



ORIENT GREEN POWER COMPANY LIMITED

19th August 2017

The BSE Limited
Corporate Relations Department,
P.J. Towers,
Dalal Street,
Mumbai-400 001.
Scrip Code: 533263

The National Stock Exchange
of India Limited
Department of Corporate Services,
Exchange Plaza, 5th Floor,
Bandra-Kurla Complex,
Mumbai-400 051.
Scrip Code: GREENPOWER

Dear Sirs,

Sub: Transcript of Earnings Conference Call for Q1 & FY18 results

This is further to our intimation dated 07.08.2017, pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding the conference call to discuss the Q1 & FY18 Financial performance of the Company on Friday, August 11th, 2017 @ 11.30 AM IST.

The transcript of the conference call is enclosed for your reference and records.

Thanking you.

Yours faithfully,

For Orient Green Power Company Limited



P Srinivasan

Company Secretary & Compliance Officer

Encl: as above



Orient Green Power Company Limited

Q1 FY 2018 Conference Call Transcript August 11, 2017

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- Moderator** Ladies and Gentlemen, Good Day and Welcome to the Orient Green Power Company Limited Q1 FY18 Earning Conference Call. As a reminder all participants' lines will be in the listen only mode. Please note that this conference is being recorded.
- I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you, sir!
- Mayank Vaswani** Good morning, everyone. I welcome all of you to Orient Green Power Company Ltd.'s earnings call to discuss the performance for the quarter ended June 30, 2017.
- We have with us today Mr. Venkatachalam – CEO and Managing Director and Mr. K V Kasturi – 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 have been e-mailed to all of you earlier and these have also been posted on our corporate website.
- I would now like to hand over the floor to Mr. Venkatachalam for his comments. Thank you and over to you sir.
- S. Venkatachalam** Thank you Mayank and a very good morning to all of you and thanks for attending the investor call. I am sure some of you would have gone through the presentation and also had a look at the results posted at the Stock Exchange.
- We are glad to announce a best ever consolidated performance for the Company for Q1. The Company had a turnover of Rs 154 crore with a record EBITDA of Rs 110 crore, and a PBT of Rs 9 crore. The best ever performance has been possible mainly due to a far better Grid Availability in Tamil Nadu where we have 308 Mw out of our 425 Mw Wind assets, coupled with a better Wind Season also. The Grid Availability for the quarter was 95% as against 60 to 75% in years prior to that. Tamil Nadu evacuated a record 4,400 Million Units of Wind Power in Q1 as against 3100 & 1600 MU in previous two Q1



an exponential growth in terms of wind evacuation. Incidentally, TN evacuated over 100 Million Units on two consecutive days i.e. Aug 3rd and 4th. All this is the result of years of effort put in by the Wind Associations in TN coupled with a very positive approach from TANGEDCO. Overall, we see this positive trend continuing in the years to come and with the strengthening of the North South grid and more export of temporary surpluses in power, we only see it becoming even better.

Further to this, you must be aware of our recent proposal of Sale of our Biomass units to our Holdco, Shriram Ventures Ltd. or its subsidiaries. We had earlier proposed to demerge Wind and Biomass units as two separate listed entities. This involved getting an NOC from the NCLT, as per the latest procedure, and NOC from some of our bankers. The process was getting to be time consuming and we also believed that considering the challenges faced by the Biomass industry, listing the same may not deliver the necessary value to the Shareholders. Over the last three years, over 30-40% of the losses have come from Biomass, which constitutes ~18% of our overall portfolio. Further, the average EBITDA of Biomass over the last three years is approximately negative 3% as against 70% and improving for the wind business. Further, after sale of the Sanjog (Rajasthan) unit and the Kolhapur Cogen unit, the overall Biomass portfolio will constitute 68MW. Considering all the above factors, we decided to divest our Biomass business and sell the same to S.V.L. or its subsidiaries. The valuation for the sale has been done by Ernst & Young, a reputed independent assessor. We have circulated the postal ballot for voting by the non-promoter investors and we should complete the same by end September 2017. With this, you will realize I am sure that huge amount of debt will also go out, biomass debt of over Rs. 300 crore including the DY Patil debt as well as the shareholders funds goes up by Rs. 50 crore and accumulated losses will also go out with the biomass business.

The proposed merger of IL&FS with OGPL Wind businesses was temporarily kept in abeyance to complete the above process of Sale of our Biomass units. With the Due Diligence by the independent Financial, Technical and Legal teams nearing its completion both the teams will go ahead only if the respective valuations are considered suitable for the merger.

As far as RECs are concerned, the CERC vide their suo moto order dated Mar 28, 2017 proposed that the floor price for RECs be reduced from Rs 1,500 per MWh to Rs 1,000 per MWh with effect from April 1, 2017. This was challenged by the Wind Power Association and the Honorable Supreme Court granted a stay vide their order dated May 8, 2017. In July 2017 the Honorable Supreme Court allowed commencement of non-solar REC trading and directed that, till the case is finalized, the buyer will pay a floor price of Rs 1,500 of which the seller will immediately get credit of Rs 1,000 and the balance Rs 500 will be kept in an escrow account with CERC.

