



## **Orient Green Power Limited**

### **Conference Call**

### **November 24, 2016**

---

**Moderator** Ladies and gentlemen, good day and Welcome to the Orient Green Power Q2 & H1FY17 Earnings Conference Call.

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.

I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you Mr. Vaswani

**Mayank Vaswani** Thank you Moderator. Good Morning, everyone. I welcome all of you to the Orient Green Power Company Ltd.'s earnings call to discuss the performance for the quarter and half year ended September 30, 2016. 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. Sachin Garg to take the discussion forward

**Sachin Garg** Thank you Mayank and good afternoon ladies and gentlemen. We have with us today Mr. S. Venkatachalam – Managing Director & CEO and Mr. K. V. Kasturi – Chief Financial Officer. As always Mr. Venkatachalam will start the discussion by highlighting the key operational developments of the Company following which Mr. Kasturi would run through the financial highlights for the quarter.

And with that, let me pass on the discussion to Mr. S. Venkatachalam. Thank you and over to you sir.

**S. Venkatachalam** Thank you Sachin. Good morning to all of you and my thanks to all of you for joining our call.

I am extremely pleased to announce that we have achieved a best ever Q2 and a record best ever H1 in terms of both EBITDA and PBT. This is really the cusp of a new beginning for Orient Green Power, wherein the stage is now set for a bright future focusing on big growth over the next few years.



We have really been waiting for this moment and this phase has really helped put the past behind us. The record profits have been made possible by an excellent performance in our wind portfolio aided by TANGEDCOs extremely positive steps towards grid evacuation. Grid evacuation was on an average over 90% with Q2 being close to 95%. Apart from this, let me highlight a few other initiatives that have help us set the stage for excellent growth prospects in future.

- For our Beta / Wind portfolio which constitutes the new Assets comprising 241 out of our overall 425 MW, the consortium of Banks have completed the 5 / 25 scheme on a Rs.1000 Cr. Loan portfolio.

- There is good progress with regard to the demerger of our Wind and Biomass business into two separate entities.

- The sale of the DY Patil unit is in the final stages and should be completed any day now.

- Our first phase of 43.5 MW expansion is underway.

I would like to elaborate on these salient features for the benefit of those who are attending the call for the first time.

Grid Back Down was a major issue that had impacted our performance over the last few years. There has been a complete turnaround in terms of approach and attitude in this regard, so much so that it has made Tamil Nadu positive. The Wind associations, with a very active lead role from OGPL, have been working very closely with the state utility and the Centre to initiate measures to reduce incidences of Grid Back Down from a level of around 40% three years ago to around 10% this year. Some of the measures towards these major improvements are:

- Completion of the 2000 MW green energy grid corridor from Kayathar to Sholinganallur.

- Shutting down of Thermal Power Plants, around 2000MW for maintenance during the wind season

- Introduction of Scheduling and Forecasting

- Increased Frequency Bandwidth from 150MW to 250MW for renewables

- Sale of excess Power to outside states

- Continuous interaction / seminars with European Utilities / Grid operators on how they manage large proportions of infirm Renewable Power.

I would like to add here that the Tamil Nadu CM had written to the PM to enhance the grid capacity to ensure sale of up to 1000MW of wind energy to other states.

Out of our 425 MW, our Beta Wind Farm SPV constitutes around 241 MW with assets in TN, AP and Gujarat. The debt balance of 1000 Cr had balance tenure of upto 2023 only, thereby putting an overall strain on the system to service



repayments. The consortium of Bankers have approved the flexible restructuring this term loan facility, wherein the term loan repayment will be rescheduled upto 2033. This coupled with improved performance of Wind mills in Tamil Nadu will be a major positive for OGPL cash flows from now on.

We are in the process of demerging the Wind and Biomass businesses into two separate entities. The wind businesses will be under Orient Green Power and the Biomass businesses will be moved into a new entity namely Biobijlee Greenpower. The demerger process is moving well. We have the necessary shareholder approvals in place and are in the final stages of getting NOC from the banks. This coupled with the court procedures and various approvals should be completed by mid to end January, following which we can do the listing. Shareholders will have a mirror holding of 1 Biobijlee Greenpower for every 10 share of OGPL.

