mw has got commissioned till August 12th. This has taken our operating capacity to 406 Mw. And further, we are on track to commission about 18.6 Mw and 15.5 Mw of biomass capacities before end of this month.

A brief mention about the REC mechanism; it has been subdued in the last five - six months mainly on account of non-compliance by most of the obligated entities. But we saw traction in July. July has improved significantly as compared to last four months prior to that. And it is expected that with MERC ruling coming out, as per which a large number of obligated entities in Maharashtra would now have to buy REC certificates in the exchange before March 2014, the other ERCs would also follow soon and better compliance is expected in the coming months and quarters.

The other significant upside which we'll have on the project perspective is the GBI reintroduction at a higher threshold value, it is about ₹1 crore from ₹62 lakhs. So this ₹38 lakhs which is additionally being made available to the wind units will significantly improve the viability of the wind units in the coming years. If we are able to get good generation, we can get this additional benefit of ₹38 lakhs per Mw within the first four years itself. And the window has been opened up to 10 years for GBI utilization. The time period for Sale of RECs has also been increased to 730 days, although it would be our endeavor to unwind all the inventories into the market, as and when the obligated entities enter the market.

Coming to the interest portion, we've seen significant increase in interest, primarily on account of the capacities coming up on-stream, additional loans, as well as some portion of the interest which is getting unwound in the P&L despite low revenues being there, as well as the hardening of the interest rates in the last couple of years.

The company is pursuing refinancing initiatives, which have been slow. Of course we've been doing it for the last couple of quarters, but we are fairly confident that -- with the capital coming in and the operational margins improving and the amount of EBITDA also going up in the coming quarters, we will be able to see through some refinancing initiatives which had been started some time back. And this would certainly go a long way to reduce the rate of interest.

And of course as an initial step, in the previous year we had taken the ECB, which has definitely benefited us because we have hedged it at \$/₹ of 53.56 as against the prevailing rate today. So we are working towards ensuring that the interest rate comes down, through both operations as well as strategic means. And this would help us in posting better results in the coming quarters and years.

With this, I come to the end of this presentation and we will now open the floor for Question & Answers. Thank you.

Question and Answer Session

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from, Mr. Pranav Sanghai from Newberry Advisors. Please go ahead.

Pranav Sanghai: Sir what impact did the infrastructure congestion for our plant in Tamil Nadu had on financials and operating income?

P Krishnakumar: It had an impact, but it was partially offset by better wind availability during the season and also the machine availability. So, it certainly had impacted, but not very significantly.

J. Sivakumar: Of course in the month of July we are continuing to see back downs in Tamil Nadu more so from because of the surplus availability of power coupled with of course the grid back down due to infrastructure. This has been addressed by all forums and we have taken up with the Government, so that the wind energy continues to get the must-run status which it has already been accorded and we expect to get positive results in August. July has not been a particularly good month because of that.

P Krishnakumar: Yesterday, Tamil Nadu Government has withdrawn the 17 to 21 hours power cut, so to that extent we expect some relief will be there in terms of evacuation from the wind mills in the coming period.

Pranav Sanghai: Okay and sir, it is stated that 70% transmission charges have been reduced by the petition filed by APTEL. So, what would be the impact on our financials sir?

J. Sivakumar: Actually in the previous year, in August 2012, the TNERC had approved transmission charges to be increased to a level of ₹6,483 per Mw of installed capacity rather than on generation. So, this was challenged by us in the APTEL. And APTEL has now given a favorable order, based on which the ERC and the TANTRANSCO has now reworked the transmission charges and it has been fixed at a lower level of ₹1,973. So, effectively it has come down from ₹6,483 to about ₹1973 per Mw. And this will certainly improve the bottom line, because in the previous years whatever the transmission charges was paid for most of the year, it was at ₹6,500, of course this order is effective from June 21st. So, the benefit of this will be felt from the second quarter onwards in the bottom line in terms of lower charges.

Pranav Sanghai: So sir, our operation and other cost last year were ₹34 crore?

J.Sivakumar: What happens is, in our system of accounting, in the wind business, the revenues are netted out by the charges, because it is actually reduced in the invoice itself for the customer. So, the revenues have been lower in the last year to the extent of about ₹6 to ₹8 crore. This year with additional capacity coming in, in Tamil Nadu, it is expected on a very broad level about ₹8 to ₹10 crore of additional revenues will be reinstated due to lower charges. To that extent, it will straight away go into the margins. There are no costs associated to that.