Further to this, the 5/25 scheme for the Beta Wind assets which constitute 242 Mw has been completed wherein Rs 764 crore of the Rupee Term Loan apart from Rs. 180 term loan from ECB, the rupee term loan tenure has been extended repayment facility to 2023 to 2033. The ECB component of this loan to Beta Wind farms of Rs 180 crore will terminate in 2022. The other loan portfolios of wind have been reworked with far lower interest rates and



longer tenures and details of the same will be shared as soon as we sign the agreements with the bankers by end-September 2017.

The 20 MW co-gen unit at Kolhapur is being sold to the Sugar Mill itself and the process of sale including transfer of licenses, PPAs etc. will be completed by over the next two –three months, we expect it to be completed by November 2017. The bank loan pertaining to this DY Patil unit will also be taken over by their bankers. Similarly a 10 MW unit, Sanjog in Rajasthan is being run by the buyer completely will takeover with his bankers by December 2017.

Overall, we see a very positive outlook going forward. I now hand over to Kasturi who will take you through the financials.

K. V. Kasturi

Thank you Mr. Venkatachalam. Good morning everyone and thank you for taking the time to join our earnings call. Let me quickly run through our key consolidated financial highlights for the quarter, following which we can take questions.

We have started the year on a strong note with continued growth in revenues which were higher by 19% on a y-o-y basis to Rs. 154 crore. The improvement in operational performance is visible in the sharp improvement in EBITDA which is higher by 27% to Rs. 110 crore. The EBITDA margin improved to 72% from 67% last year, an improvement of 500 basis points.

The Wind business continued to perform well during the current quarter carrying forward from the previous year on the back of consistent availability of wind and improved transmission infrastructure. Revenues from the Wind business stood at Rs. 130 crore for the quarter as against Rs. 100 crore generated during Q1 FY17, higher by 30%. We have a total of 425 Mw of Wind Power Capacity and the annualized PLF in the first quarter was ~27%

Revenues from Biomass business stood at Rs. 23 crores for the quarter as against Rs. 28 crore generated during Q1 FY17, lower by 18%. The performance though is not comparable given the reduced size of the biomass business following the sale of Rajasthan plant. However, we had selected 4 biomass plants and infused working capital to source appropriate quantities of feedstock – these plants have been running at higher PLFs resulting in improved performance. The resulting operational leverage has resulted in EBITDA of Rs. 4 crore at a margin of 18%.

Depreciation for the quarter remained steady and stood at Rs. 39 crore as against Rs. 42 crore reported during Q1 FY17.

Moving on to finance cost, interest outgo for the quarter stood at Rs. 62 crore as against Rs. 67 crore reported during corresponding period previous year. Addressing the liability side has been a key focus area in the recent past. As shared earlier we have already restructured Rs.764 crore of term loans under the 5/25 scheme and the benefits are apparent in the form of improved cash flows and a stronger liquidity profile. As Mr. Venkatachalam just mentioned, we have also made progress on the other loans and will share details upon completing the relevant procedures with our bankers in end-September.



Coming to asset sales, we have also been in discussion to monetize our stake in selected biomass units. In addition to receipt of sale proceeds, these asset sales will take relevant debt against those assets outside of OGPL's books further deleveraging the balance sheet. The proposed sale to the holding company SVL Ltd. will also result in write back of the accumulated losses enabling a positive impact debt-equity ratio.

Revenue from REC's were limited following discontinuation of RECs trading in light of CERC's order to lower the floor price for RECs. While the Supreme Court has through its order in July made interim provisions for the trading to continue, the uncertainty resulted in a dip in trading of certificates. For the first quarter of 2018, we traded 22,500 certificates realizing Rs.2.25 crore of REC revenues. Our inventory as on June 30, 2017 stood at ~5lacs certificates valued at Rs.75 crore based on the floor price of Rs.1,500 per certificate.

To conclude, our strategic initiatives coupled with improving macros should help us to sustain the performance in the future. We are confident of significantly transforming the balance sheet by the end of this fiscal. The improving financial position and consistent cash flow generation places us in a position of strength to execute on plans to create further value for shareholders.

That's all from me. We can now take your questions.

Moderator Thank you. We have the first question from the line of Vijay Subramanian from Trustline. Please go ahead.

Vijay Subramanian Just wanted to know when do you expect this IL&FS merger news expected because first you said 3 months then extended to 3 months. Now, expect in August, September, when do you expect the merger details to be announced?

S. Venkatachalam See, basically as I mentioned to you, I mean we were first looking at since it is going to be only the merger of the wind businesses, we came up with a proposal of divesting the Biomass unit so that there is more convenience in terms of this thing. So, the postal ballot process has started for that, this posted a couple of days back and we will be starting talks with IL&FS in the next couple of weeks. By end of August, definitely we will have some headway in terms of as to the progress of the talks of merger with IL&FS.

Vijay Subramanian Okay. There is another question which I have is that if you see currently the Government is re-negotiating the power purchase agreements with a lot of people, then there is no interest in companies to go ahead and put a new wind power project. If you see the numbers of Inox Wind or Suzlon's wind are pretty bad because of these reasons. And what you see do you expect the huge downward pressure in your price which you supply to the private operators or how do you see the outlook going ahead?