As far as the Biomass business is concerned, I would like to once again reiterate that, given today's tariff structure and the prevalent fuel prices, the businesses are viable. Provided one maintains a minimum 70% PLF by providing cash flow for fuel procurement during the season. The overall strategy to revive the business entails disposing of some of the units and using the proceeds of sale for supporting the more viable plants and running them at higher PLFs. Of the 12 biomass plants we own, we are working towards selling of stake in around 5-6 units. I am pleased to inform that we are in the final stages of monetizing our stake in D.Y. Patil plant located in Kolhapur and also our Srilanka project. This should be complete by end December 2016. Further, sale of other 2-3 units are in an advanced stage of discussion.

We see all of the above as very positive developments that will have a lasting impact on our business in the year to come and doubling our capacity in the coming 3 – 4 years. As a result, we are looking at strengthening our wind portfolio. We presently hold 425 MW of wind assets and are looking to immediately augment it further by 43.5 MW. The primary reason behind deploying additional investments in the segment stems from its attractive yield and relatively stable performance. The 43.5 MW will be located in Andhra Pradesh which will be the second phase of a project where we already have set up 50.4 MW. Other infrastructure at the site including land, grid connectivity, layout, etc., is already in place hence the incremental profitability from the investment is very attractive. Further, the performance of this site has exceeded our expectations. The equity portion has been tied up and we are in an advanced stage of tying up the debt portion of the investment. The completion of the projects should result in further consolidation of our position as being one of the leading players in the segment.

A quick word on REC's and regulatory environment - Trading volumes in REC increased significantly during the period April 2016 to October 2016 registering an overall increase of about 45% over the same period last year. We traded around Rs.10.86 Cr worth of RECs at a base price of Rs.1500 per REC. Our closing stock as on 31.10.2016 is Rs.75.78 Cr. We expect far higher compliances and trading in end Q3 and good volumes in Q4 which is always a good quarter.

Lastly, I would like to conclude by saying that this is really the moment we have been waiting for. Record EBITDA and PBT, the Demerger, conclusion of the 5 / 25 scheme, profitable running of our Biomass units by infusing working capital by the sale proceeds of a few units. And yes, the big growth strategies ahead. We at OGPL have been doing everything possible to improve shareholder value and we see great tunes ahead. With these, we are confident of a profitable 2017 – 18 itself.



I will now hand over the floor to our CFO, Mr.Kasturi who would take us through the financials

**KV Kasturi:**

Thank you Mr. Venkatachalam. Good morning everyone and thank you for taking the time out for our consolidated Q2 & H1 FY17 under IND-AS earnings call. I would briefly run you through our consolidated financial performance for the period under review.

Before we begin, I would just like to state that Orient Green Power as mentioned by Mr. Venkatachalam earlier is undergoing transformation at present, with efforts being directed towards making the business more profitable in the future. Some of the steps, besides the one mentioned by Mr. Venkatachalam includes our measures towards addressing the liability side of the business mainly the debt position. We are undertaking multiple measures, some of which I will describe on the call – which would help ease our liquidity and cash flow position.

With that, let me start highlighting our consolidated financial performance for the first half and second quarter of the fiscal. Our revenues during H1 FY17 stood at Rs.309 crore as against Rs. 274 crore generated during H1 FY16, growth of 13%. The expansion was primarily owing to strong performance of Wind business which reported revenue growth of 18%. Timely onset and better availability of Wind, coupled with higher generation of units on the back of greater share of newer assets in the overall mix drove the performance. Biomass business reported revenues of Rs. 36 crore as against Rs. 43 crore during H1 FY16.

EBITDA for the first half stood at Rs. 233 crore as against Rs. 182 crore reported during H1 FY16; higher by 28%. Profitability improvement was primarily owing to higher revenue generation and operating leverage following higher utilization level. Further improved grid evacuation contributed towards driving EBITDA growth. Of the total, Wind business generated EBITDA worth Rs. 231 crore, while Biomass generated the remaining Rs.2 crore. EBITDA Margins for the first half stood at 75% as against 67% reported towards H1 FY16; higher by 800 bps.