Pranav Sanghai: Sir, in the biomass unit, the Plant load factor for the Q1 FY13 2013 was 75%, whereas this year it is 59%?

P Krishnakumar: Primarily, in this quarter, we have not operated two of our plants constituting around 18 Mw throughout the quarter, because both plants located in Rajasthan, Sanjog as well as Amrit the fuel cost and tariff mismatch was too adverse and we have decided not to operate the plants. That has been the significant reason for drop in PLF.

J. Sivakumar: What has happened now is of course, in these two Rajasthan plants, in one of the Rajasthan plants, we are moving out of merchant supply and trying to get into the PPA sale for which we are expecting the orders from the ERC very shortly, possibly by the end of this month. So, if that happens, it will be at a much better tariff and the PPA will be with the electricity utility in Rajasthan and that should help us to overcome the problem that we face in terms of lower PLF and low utilization of the plant in the first quarter.

Pranav Sanghai: Okay. Sir, one more question. It has been stated that our projects have been delayed due to issues associated with ways, rights of ways of issues and PPA approvals and resistance from States are being faced for REC mechanism.

P Krishnakumar: No, basically for the biomass plants transmission lines, there has been significant delays which have been affecting the commissioning. And at least three plants are there and right now one has been completely resolved, other one is also resolved. So, the one plant we have got a bit of an issue. So two plants are getting commissioned during this month and one more plant will get commissioned during next month. So, I think hopefully we will be behind those issues of transmission. In the case of PPA, the States like Madhya Pradesh, though there has been a preferential tariff, they have been giving hindrance in signing up the PPA, because they feel that they are already power surplus. In fact they are committed to supply 24/7 power to the entire State. So, they do not want to buy the preferential tariff power. We already had taken up the issue with the highest level in the Government and we will be resolving it soon. So, these delays do cause concern to us in terms of signing up the PPA.

Pranav Sanghai: And sir, with the refusal of Gujarat, any status on that?

P Krishnakumar: In Gujarat, we had already commissioned 12.6 Mw and the balance 12.6 Mw also they have announced the policy on 25th of July and it will be signed up during the course of the next four-five days.

Pranav Sanghai: Okay sir. Sir, you mentioned that we are looking for refinancing and exiting from high cost debt. So, what is the plan? Right issue should be expected, FPO should be expected?

J. Sivakumar: No, when I am saying refinancing, it is actually tapping the banking system itself and the financial institutions for taking over the loans at a lower rate of interest. And presently what is happening is that the primary issue has been one of highest rate of interest in the last couple of years, because of which the interest rate went up, because of which we also suffered. Plus, there is a mismatch in cash flows in some of our old assets, wherein the tenure of the loan is somewhat lower than what it normally should be for renewable energy projects. So, that is what we are trying to address both these issues and trying to get a refinance from potential sources, whether it could be an investor base, not in the form of equity, but in the form of refinancing the loan itself at a lower rate of interest and with a more staggered repayment schedule, so that the cash flows mismatch which was there in the last couple of years will be addressed.

Pranav Sanghai: Sir, can we just consider selling off the Rajasthan plant to pay off the loan or something, because already they are out of operation?

J. Sivakumar: Actually what is happening is, of course, the situation of the industry being what it is, we may not be able to get takers for the biomass immediately if we decide to sell it. Yes, we are looking at those options. Of course one of the units which we have considered doing that, doesn't have too much of debt on its books actually. So, of course there are other ways of getting in some cash like we have some non-performing lands which are available, not the biomass one, but from the wind assets wherein

we have some lands which we are trying to unlock value, where machines are not going to come up immediately. So, these are the other initiatives besides the refinancing that we are looking at in order to get improvement in cash flow in the current year.

Pranav Sanghai: Okay, and one last question sir, what you are saying is all our plants are situated either in Maharashtra or in Tamil Nadu or Rajasthan for generation of power?

P Krishnakumar: No, we have biomass plants in Tamil Nadu and Rajasthan at least four each. In the case of wind assets, we have it in Tamil Nadu, we have it in Andhra, we have it in Gujarat.