S. Venkatachalam See, first of all, the Government has kind of they are trying to reopen PPAs of the recent past. Because in Andhra, we got tender at Rs.3.15 and then seeing a Rs.2.44 rate in Rajasthan they started their eyes opened up and

said can we re-negotiate further. Really speaking, these are all sovereign guarantees and even the MNRE in meeting with the Wind Association a couple of weeks back, they assured that we will talk to the states and see that they will not re-negotiate these PPAs because it is not something that we can really do. And our PPAs for Gujarat and Andhra are at least the wind businesses they are nearly signed for 4 to 5 years back. As far as Tamil Nadu is concerned, we do not see any price pressures because Tamil Nadu we go along with the industrial tariff for our group captive customers. And in fact, there is a document with TANGEDCO post the UDAY Scheme is looking at a 6% increase in next year. So, we always get 50% share of the increase in the tariffs. So, going forward we really do not see any price pressures as far as Tamil Nadu is concerned. So, we seem to be protected from all sides. And I really do not see whether that we can really open PPA, it is all temporary phenomena and going forward also see there will be price pressures for future investments which we will take call as and when we are making investments. We will take a call as to what IRRs we can generate from these investments and then go forward with them.

Vijay Subramanian So, the Andhra expansion plan. Your expansion plan in Andhra is on course or you have to renegotiate or you are working on it?

S. Venkatachalam Yes, we are working on it. In fact, because of these re-negotiation, etc., of course the Andhra has promised that other than the GBI it will still be similar kind of rates. So, we are still working on it and we will get back to you as soon we kind of the debt is also being tied-up. So, the next few weeks we should have the answer for that.

Vijay Subramanian Okay. I recently read an article saying that from the existing plant, there is a way to increase the efficiency by doing some small CAPEX. Is that possible in your wind projects your wind mills or that is only for specific operators, specific manufacturers?

S. Venkatachalam See, of course there are lots of these things innovations which keep coming up in fact with our O&M teams also we keep innovating and looking at ways and means to increase the wind kind of generation because if you have anything specific, any specific article, we can always look into it and we would be most willing to hear this. Because we keep reading various articles on in terms of improvement in the efficiencies and we keep trying out these things to improve our own efficiencies.

Moderator Thank you. Mayank, would you like to proceed with your questions, while we wait for participants?

Mayank Vaswani Yes. This is for Mr. Kasturi. Sir, just for the benefit of participants, could you break up the total debt into the wind and biomass? And could you give us sense of how much would move out once the biomass sales are completed and once all three of the biomass transactions are completed and then only remainder of the wind debt. If we could have a sense of what average cost of debt could be, sir.

K. V. Kasturi So, the total debt as of now is around close to Rs. 2,000 crore. Out of this Rs. 2,000 crore; Rs. 1,700 crore is in the wind actually around Rs. 300 crore

in the biomass. But this includes even group debt also, okay. So, as of now all the biomass units are moving to our SVL Limited, so close to Rs. 300 crore of debt will move out of the portfolio. So, we will be approximately around Rs. 1,700 crore of debt will be there which comprises of around close to Rs. 1,300 crore is the bank debt and around Rs. 400 crore will be the group debt. As far as bank debt is concerned, the average will be around close to anywhere around 13% will be the average once by the final restructuring on the few wind assets are currently in place. So, we will be average around 13% and the group debt will be around right now it is around 10.5% that we will continue.

Moderator Thank you. We have the next question from the line of Vishal Periwal from May Bank Kim Eng. Please go ahead.

Vishal Periwal Continuing with the previous participant question on industry moving from F-I-T to auction based tariff. Now, in terms of states if we segregate, can you throw some light on which all states they have commented, they want to renegotiate the PPA or probably they approached you?

S. Venkatachalam See, nobody has approached us and only people who have been approached, or the people who have signed tariffs in the recent past, I mean in the last 6 months or so on the Karnataka and Andhra approach and that was only for projects which have not been completed. In fact, in our case the projects have been in operations over the last 3 years to 4 years when the PPAs have been signed. Nobody has approached and they will not approach also, I mean we are very confident about that. And even the projects which have not been completed but signed the MNREs assured the association that this will not happen; they will not allow this to happen. So, we do not see that as a threat and going forward we will have to see how we go forward with the kind of tariffs and I personally believe that this is only going to be a temporary phenomenon because tariffs which we are seeing may not be really workable or bankable Rs. 2.44 in Reva or Rs. 2.97 in Badla. In fact, we have talked to a number of financial investors and they really do not see that make sense. So, if it is there, it is there but it has only created a temporary kind of it, upset the apple cart for the time being. But going forward, I do not see it is a threat.

Vishal Periwal Okay. So, if I just continue on this. So, will this be right to say that states where only MoU is signed not a firm PPA is signed, they are re-negotiating those MoUs or even the firm PPA they plan to be re-negotiate may not be like impacting us but from industry perspective?