Moving on to the finance cost and our initiatives to strengthen our balance sheet on which I would like to spend a couple of minutes. Interest expense for the first half stood at Rs. 133 crore as against Rs. 143 crore reported during H1 FY16. The higher interest outgo has impacted profitability despite significant improvement in the operating profit. Our overall debt at present stands at Rs. 1,960 crore, of which Rs. 1,650 crore is for Wind business and remaining Rs. 310 crore for biomass business. During the quarter, we have implemented flexible structuring of wind loan under 5:25 scheme Rs 770 crore. This scheme enables us to repay the loan over 17 year period i.e FY2033 and thereby easing the liquidity considerably. Further, we are also working towards refinancing part of the debt drawn for old wind assets – longer tenor and reduction in interest rate. Further, proceeds from monetizing of non-viable biomass units would also be used towards paring part of our debt. We are confident that such measures coupled with our improving operational performance would help us address our debt problem adequately.

Depreciation for the first half stood at Rs. 84 crore as against Rs. 88 crore reported during H1 FY16.

Profit after tax stood at Rs. 60 crore as against loss of Rs. 75 crore registered during H1 FY16.



To conclude, I would just like to restate that the future prospects of the business look promising and we are confident of delivering a consistent performance going forward. Our efforts towards addressing some of our past issues coupled with improvements in the macros such as grid infrastructure and evacuation as well as reduction in interest rates we are positive about the future performance and potential for value creation.

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

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. First question is from the line of Benny John, individual investor. Please go ahead.

**Benny John:** Sir, I have been attending your conference call for the last many quarters and I am very happy to see the good results which you have declared yesterday, which is getting reflected in the share price also, but that is nothing compared to the Rs.45 or Rs.48 which you have issued 5-6-years back and I am holding from that time onwards. So this year can we expect any dividend?

**S. Venkatachalam:** See, basically if you really look at it which I explained in the last 3 to 4-years has been pretty bad in terms of the grid back down issues and thus put us behind by about Rs.250 crore as far as the Tamil Nadu assets itself are concerned, and this in turn puts a strain on our cash flows and we are not able to run our Biomass units as well. If you really look at the future, that is what we have been working on along with the TNEB and we have taken a lead role in this towards reducing grid back down levels to less than 5% which we saw in Q2 and making it a sustainable effort by liaising with all the officials with TNEB and they have been really supportive in this regard. So going forward with this as well as the 5/25 and then the demonetization of some of the Biomass units we do see that the cash flows and the profitability been sustainable thing for the future. Now as far as dividends are concerned, okay, only time will tell as to when this is really going to happen, no such predictions on that, but the sooner the better, we really appreciate you are holding on.

**Benny John:** So sir, in the coming quarters as well can we see this kind of growth?

**S. Venkatachalam:** Correct, see basically if you really see our performance has always front loaded in terms of Q1 and Q2, Q3 and Q4 will be a little subdued because that is not the wind season for us, but going forward with the 43 MW added on in Andhra which is close to about Re.1-1.1 crore EBITDA per year per MW, and then going forward we are looking at major expansion plans so that will really tilt the scales towards wiping out our past which we have suffered as far as the infrastructure industry is concerned.

**Moderator:** Thank you. The next question is from the line of Sarvanan Viswanathan from Unifi Capital. Please go ahead.

**S Viswanathan:** Sir, in the presentation, you have mentioned that the unsold RECs are valued up to close to Rs.92 crore. Where does it get captured in the balance sheet?

**K.V. Kasturi:** It is a receivable. This REC is traded in the IEX and PEI exchanges on the last day of Wednesday of the month. So it is a market-related thing. This REC has got validity of 3-years. So depending on the demand and supply this REC will be sold.



Currently, the floor price is around Rs.1,500. So that is what we are taking it right now.