Pranav Sanghai: Okay, we have wind plants in Tamil Nadu and Gujarat also.

P Krishnakumar: Yes, of course

Pranav Sanghai: Thanks a lot sir for the clarification.

J. Sivakumar: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good afternoon sir. I have a few questions. The first question is on the reintroduction of GBI. My understanding is that the budgetary allocation for GBI was around ₹8 billion. In your assessment how many Mw of projects would actually be supported into this GBI mechanism.

P Krishnakumar: When we had worked out based on 50 paisa per unit covering almost 2,000 odd Mw, but we also have to take into account, it includes from April 2012 that is what we expect when the announcement is made finally. So, it should cover almost 2,000 Mw. What had been installed under GBI scheme was only around 1,100 Mw or even less. So, it is covering the entire demand for the GBI from the wind industry.

Sumit Kishore: 1,100 Mw under GBI, this is since April 2012 till date?

P Krishnakumar: Yes, that's right.

Sumit Kishore: Okay. And what is the basic calculation in, arriving at 2,000 Mw?

P Krishnakumar: No, based on the ₹800 crore that they have provided for, if you work out for PLF estimated and also the capacity under GBI, it will amount to equivalent of 2,000 Mw

Sumit Kishore: Okay. My next question is on the REC mechanism. And so, in your business how much inventory of REC do you have currently and how many months of sale for you to liquidate with the volumes that are prevalent?

P Krishnakumar: We have around 200,000 REC on hand as on date. Last month the traction had been good, but still unless RPO obligation is implemented in full, it will take quite a bit of time to liquidate it. But, most of our RECs are less than eight months old. Last month we had sold around 15,000.

Sumit Kishore: So, the cycle is about eight to nine months as of now?

P Krishnakumar: As of now, earlier we were virtually having no inventory at all. The last six months due to less traction in the market, primarily because of lack of enforcement, it had gone up. That's when CERC have enhanced the time from 365 days to 730 days. But, we expect with MERC order on ensuring that all REC obligation should be met before March 2014 and also the court orders that are expected shortly, there will be more traction in the REC market in the coming months, if not immediately, at least the quarter commencing October.

Sumit Kishore: In your presentation sir, you have mentioned that CERC order on scheduling and forecasting as per which, wind power generators are to forecast generation for next year and you mentioned that it is an onerous requirement. So, in practice is it difficult to forecast within 30% of the, perform within 30% of the forecast?

P Krishnakumar: No, in the last one year and before, people have been monitoring it based on the forecast versus actual. What happens is, during the wind season to an extent it is coming within 30% in most days. But, if you take the non-wind season, the variation is much beyond the 30% stipulated, so in effect it goes to as much as 50% or even beyond that. So, to that extent there is greater challenge in doing. The point is, the accuracy is supposed to be within 30% of the rated capacity as opposed to within 30% of the forecast. So, during the wind season, since the generation is closer to the rated capacity you have essentially greater margin for error. But, during the off-wind season as it is the generation is very small percentage of the rated capacity. So, 30% of the rated capacity sometimes could be 100% of the predicted generation or 200% of the predicted generation. So, the error bar is not adequate at that point. The only positive is in the last two weeks, the agency has been monitoring it and based on the monitoring they have done, at least it shows for the last two weeks, the utilities have to pay to the wind developers lot of money, I think it has come up to close to ₹25 crore they have to pay. So, they are also resisting that. So, we have to see how they are going to resolve it.

Sumit Kishore: Sure. And this is already applicable. As of today you are forecasting doing this on a daily basis?

P Krishnakumar: The relevant areas we are doing for the last one year sir. We are monitoring it, but not as per compliant, but for our own internal understanding.

Sumit Kishore: Okay. So, this has not become applicable as on date?

P Krishnakumar: It is applicable from 15th July.

Sumit Kishore: From 15th July. So, have you paid any penalty under this order?

P Krishnakumar: No, that is what I am saying, as per the latest notification we have to get almost ₹13-₹14 lakhs from the utility by way of reverse charge. And the total amount is coming to I think between Maharashtra and Tamil Nadu which are within Southern and Western regions, it is coming to something like ₹25 crore to be paid by the utility.