S. Venkatachalam See, it is only a threat at this point in time, the power secretaries of these two states have threatened to negotiate PPAs of units which have not yet been commissioned So, it is only to that extent but as I see it, it is one of the PPA signed it becomes a sovereign document kind of thing. So, really speaking they cannot do that, it can be challenged in a court of law.

Vishal Periwal Okay, that is helpful. And second in terms of our CAPEX plan, which are projects that we have that we plan to commission probably this year, next year or any states level tendering that we are participating or any states they have coming out with the tenders if you can share some light on this?



- S. Venkatachalam** See, as I had just mentioned, see the last 3 to 4 years because of the grid back down issues, we were focusing on really consolidating and improving the Tamil Nadu situation and a lot of effort has been put along with as I said the positive attitude from TANGEDCO has really helped us from a level of 40% grid back down to less than 5% that we saw in quarter one. So, this has been real effort to get this all our units wind units back to profitability. Now going with the past 3 to 4 years, the kind of laws we have incurred due to this grid back down we really did not focus so much on the CAPEX. There is a 43 Mw which is spending on the same Andhra asset because the grid and the infrastructure the land infrastructure is all in place. So, we are raising funds for that and we are talking to the A. P. Government for reopening that particular PPA as such. I mean that we have been very favorable to that because it is only a pending thing, it was already committed in the past. But going forward, we will be very prudent and we will be cautious in terms of what kind of IRRs we can generate from the future projects, what kind of tariffs. So, right now there are no big tenders, in fact there was a tender in Tamil Nadu which has been just called off has been postponed because it has been challenged by various associations. So, no big tenders as of now that we see. But going forward we will watch and then we will take a call.
- Vishal Periwal** Okay. On this Tamil Nadu front, have they come out with the new dates in terms of when it will be, they will come out with the new tender and anything on that front?
- S. Venkatachalam** Yes, see, we have no idea when that new tender is going to come up because many of the states are saying that a surplus power available, so they really do not need any more power, be it wind or solar but then for us, see as a company we definitely have secondary options also available in terms of expansion not just the new tenders or the primary expansions that we need to take up. Secondary options are always available, we have got our eyes open for those. And a lot of opportunities are opening up and you can see a lot of these things are happening in the market right now.
- Vishal Periwal** Okay, one theoretical question only, so for the Andhra Pradesh if the terms of the PPA are I mean if they propose you to I mean the tariff to be reduced to say Rs.3.46. As a developer, will you be comfortable with this kind of tariff?
- S. Venkatachalam** Clearly no because see the Rs.3.46 is not a workable tariff for that particular site. The Government also has realized that in fact the power minister has gone on record saying that this Rs.3.46 is only valid for a particular size and a particular PLF let us say 35% PLF in those sites in Tamil Nadu where it has been quoted. So, Andhra is typically between 26% and 27% of the size that we have. If you go to M. P., you will probably get 22%. So, obviously the tariffs are, Rs. 3.46 is definitely not a workable tariff for Andhra.
- Vishal Periwal** Okay,so, but in Tamil Nadu the tariffs which are being quoted or probably some of the sites in Gujarat. So, do we have like technology in India which can give a PLF of 35% now or it is still people are kind of...
- S. Venkatachalam** See, basically it depends on two factors, one is the wind site itself the wind potential of that site coupled with a technology that you have in terms of higher hub height in our bigger diameter of the blades. So these are the destruct area of the blades that is something which goes into directly

proportional to πR^2 . With the new technologies which are coming up, there are people going beyond 2.1 Mw. So, if you really see the wind has gone from 250 Kw to the Mw classes. And there are one or two sites which are giving more than 35% even one or two which are giving 40%. So it's site dependent also and technology dependent.

Moderator Thank you. We have the next question from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar Sir, I have a question on this recently Madhya Pradesh is contemplating to take away 'must-run' status on renewable energy. So I just wanted to know your thoughts on that and would that translate into other states such as Gujarat and Tamil Nadu also considering that?

S. Venkatachalam See, basically, this has been the subject of talk from various states. As far as the Electricity Act is concerned, the 'must-run' status has to be guaranteed for all renewables. But having said that, see, Tamil Nadu its two years, three years back, they were not able to enforce it. They said, see, if there is so much of fluctuation in the renewables and how do you expect us to evacuate when the demand is also fluctuating minute by minute. So we really worked with the Tamil Nadu government, they helped us out by shutting down thermal power plants during the wind season, doing the scheduling and forecasting, doing export in fact from last year they started exporting surplus, momentary surpluses to the southern region itself and then going forward with the north-south grid corridor also getting strengthened. We expect them to evacuate practically the entire power. So, in fact, this year there was a little bit of a grid back down issue in Rajasthan for wind operators. So, it's basically a matter of learning and in fact we even did a big exercise, we took the TANGEDCO senior management along with their grid operators, the Wind Associations took them to Europe. And saw how Denmark and other countries are able to run on wind power for, see, 100% of the power in certain days is supplied by wind power, a fluctuating wind power that too. So, the European grid is an integrated grid where they act as sources and things. So, when the wind goes up the other shut down and so on and so forth. So they balance the grid very beautifully. So this learning has been translated into Tamil Nadu and you see the results of all these efforts. So the same efforts need to be translated and the education needs to be carried forward to other states as well. I think it's a manageable problem.