- S Viswanathan:** Where is this Rs.92 crore get captured... is it part of your current assets or?
- K.V. Kasturi:** Yes, current asset. It depends on age of the thing, suppose if it is more than 12-months it goes into non-current, less than 12-months it will be in the current.
- S Viswanathan:** So anything that is going to be written off because it has crossed 3-years?
- K.V. Kasturi:** Nothing, we have our average age is around 18, before 18-months we will normally sell most of the RECs.
- S. Venkatachalam:** In fact there is hardly anything even above 2-years with us and we expect good trading in the months to come and the government is also taking lot of initiatives, last year the MNRE had put up advertisements just before the REC sale months in February and March, and apart from that the things like the UDAY Scheme, etc., which some of the states are adopting will help improve their financial condition so that they will be able to at least meet their RPO obligations that they have set out.
- S Viswanathan:** But the primary driver would still be the strict enforcement of RPO obligations, do you see that...?
- S. Venkatachalam:** You are absolutely right, in fact, the strict enforcement of the obligations by the state regulators is the key to this, now the center has been trying their best ... we have been having what its called "Forum of Regulators" where they hold meetings with the state regulators and trying to push them to kind of mop up the RECs and meet their obligations. But considering the financial condition many of them are not able to push beyond a point. So it is only a matter of time and this year itself the first 7-8-months has seen 45% increase in the REC sales over the previous year the same period.
- S Viswanathan:** You had also mentioned about another important development wherein the power generated in Tamil Nadu you will be able to wheel it to the other states. So what are the milestones?
- S. Venkatachalam:** In fact if you see it up till last year we had done some of the initiatives but they were continuing to buy power even during the wind months, they were continuing to buy power from outside states. So this year we have been able to export the excess power only to a small extent, in fact, every day about 70-80 MW has been wheeled out to other states. Now the target which the chief minister is looking at is to wheel out about 1,000 MW of power and there is some amount of congestion in the north, south grid corridor which they say will be done by the end of this financial year that is by March which will be right in time to catch the next wheel season in May. So theoretically after that you can export power to let us say even Haryana or Tripura or wherever.
- S Viswanathan:** Which means 90-96% can improve to 99%?
- S. Venkatachalam:** Even if we look at anything above 90% is good enough, that is how we have factored in for the coming years and we expect it to go beyond 95% and 99% may not be a realistic assumption like what you see 99% in Gujarat and Andhra, we

may not achieve 99% but if we get there nothing like it, but we are quite happy at least with the numbers that come out of the 90% plus that way.

**S Viswanathan:** Now, the Tamil Nadu infrastructure is in place. So to that extent, we may not see this evacuation problems repeating in future, right?

**S. Venkatachalam:** That is right, in fact, it is more than the kind of measures that they have taken. The first and foremost thing I would say is the attitude in which was not so positive this year apart from doing various things they have been holding meetings almost twice a week and then we have also travelled to Europe and the Europeans have come here. There have been a lot of interactions, so there has been a lot of effort to understand as to how they do it in their countries where they do an inter-country sale of power and here we have to do an inter-state sale of power. So all this is really sustainable and even Rajasthan which had a little bit of grid back down issue though we do not have any assets there towards the end of the season with a lot of noise from the wind developers, that has also come down to zero.

**S Viswanathan:** Just one general question; where do you see the rates moving...Rs.5-6 rates are sustainable or you feel it will come down?

**S. Venkatachalam:** Our overall rates if you see in the presentation about 29-30 paise has gone down overall and there is some amount of pressure because lot of the coal-based people also, the thermal power plants are trying to reduce rates and coming in competition with the wind or the renewable energy suppliers. So this solar rates also has been going down, that has been one area but I really do not know how sustainable that is in terms of long term sustainability. But if you look at the other side the coal prices has increased by about 60% from April to November. So there will be pressures in terms of thermal power plants maintaining the tariffs that they are trying to set up.

**Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

**Vipul Shah:** Sir, When would this 43 MW will become operational and how much will it add to the revenue and EBITDA?

**S. Venkatachalam:** Basically the 43 MW as I said the debt is also almost tied up, so we will start the construction, the place in terms of the land and the infrastructure is already there, we already dug up a number of pits for the wind mills. So we expect the entire thing to be completed by March of this year. Now the actual wind will start sometime in mid-May and typical what we have been getting from these units is something like Rs.1.1 to 1.2 crore per MW has been the kind of EBITDA levels that we are getting from these assets. That is the kind of past record in Andhra that we....

**K.V. Kasturi:** The PLF from this site is around approximately around 27%-28% on annual average, so this can give us EBITDA of almost around Rs.50-odd-crore. This definitely will add great extent and with grid back down is literally nil in Andhra Pradesh, so this will add definitely to the bottom line.