Sumit Kishore: Okay. And sir, one very basic question; of the capacity that you have in wind about 406 Mw, what is the mix of the capacity that is based on feed in tariff and what is based on APPC, plus REC?

P Krishnakumar: We have 30 Mw or 40 Mw under feed-in tariff and the balance is under the rest.

J. Sivakumar: Basically it is split into two parts, existing assets which is about 184 Mw. We have feed in tariff for about 26 Mw in those assets which are increasing. Rest of the 156 Mw -158 Mw is on merchant in Tamil Nadu, i.e. group captive model. In the 300 Mw that we are setting up now, of which

about almost 200 Mw is already operational, today, 43.2 Mw plus 12.6 Mw, about 56 Mw is on feed in tariff. And it is expected that further, out of the further expansion that we are planning before the end of the year, the entire 88 Mw that is about 37.8 Mw plus 50.2 Mw would be on feed in tariff. Approximately that will be the feed in tariff among the 300 Mw and the rest 156 Mw would be on group captive model of the new assets.

Sumit Kishore: So, in your ultimate target capacity as of now, except the one which is on group captive, everything else is eligible for GBI?

J. Sivakumar: Everything else will be eligible for GBI. 144 Mw is as such planned under the 300 Mw program would be eligible for GBI, of which already what is accruing GBI now is about 56 Mw.

Sumit Kishore: Okay. But, till there is clarity you are not recording any GBI benefits?

J. Sivakumar: No, GBI what will happen is, now the final notification, the press note talks about retrospective effect going back to 2012, but in any case, we have commissioned everything after March 2013, so in any case certainly our assets will be eligible. But, we will have to wait for the final notification to see the procedure for applying for the benefit.

P Krishnakumar: We are not accruing

J. Sivakumar: We are not accruing it. We have not accrued so far. So, once the final notification comes out and depending on the eligibility of the amount which is finally mentioned along with the procedure, we will start accruing it.

P Krishnakumar: That we will accrue from retrospectively.

J. Sivakumar: We will accrue from the date of commissioning.

Sumit Kishore: Sure. That is very clear. Thank you so much for answering my questions.

Moderator: Thank you sir. The next question comes from Mr. Sagar Parekh from Enam Holdings. Please go ahead.

Sagar Parekh: Hi. Sir, I joined the call little bit late. Sir, you mentioned that about 2,000 Mw would be under the GBI scheme that would be there. So, what is that another 1,100 Mw that you mentioned, what was that for?

P Krishnakumar: 1,100 Mw has been already commissioned till date. So, we expect during the course of this year, at the maximum they will have another 800-900 Mw. That is the working based on which the MNRE had given the recommendation and that is how that 800Mw works.

Sagar Parekh: Sure, understood. And sir, by what timeframe do you think will the final notification for the GBI scheme will be put up?

P Krishnakumar: They had cleared in the Cabinet meeting; it was supposed to be yesterday. So, you can take it perhaps couple of weeks.

Sagar Parekh: In a couple of week's time.

P Krishnakumar: Subject to Government.

Sagar Parekh: Great sir that is it from my side and all the best.

P Krishnakumar: Thank you.

Moderator: Thank you sir. The next question comes from Ms. Richa Jain from Crisil. Please go ahead.

Richa Jain: Good afternoon sir. Just wanted to ask something on the RPO enforcement side; you mentioned that Maharashtra is somewhat pushing the obligated entities to meet the RPO obligation, but what about the other States, are there any instances of setting aside funds or rollover of targets or any push happening from the State side?

P Krishnakumar: Only in the case of Punjab, they have done ₹83 crore of allocation and most of it they have also bought in the past year's trading. So, barring that, there hasn't been any provision made in the budget for REC procurement. But, all state regulatory commissions have been waiting for somebody to take a call; we presume that MERC call will trigger other States regulatory commissions to enforce it. That is the expectation. Also, CERC has been pushing under the forum of regulators to make sure that the RPO compliance is adhered to, because they have been forced to enhance the time limit from 365 days to 730 days, which they are not very happy about.

Richa Jain: Okay. And I have been hearing that Gujarat and Rajasthan are not signing fresh PPA, so what could be the reason for that sir? Gujarat only because it is meeting its RPO target, but why is Rajasthan not signing the PPA?