Shrinidhi Karlekar No, sir, I was wondering whether it is coming from the technical aspect of the, like, transmission and infrastructure or it is coming from the commercial angle that the renewable is at the historical capacity that has come in renewable, it has come at a higher price and so and Discom situation is not great. So, incrementally they want to procure power, which is at a lower price, right. So isn't that the driver to take away the 'must-run' status?

S. Venkatachalam No, not really. See, as per the Electricity Act, they cannot violate the 'must-run' status and the tariffs in most of the states are quite comparable to the tariffs, grid parity with coal tariffs also. Now we technically....

Shrinidhi Karlekar Sir, the grid parity is like incremental capacity right. The capacity which has come like three years back that is not at parity, right?

S. Venkatachalam Yes. What capacity has come three-years back, in fact, in Tamil Nadu they are already all the commitments, in fact, Tamil Nadu, the TANGEDCO is buying wind power at Rs. 3.59 paisa, though we are on group captive but they have been evacuating the entire thing. They have been putting all the efforts, but despite the fact that TANGEDCO has losses, accumulated losses of several thousands of crore. Now the question of managing the demand, see, the demand fluctuates during the day and the wind also fluctuate. So if there is a scheduling and forecasting in place along with the open grid through the countries where they can actually trade-off the excess power to other states. It can technically even go to Tripura from Tamil Nadu, I mean, it is after all only an accounting entry. So, the grid, I mean, it's only a question of them getting to manage the grid better and this has been demonstrated in Tamil Nadu. So this is what we are trying to tell the Honorable Power Minister also that these are learnings that we can carry forward. And even, see, the other thing as you mentioned see the demand has not really gone up in the last couple of years. If you see Tamil Nadu, the demand has really going on from air-conditioners and a little bit in terms of pump sets. Industrial demand has not really gone up and once the industrial demand goes up, we really see that, sky is the limit, I mean, there will be a shortage of power. Today, there is technically no shortage of power, though there are power cuts, but what the government claims is no shortage of power.

Shrinidhi Karlekar Right, and sir the last quarter grid availability was 95% right?

S. Venkatachalam That's right, yes.

Shrinidhi Karlekar And practically to what level it can go, , if we have a good infrastructure?

S. Venkatachalam Yes, practically in Gujarat and Andhra, they are evacuating 98% of the wind power that is being generated. Very rarely they give you a kind of a shutdown. See, what happens in Tamil Nadu why the issue came up, see, Tamil Nadu grid size is about 13,000 Mw kind of grid size, which fluctuates based on a very hot day you get more of goes up. On a cooler day, on a rainy day etc., the demand goes down to about 10,000 Mw. And the wind installed capacity is about 7,800 Mw in Tamil Nadu. So if that fluctuates on a given day between say, let's say, 2,000 and 6,000 during the day and they have to maintain the frequency bandwidth between 49.9 cycles to 50.05, in fact, these norms were tightened by CERC three to four years back that's when the problem came up. So earlier it was 49 to 50.5. So they had a huge bandwidth to play with and they were not, these UI charges were not very, penal charges were not very high. So, with the stricter grid controls and with so much of wind infirm power which has been put into the grid, I mean, their wind installed capacity is 7,800 on a demand of only 13,000. So, Andhra and Gujarat do not have this problem because their wind is just about balance, it's only about 30% of their grid demand is by the installed capacity of the infirm power sources wind or solar.

Shrinidhi Karlekar Right, and sir the last one. So, we are on a, like, we are selling it to group captive. So even if like, typically in case of feed-in tariff we have 25-year feed-in tariff which is a guarantee right, but life of a wind turbine could be higher. So, do you see particular wind turbine can last for, let's say, more than 25 years.



- S. Venkatachalam** Yes, see, some of our wind turbines are in excess of 20 years at least some of the Andhra assets. And except barring a couple of them which we are, kind of, abandoned, most of them are still working,. But really speaking, see there are opportunities for repowering which will be available once the policy comes in place, the repowering policy is still not clear, they are still offering a lower tariffs and once that is in place. So we will definitely look at repowering because those lands are really valuable wind sites which have the southern part of Tamil Nadu, the Kanyakumari belt, the belt size are occupied by the lower capacity in old technology machines because that's where it all started.
- Shrinidhi Karlekar** And sir you have land as well as substation it belongs to the company, right?
- S. Venkatachalam** That's right, yes, so once the opportunity comes up we'll definitely look at it, but otherwise we'll slog it as we still slog it to.
- Shrinidhi Karlekar** And you can trade that as well, right. If you decide upon, like, I may not want to invest incrementally in wind. You can trade that as well, like, after some time, right it's your asset right? Yes.
- S. Venkatachalam** We always trade that and there are enough opportunities for at least the newer IPPs that are coming up. They are looking at....
- Shrinidhi Karlekar** Right. Exactly, Yes, and you can also develop if like whenever it comes.
- S. Venkatachalam** Certainly, but we will take it as it comes, I mean, depending on that.
- Moderator** Thank you. The next question is from the line of Sudhakar Prabhu from Span Capital. Please go ahead.
- Sudhakar Prabhu** I have three questions. So first is on this Biomass sale, so when do you expect this transaction to be completed?
- S. Venkatachalam** Yes, first is, see, we have started the postal ballot process about two days back we posted it. And we have an AGM also so where we also announced it and explained to the shareholders. So, the postal ballots will be completed by beginning of September, September first week we will complete the postal ballot. And then we start the process of sale to our this thing, so by September end is when we see this concluding. And as I said about Rs.300 crore plus of debt goes out of the books and the shareholders' funds improved by about Rs.50 crore and also the accumulated loss of biomass also goes out with that. So, on a Rs.74 crore share base you can easily work out how it pans out for the shareholders.
- Sudhakar Prabhu** And the net cash inflow is Rs.50 crore, right.
- K. V. Kasturi** No, actually how the transaction will happen is net is around close to Rs.80 odd crore will come.
- S. Venkatachalam** Along with the debt, so along with the enterprise value.