**Vipul Shah:** What will be the CAPEX per megawatt?

**K.V. Kasturi:** This is approximately around Rs.6.75 crore.



- Vipul Shah:** You have mentioned about this 5/25. So interest rates are also falling. So if you combine these two how much our interest liability will fall over medium-term say two to three years... any ballpark figure because now with Demonetization Scheme, interest rates are falling like, some brokerage firms are expecting that over 3-4-years interest rate to drop by 300%, how much benefit we can derive out of that because our major earnings are towards financing interest only?
- K.V. Kasturi:** I just want to explain you the highlight of 5/25 Scheme. This scheme is basically we have two components of loan -- one is the rupee loan, another is the ECB loan and as far as 5/25 is applicable to the rupee loan, which is approximately around Rs.770 crore and this is a NPV neutral because whatever the current rate of interest is around 13% that will continue to be there till at least for 1-year, then the next review happens at the bank consortium level they will reduce the rate of interest depending on their cost of funds and other things they will do it. One good part of it is that once you are prompt in repayment of your loan interest on a regular basis automatically we can seek an external rating which will improve the rating and thereby we can bargain for one is the refinancing option or we can also seek some sort of reduction in interest rate from the existing banker itself. So that is an advantage, but I foresee that in next one year as the banks have now started reducing the bulk deposit rates and all those things, rather now from our point of view it may happen in next 6-months down, probably we can see the reduction at least 100 basis points reduction for us actually. So 13% could come down to 12% in the next 6-months or 1-year time.
- S. Venkatachalam:** Further just to add to that the interest does come down by 100 or 200 basis points and as you say may be 300 basis points, this would really spur investments because if you really see Wind is financed product and the only cost that we have literally speaking is the interest cost. So with whatever 85-90% EBITDA... in fact the first 2-years you clock about 95% EBITDA. So it is basically the interest cost that wind operates on really.
- Vipul Shah:** So out of our Rs.2,000-odd crore consolidated debt, what is the FOREX and what is the Domestic?
- K.V. Kasturi:** The FOREX is all ECB loan is only Rs.200 crore and rest are all rupee loan.
- Vipul Shah:** So ECB was taken to finance any capital equipments or import of capital goods or it was cheaper, what was the reason for going for ECB?
- K.V. Kasturi:** This was done originally when one of our SPVs called Beta Wind Farm that time when we expanded that unit so we imported certain equipment at that time and this particular ECB is fully hedged at Rs.52-53 kind of a thing so...
- Vipul Shah:** So we are not incurring any loss on FOREX?
- K.V. Kasturi:** No loss of FOREX rather it will be more like a gain kind of a thing.
- S. Venkatachalam:** Also just to clarify this Rs.2,000 crore consists of also Rs.500 crore which is an internal group debt to OGPL. Our Parent company has lent us about Rs.500 crore over the last 4-5-years to help us tide over the crisis that we went through and Rs.1,500 crore is basic in the external debt with the financial institutions and banks. So Rs.500 crore is an internal debt also. So Rs.2,000 crore is Rs.1,500 crore plus Rs.500 crore.

**Vipul Shah:** So Shriram EPC has infused Rs.500 crore?

**Management:** Not Shriram EPC, it is called (SVL) Shriram Ventures Limited.

**Vipul Shah:** So that also carries same rate around 13%?

**K.V. Kasturi:** Approximately 10.5%.

**Vipul Shah:** When are we expecting the funds from Biomass sale?

**S. Venkatachalam:** As I said see we have got 12 Biomass units in total and we are looking at selling off about 5 or 6 at least in the coming months, two, already the sale process has already started and the DY Patil one which is 20 MW will be completed by this month end itself, and the other one which is in Rajasthan will take another 3-4-months to complete the sale. Now once we are able to monetize the Biomass units that will give us the necessary working capital to run the balance units. In fact now the Biomass units have tariff in excess of Rs.7 and Rs.6.5, so those are really viable tariffs and these are highly profitable tariffs which all that you need is working capital during the beginning of the season when the harvesting season of let us say mustard husk or soya husk or cotton stock which happens at various parts of the country. So once you have that in place and really speaking if you run the Biomass units above 70% at least these 6 or 7 units that we have earmarked it is really a profitable venture in fact.