P Krishnakumar: Rajasthan, I am not aware of. But, in the case of Gujarat there had been a vacuum in terms of policy, because the old policy expired on March 31st and after that the new policy have been given only on 25th July. So, in the interim, they have not signed up. But, I think since the policy has been put in place, so they will start signing the new PPA.

Richa Jain: Okay. Okay sir, thanks a lot.

Moderator: The next question comes from Mr. Rajat Budhiraja from Banyan Capital. Please go ahead.

Rajat Budhiraja: Thanks a lot for taking my question. My question is on the debt position, what is the expected debt if you consider your project of 300 Mw in pipeline?

J. Sivakumar: Today it is at a level of about ₹1,700 crore. Once we draw down all the loans, we should be at a level of about, peak debt would be somewhere around ₹2,000 - ₹2,050 crore minus the repayment at the end of this year, that will be the debt position.

Rajat Budhiraja: And you are looking at the refinancing of the loans, so this will be refinancing of all the loans including long term loans or only short term?

J. Sivakumar: Short term loan in this business is very limited to only the biomass business, wherein we have some short term cash credit facility of about ₹45-₹50 crore. Bulks of the loans are all medium and long term loans. So, we are looking at the medium term, immediately the priority is to get the short term or rather the medium terms loans of about five to six years for a slightly longer tenure that will be the immediate priority and once the entire projects are completed for 300 Mw, look at the larger loan subsequently. And in any case the tenure is about eleven years in that portfolio.

Rajat Budhiraja: Okay. And what is the current cost of debt and what would be the differential you expect after refinancing?

J. Sivakumar: Current cost would actually, range from about 13%, 12.75% in very few cases, 13%, going up to 16% - 16½% for some small value loans, so broadly in the range of weighted average of about 14% to 14.5% is the current rate. I can share more information once we have further clarity on the terms of the refinancing. But, initiative would be to get at least a benefit of about 1½% to 2%, if not more at least, that should give us a tangible benefit, if we are able to get that benefit.

Rajat Budhiraja: Okay. And you have some issues in your Rajasthan biomass plants where commercial production is not visible, because of the costing. So, do you see these kind of issues in any other plant or territory going forward or in near term?

P Krishnakumar: As far as Rajasthan is concerned, we had earlier opted for open access and REC. And the open access prices have come down drastically due to hydel power from Northern and North East region. We were not having any better revenue stream there. That is getting into PPA mode, which will happen during the course of the next fortnight or so. Apart from that, MNRE has been stressing lot of importance for biomass based power projects particularly because of the strain they have been having in the business. And we also have been interacting with the regulatory commissions to make sure, one, they reset the tariff on an annual basis and also to ensure that the PPAs are signed. We do not anticipate any major challenges going forward.

Rajat Budhiraja: Okay. And is it fair to assume that until PPA is signed in Rajasthan, so you are not operating this plant?

P Krishnakumar: Yeah, we are not operating this plant for the last four-five months that is the Sanjog plant 10 Mw capacity. The petition has been given to RERC and they had asked us to give revised petition seeking interim relief which the Chairman said he will certainly consider and this, we have submitted yesterday. So, we expect him to call for hearing and close it in the next week or maximum two weeks.

Rajat Budhiraja: Thanks a lot that is it from my side.

Moderator: Thank you sir. The next question comes from Ms. Richa Jain from Crisil. Please go ahead.

Richa Jain: Sir, follow up question, given that RPO enforcement is not been happening and excess RECs are unsold since August 2012, what is the level of comfort that bankers have as far as REC projects and are they lending and if they are lending, at what rate?

P Krishnakumar: The projects when they were given for financial closure and REC scheme was not there in almost all our projects, so it was not part of the revenue stream while appraising the project. So, they have not taken up any issues on that. We have a strain because it affects our cash flows.

Richa Jain: Okay, thank you sir.

Moderator: The next question comes from Mr. Sumit Kishore from JP Morgan. Please go ahead sir.

Sumit Kishore: Sir, in your presentation you have mentioned that the EBITDA for the wind business is about ₹704.26 million on a scale of ₹807.3 million. In general, of the operating cost, what is the portion which is linked to the generation or would the O&M would be higher in the windy month or is it a constant costing that you would have on a per unit basis or a per Mw basis in the model for wind project?