- K. V. Kasturi** Enterprise value is around close to Rs.275 crore. So all this eight biomass units and the debt will be around Rs.193-Rs.195 crore debt will go. So the Rs.80 odd crore will come in the system which we will be using it for liquidating some of the debt structure.
- Sudhakar Prabhu** Okay. So Rs.80 crore will come into the listed entity.
- K. V. Kasturi** Yes, for OGPL, Yes.
- Sudhakar Prabhu** And secondly on this IL&FS thing. This transaction has been delayed or the talks have been delayed for almost 6 months now. So when do you expect this transaction to be closed or at least the talks to be closed and final decision to be taken?
- S. Venkatachalam** Yes, see, as I said by August end definitely we'll have something concrete on that. We also went a little bit on standby because we were focusing on divesting the biomass business which was a necessary thing. So it's only a pure wind business that gets merged in. And as I have said, definitely it will only go based on the relative valuations that we get from each other and if the both the entities are comfortable with the relative valuations.
- Sudhakar Prabhu** The question I'm trying to ask is what is the reason that talks are being delayed? Is it because of valuation or is it because of business?
- S. Venkatachalam** No, due diligence is more or less complete, but we believe it is for the demerger of the divestment of the biomass. We wanted to get that process also. So we got Ernst & Young to value our biomass business. We thought it will be a cleaner process, if we instead of having the biomass with a separate entity because the NCLT process of demerger of biomass and wind into two listed entity is going to take infinite amount of time. So, we said, okay, it's better to go through this process and keep biomass as an unlisted entity. So then we have a clear wind business, which we can consider the merger to IL&FS or whichever turns out to be fruitful to both the entities listed.
- Sudhakar Prabhu** But more or less you are saying that the deal is done?
- S. Venkatachalam** No comments as of now because we'll have to see when we actually set across the negotiation table with the numbers that we have got from the independent entities like KPMG and the technical and the legal DD teams that have worked on it.
- Sudhakar Prabhu** Okay. So, let's assume if the deal doesn't go through and what is the future for this company. See you have 425 megawatts of operating assets. And on this, you can do maximum EBITDA of around Rs.200 to Rs.250 crore. So, how will you take this company forward, if we assume that the merger doesn't go through.
- S. Venkatachalam** No, in fact, see if you really see the wind EBITDA of the last year, it will be 425 megawatts is close to Rs.290 crore with mapping almost 293 crore of the total nothing came from biomass. So, the entire Rs.293 crore has come from the wind business. With even in the first quarter, if you see there is a Rs. 25 crore increase in the turnover with 6 crore units being extra pumped



in by the wind business itself. So, more than Rs. 25 crore has been the upside in the first quarter and it all flows directly to the bottom-line in the EBITDA. So with the second quarter also finding out to be good. In fact, we are almost halfway through the second quarter. But I can see without making any forward-looking thing, but at least Rs.35 to Rs.40 crore increase over the last year's number. I can clearly see that happening or even more if not anything else. And going forward, we see the wind business will become a profitable entity on its own. After which, the sky is the limit and definitely bankers and others would be more willing to talk to us and financial institutions also. Investors because with the biomass clouding the entire thing investors were always looking at us with, I mean, many of them were interested in the wind portfolio, but when it comes to biomass, they would always kind of step aside.

Sudhakar Prabhu Okay. So the reason why I'm asking this, you have been struck at around 425 Mw for a long time and even your expansion is getting delayed, I think, it has been delayed almost more than 1.5 years now. So, that is the reason why I'm asking you this question?

S. Venkatachalam Yes. It's a perfectly valid question. Okay, because of the past record etc. it was also difficult to raise more money with the bankers. Also now they see the performance, the bankers are, in fact, coming forward is very keen to take this forward at this point in time.

Sudhakar Prabhu Right. And is there any debt reduction plan other than this merger thing.

K. V. Kasturi Right now, only thing is, what we are now looking at is only trying to reduce the interest rates. We don't have any immediate plan to repay any significant loan. Only thing is we are trying to bring down the interest cost. We are in advanced stage, are in close to Rs.100 crore debt, very costly one. So probably maybe end of August or maybe end of September we should be able to close the deal.