**Vipul Shah:** So at what price we sold per MW and what was our original cost?

**S. Venkatachalam:** Basically if you look at the price of acquisition it is between Rs.5.5 to Rs.6 crore for the Biomass units, the Kolhapur one we are selling it at Rs.81 crore 20 MW unit, so it is something like Rs.4 crore per MW, but at least it helps us tide over the immediate requirement of cash flows for the other units.

**Vipul Shah:** So we will be incurring losses on almost all?

**S. Venkatachalam:** Not really, in fact, this Rs.81 crore will help us run the others profitably, basically there is a loan component of something like Rs.41- Rs.42 crore with the balance loan for this DY Patil unit, so the rest of it will be available at equity rate and it will be available to us for improving the running of the other Biomass units.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, in terms of our PLF, I think it stood at about 37%, right for our wind operations?

**K.V. Kasturi:** For the quarter yes, these are the wind season months. Annualized will be it depends on the state wise and also the class of assets; in the case of Andhra Pradesh the new class of assets will fetch me around close to 27-28% PLF.

**S. Venkatachalam:** Q2 many days at in fact in Andhra it even touches 90%, but on an overall average it will be in excess of 40% it goes to in Andhra itself in Q2.

**Deepak Poddar:** What that stands historically in the second half basically if I have to see third quarter, fourth quarter?

- S. Venkatachalam:** If you really see Wind is something like 70:30 H1 to H2 was the generator portion of the power generation through wind.
- Deepak Poddar:** H1 is about 70% and H2 generally is remaining 30%, is that...?
- S. Venkatachalam:** Yes.
- Deepak Poddar:** So basically as you mentioned in your opening remarks that this strong performance was largely on account of higher utilization of your plant and higher operating leverage. So basically this kind of EBITDA margin going forward into the coming quarters is ideally not sustainable, right?
- S. Venkatachalam:** Yes, basically you have to look at on an annual basis, in fact, wind is always front loaded, H1 is always a higher period for us in terms of both the turnover, EBITDA and profitability, H2 will be a subdued period relatively. So if you look at on an annualized basis that is how all wind is analyzed. So in the coming years these numbers are definitely sustainable, in fact, as I said we are looking at profitability in the next year itself.
- Deepak Poddar:** When will the revenue start hitting for this new expansion of 43 MW?
- S. Venkatachalam:** If we complete the thing in March, May is when the wind begins, so we will start the revenues from May itself.
- Moderator:** Thank you. The next question is from the line of Sudhakar Prabhu from Span Capital. Please go ahead.
- Sudhakar Prabhu:** I have a couple of questions sir, First is on this debt breakup, I missed the number. How much is in the Wind and how much is in the Biomass business?
- K.V. Kasturi:** Wind is around Rs.1,640 crore and Biomass is around Rs.320 crore overall, this includes a group debt which is around Rs.525 crore.
- Sudhakar Prabhu:** When you say you intend to sell 3-4-units of your Biomass business, what is the amount you plan to recover or generate over next 6-months which will help you in reducing your Biomass debt?
- S. Venkatachalam:** Basically right now the Biomass overall debt is Rs.140 crore and once we sell the DY Patil, that itself will take out about Rs.42-43 crore out of the book...
- Sudhakar Prabhu:** Biomass you said is Rs.300 crore, right?
- S. Venkatachalam:** Yes that is including the group debt, external is Rs.180 crore including the Sanjog which is about Rs.35 crore, so Rs.145 minus if we are able to finish the DY Patil in the next few days it will go to about Rs.100 crore will be the overall debt, Sanjog unit is already sold and in fact it is not even factored in the books really speaking.
- Sudhakar Prabhu:** So once this sale is over, your external debt in your Biomass business would come down to Rs.100-odd crore?
- K.V. Kasturi:** Yes around that.