J. Sivakumar: Actually, not only O&M, in fact all costs are period costs basically irrespective of the generation. So, obviously of course EBITDA could seem to be higher in the first two quarters, up to part

of the third quarter, because the revenue will be very high and it will taper off in the fourth quarter, because the expenses will be more or less the same., Whether it is interest or O&M or a salary cost, they are going to remain the same irrespective of the generation. But of course on an annualized basis if you see we have been logging around 70-75% EBITDA on all assets, including the old assets. So, it is somewhat higher in this quarter. It will come down in the third and the fourth quarter and after that, the annualized will be somewhere around 75%.

Sumit Kishore: Would it be fair to say that the cost that you incur per Mw, the operating cost will more or less remain stable, although of course the revenue will change, it will be higher in the windy month?

J. Sivakumar: No, the fixed cost more or less would be the same, except there could be a variable component in the case of some of the older machines. If it is the new assets, it will more or less be the same. Of course there is an element of O&M, which will start kicking in from the next years since typically O&M is free for the new assets for the first few years. So, one would find that possibly O&M cost maybe slightly higher in the coming years as compared to what we are seeing in the case of new assets. But, the old assets it will be more or less the same.

Sumit Kishore: Sure. Generally what kind of period do the new machines enjoy where you don't have to pay O&M?

J. Sivakumar: It is between about two years going up to four years in some cases.

Sumit Kishore: Okay, okay, thank you so much sir.

Moderator: Thank you sir. The next question comes from Mr. Sagar Parekh from Enam Holdings. Go ahead sir.

Sagar Parekh: Sir, for the GBI benefit, in terms of rupees per unit, paisa per unit, you have calculated in the new notification if you can help us out with that?

P Krishnakumar: As far as the GBI is concerned they made it as 50 paisa per unit, there has not been any change, though the industry had sought ₹1 per unit or at least 80 paisa per unit. There is no change in the unit benefit in terms of the GBI. The cap has gone up from ₹62.5 lakhs to ₹1 crore

J. Sivakumar: Effectively over four to ten years period is what they are talking about and minimum four years and maximum ten years, one would get about ₹38 lakhs more per Mw, over the period depending on the generation, actual generation.

Sagar Parekh: Understood, thanks a lot sir.

Moderator: The next question comes from Ms. Richa Jain from Crisil. Please go ahead.

Richa Jain: Sir, this GBI of 50 paisa at the rate of ₹1 crore cap per Mw, what is your estimate as to how many years would this GBI last? As compared to last year I think if you see on your back of the envelope calculation would suggest four to five years, but it will go up to nine years or something?

J. Sivakumar: Yeah, basically what will happen, it will depend on the actual generation that we have. Broadly while we have to wait for the final notification, what we understand is, this benefit would be spread over minimum of four years that is, hypothetically if you get a PLF of 80%. We may not get the entire GBI in the first year. There is restriction over four years, they will be restricted to one-fourth or so, that is what we understand. While if the PLF is low, it is only 10% in a year, technically it will go up to ten years, over ten years period you can get the GBI, which is restricted as ₹1 crore per Mw. Effectively

earlier it used to be ₹62 lakhs per Mw over five years, now they have made it as ₹100 lakhs per Mw. So, one would stand to get about ₹38 lakhs more depending on the actual generation over minimum four years or it would be six or seven years or ten years depending on how the PLF works. We are therefore looking at better viability. In fact to put a number to our projects, it will be actually 144 Mw multiplied by ₹38 lakhs is the additional benefit we will get over four to ten year period, which is almost ₹50 crore over four to ten years period. We will have to really wait for the final notification so that it should not be something which we are missing here, because it is a broad level understanding that we have based on the approvals that have come yesterday.

Richa Jain: Okay. According to the notification, it also mentions that the capacities which have been commissioned last year, so actually 1.7 Gw was commissioned last year, so of which how much would be eligible for GBI?

P Krishnakumar: I think 900 Mw to 1,000 Mw maximum. They have taken, assumed it as 1100, but the information we have is around 900 to 1,000 Mw

Richa Jain: Okay, thanks.

Moderator: I would now like to hand over the floor to the management team of OGPL for closing comments. Go ahead sir.

P Krishnakumar: Thanks all for joining this call. Thanks Mayank for organizing this. We will be touch with you in due course. Thanks a lot.