Sudhakar Prabhu Right. Sir, lastly is the IL&FS assets making decent returns on investment?

S. Venkatachalam Yes. We are waiting for their numbers as well. As I said, it's not proper for us to comment when the DDs in progress. Definitely, we will get back to you once we have the finalized numbers of the IL&FS wind portfolio, right.

Sudhakar Prabhu Okay. So, you are saying that by the end of this August, you will have some clarity.

S. Venkatachalam Definitely.

Moderator Thank you. We have the next question from the line of Deepak Agarwala from Elara Capital. Please go ahead.

Deepak Agarwala Good to hear the positive commentary at least from the grid and the Tamil Nadu perspective. Couple of things sir, Do you see a fair bit of consolidation happening in this space given there are some players who want to grow and there are some players who just entered as financial investors and possibly mid-way whether the assets under construction or they are just



commissioned and sell-off and sell it to the larger players. Do you see these things happening?

S. Venkatachalam Yes. In fact a lot of possibilities can emerge because people even who have quoted this Rs. 2.44 are looking to sell those, that is for the solar part of it. Even the people who have quoted Rs. 3.46 that's Inox and others are looking for buyers for those projects. And so and then you also hear things like ReNew merging with Orange those kinds of things that that our IL&FS with OGPL that's been also been a talk which you see when you go to the renewable industry seminars.

Deepak Agarwala In fact now even Ostro Energy is on the block by...

S. Venkatachalam Yes, so we never know what pans out and how these things work out. I mean the kind of investor interest especially whereas people have taken a little bit of a step back in the last couple of months. Having done 5,400 Mw of wind and equivalent amount of solar in the last year, at least the bids have taken place. But, this year people don't see any future horizon. In the first three months, everybody is looking quite glum and in fact there have been a lot of people who have been sent out from many of these wind manufacturers. I mean there have been a lot of layoffs in the wind manufacturers part of it. So my reading is these will all be temporary phenomenal, once the demand goes up, again there will be a renewed interest. In fact, two, three years back we had this ADI being removed and for one year there was a complete lull as far as the wind industry is concerned. There is another lull which we see at this point in time, but I think this will again open up. Someday, it has to open up, I mean, actually we don't have come back.

Deepak Agarwala No, no I'm sure it will come back.

S. Venkatachalam Yes, it will come back.

Deepak Agarwala Especially we already have 2,500 of bids in the market. So, though, it may not be for you but the bids are already there like in the markets so.

S. Venkatachalam Right. Absolutely.

Deepak Agarwala And sir, secondly if we take the argument on the group captive because this is a segment which initially lot of companies including yours has resorted to, rather than relying on state level PPAs. So, do you think as an alternative in this environment, the group captive can actually make a comeback and some serious players can actually go for it, the model wants to grow?

S. Venkatachalam Group captive only Tamil Nadu had increased the group captive models and not many other states you find people following the group captive model, more in terms of the open access model that many other states are following. Of course, one is the renewable industry is saying that make the cross subsidy charges nil or make it even streamlined across the country because each state charges a different amount as far as the cross subsidy charges are concerned. But group captive itself is being revisited by the central government and even Tamil Nadu wants to redefine the preference and the equity portion of the group captive, but okay, that's because a few of them, it



will not affect OGPL, but few of them have shown a very low equity base to facilitate the group captive structure. But as far as OGPL is concerned, we don't stand to have any risks on that count as such.

Deepak Agarwala Okay. And also, in terms of, because many of this especially the industry and the large consumers. Since they are also obligated agencies and now we are seeing what's happening in the REC unfortunately for last 3-4 months. So because all these obligated agency will also be now under pressure to meet their RPO obligation apart from the state discoms. So, isn't that open a market for you to sell the power to those agencies, like, is there any way out in that?

S. Venkatachalam Not really. In fact, see, REC is still a thing that has to be traded in the exchanges only. And as you rightly pointed out, there is not really much pressure which is coming from the regulators because unless the regulators put pressure whether it is Rs. 1.50 or Rs. 1. What we want is to liquidate that amount. In fact there is no real way where you can trade the RECs elsewhere or supply power to the obligated entities which are in other states. In fact predominantly we are in Tamil Nadu, we can't supply to, let's say, Haryana or, let's say Bengal to meet their power obligations because still there is no clarity on the transmission charges or the cross subsidy charges across. It may not work out considering the present tariffs and present lack of demand at this point in time.

Deepak Agarwala Why do you say there is no clarity because there is no interstate transmission charge that has been waved off already?

S. Venkatachalam It has been waved off, but then see basically because the power exchanges the trading itself is at a very low level. So will you be able to supply wind power or any power for that matter at the existing exchange rates that are prevalent right now. So unless that improves, I don't think that will really pan up in terms of the sale to a third state which is far from yours actually.

Deepak Agarwala Okay. And just last bookkeeping question. Can you give us the debt and the cash number as on 30th June?

S. Venkatachalam See as on 30th June, we have overall debt of about Rs.2,000 crore as which Kasturi pointed out and about Rs.270 crore is from biomass and another Rs.40 crore, Rs.45 crore will go out with the DY Patil unit also. So the wind will be less than Rs.1,700 crore of debt which constitutes about Rs.400 crore from the group itself and rest is Rs.1,300 crore with the banks. Now the Rs.1,300 crore is more or less Rs.1,000 crore with the beta entity which is where we have done the 5/25 portion of it about Rs.180 crore of that Rs.1,000 is close to on the ECB part. So remaining Rs.270 crore odd is from the old wind assets which we have actually completed the renegotiation. We are about to sign the documents, but we'll have the news in the next couple of weeks that we have been able to renegotiate those rates also. So lot of good things happening. We see at least the debt of the interest burden going down by about Rs.30-Rs.40 crore, if not more.

Deepak Agarwala Okay. And the cash position?



- K. V. Kasturi** See cash position definitely we will have to wait and see because what will happen and we are doing a lot of banking of power, especially during the season the substantial units are now getting banked. And we are also evening out the cash flow because we don't want sudden spurt in the cash and then reducing the cash in subsequent periods. So what we have done is basically the even out the cash flows even during the off season also. So that you are able to maintain a steady cash flows and also meeting the bank obligations on a regular basis. So right now we are particularly on the loan side. Probably by end of September, we should be able to bring everything under normal.
- Deepak Agarwala** Yes, once we have better ratings also I think we'll be able to pitch for better interest rate even lower than what is prevalent today that kind of thing. Those kind of things we can pitch for.
- K. V. Kasturi** Only small concern is on the AP Discom. See, currently the AP Discom is delaying their payments. Earlier they used to pay by between 35 to 45 days. Now the delay is anywhere between 75 to 100 days actually. So we are now working with the AP Discom for bringing within the 45 days' time, but that will take time. So that is a little bit cause of concern for us, but otherwise on the realization of receivables from the other group captive as well as Gujarat is very much on track.
- Moderator** Thank you. We have the next question from the line of Vijay Subramanian from Trustline. Please go ahead.
- Vijay Subramanian** Yes. This is probably a repeat on this. If you look at ORIX seems to have a major stake in IL&FS. And then eventually when the merger takes place, I think, being a larger entity if at all a bit happens and it will be eventually owned by the ORIX Group. Do they have specialist in wind something like that or does they get you a cheaper Japanese funds. Do you think those kind of an options are available. That's first question. The second question is that the Raigarh-Pugalur corridor when it is expected to get ready. Will it ease the conjunction further or is it going to be this year or the next year, if you can answer these two questions that will be great?
- S. Venkatachalam** Yes, see the Pugalur corridor is already completed, see, the Katihar-Pugalur to up to Sholinganallur that is almost Chennai, that corridor is completed. There is only a little bit of corridor which has to be completed in the Coimbatore-Salem belt to evacuate more of the wind energy in that Palladam that is the Palakkad pass that you have there. So, that, of course, we don't have too many assets there, so it doesn't affect us presently. Okay. Coming to the IL&FS part of it. See the ORIX, I mean, IL&FS presently has a portfolio of about 775 Mw installed. Definitely, they are in various other states, if not so much of focus in Tamil Nadu, they have only about 25 Mw, if I remember in Tamil Nadu. So they have definitely a lot of wind experience in managing wind assets across the country and we have a huge amount of experience as far as getting the evacuation done in Tamil Nadu and the group captive structure, which I don't think IL&FS will have that expertise with them. So it will be definitely a joint kind of a thing, see, and with a 1,200 Mw plus kind of overall portfolio, I'm sure, we'll have opportunities to raise funds at much lower because it gives you a much better size to negotiate and whether these funds come from with the help from ORIX in Japan or from various other



funds that only remains to be seen once we sit on the table and talk to each other about these parts.

Vijay Subramanian Also just from the SEBI perspective, if the merger happens ORIX being 49%. They will have a kind of controlling stake which means it will also open of, those kind of a change of management will happen or it's going to be existing management will continue those things or...

S. Venkatachalam Sorry, I can't comment on the structure, but they will probably come in as a financial institution or whatever. And it will not trigger an open offer is what I can only comment without really or in a full this thing of the final structure that will emerge.

Moderator Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead, sir.

S. Venkatachalam Yes, thank you very much. In fact over the last quarter you can always see that the performance of quarter one has been far in excess and best ever quarter performance. And we thought we must come and share it with you because it's a moment of pride and something that we are really happy to see at least a Rs.25 crore increase in the overall turnover and as well as the EBITDA has gone up from Rs.87 to Rs.110 crore and the PBT going up from to Rs.9 crore from a negative Rs.23 of last year. So with these positives and with the divestment of biomass and having a clean wind slate, we really see these opportunities ahead as something very positive for the years to come and, of course, as there were questions on the IL&FS part of it or the tariffs part of it which are obvious questions that it will come up with the times that we are going through. Okay, we will have to wait and watch and of course it doesn't affect any of our present portfolios, in fact, the wind portfolio that it will be left out with this only going to be much better right now.