- Sudhakar Prabhu:** You will have internal debt of another Rs.200-odd crore, right?
- K.V. Kasturi:** Internal debt in the Biomass is around Rs.130 crore actually.
- Sudhakar Prabhu:** Also sir what is the progress on the demerger process, I understand that you have all the approvals. So what is stopping you from demerging the business?
- S. Venkatachalam:** Last couple of weeks if you really see the banks have gone into the demonetization drive I think they have been running helter-skelter on that, otherwise if should have been completed by now. So we are pushing them to complete it by in the next few days we want them to complete after which we go for the court process.
- K.V. Kasturi:** NOC is required for submission to the court from the secured creditors. So we are in the final process now, probably by end of this month we should get the NOCs from these banks. So once we get the NOC we will submitting it to the court along with other processes. So we are expecting to complete the entire process in the next 60 to 75-days timeframe.
- Sudhakar Prabhu:** So by January of next year it should be split
- K.V. Kasturi:** Between end of January and mid of Feb.
- Sudhakar Prabhu:** Listing would be after that, right?
- K.V. Kasturi:** In all probability we should get listed by end of March.
- Sudhakar Prabhu:** And sir, you mentioned in this Biomass business, you mentioned that you will raise some money post sale of all these assets. How should we look at revenue and profitability in the Biomass business in FY18?
- S. Venkatachalam:** We do not have any fixed numbers for that but if you are able to monetize something like Rs.50-60 crore by the sale of these units that would really put us in line for getting the working capital for running the remaining 6-7 units at something like 70% PLF. So if we are able to generate something like the remaining 6 units about Rs.40 to 45 crore of turnover with let us say total of about Rs.250 crore of turnover, we should be having EBITDA of about 25% to 30% margin is what Biomass delivers. So about Rs.60 to 70 crore should be the EBITDA margins and finance costs are not really so much. So that is the kind of plan that we have ahead for Biomass.
- K.V. Kasturi:** The critical element in Biomass is to provide adequate working capital during the season so that you can run the plant for 1-year at 70% to 75% PLF level then you can really generate an EBITDA margin of around 26-27% easily to it, it is doable. That is the reason why we have now embarked on selling some of the Biomass units so that whatever the money raised, that can be infused into the other units that can run profitably in the long run.
- Sudhakar Prabhu:** I know it is difficult but what is your sense on the wind season for FY18? This year has been excellent for you guys.
- S. Venkatachalam:** If you really see the wind patterns there are two things to it -- one is the grid evacuation which is the thing which we have explained that has come around quite

a bit, in fact, we expect northwards of 95% in terms of grid evacuation as far as Tamil Nadu is concerned. Now the wind pattern, basically if you see the last year there was a low wind here, they say that every 4 to 5-years you have lower wind year, last year it was also coupled with what is known as the El Nino effect which has gone off this year, in fact, that is why you get better rains and better winds. So it is something like what every few years you have one poor rain year and some good rain years as well. So wind follows very similar pattern because it is very much dependent on the monsoon winds. But the overall average PLF is taking into account all these factors as well. When you look at one is the quarter wise, then you look at an overall time span of about 15-20-years which is a lifetime of the windmill. So you do get the P75 PLF that is committed by the OEM supplier.

**Moderator:** Thank you. The next question is from the line of Ronak Shah from SJC Advisors. Please go ahead.

**Ronak Shah:** On wind expansion, obviously once AP has done, which states are most attractive to you in terms of incremental expansion going forward and how are you looking at kind of IRR across the states?

**S. Venkatachalam:** The government has set out a plan of something like achieving 60 GW in the next few years by 2022 as far as wind is concerned; we are already at 28-29 GW of wind. Last year there was some hiccups in terms of Maharashtra not signing the PPA, they have finally done so, and then there were some issues with respect to Rajasthan evacuation and the Tamil Nadu evacuation issue is also there. So going forward Andhra is still very-very positive, Karnataka also looks positive, there had been issues of getting the forest clearance as far as Karnataka is concerned, and then Madhya Pradesh has gone down because Madhya Pradesh the tariff from Rs.5.92 went down to about Rs.4.75 or Rs.4.77, Tamil Nadu also can come back because it is not only the fact that grid evacuation was low, that is why there were no new investments coming in Tamil Nadu, there is still a lot of wind potential available in Tamil Nadu and coupled with the fact that there are number of these units in Tamil Nadu will come for repowering, that means the old wind mills which are towards the last part of the phase of their life cycle will be up for replacement. Other than that I see Gujarat though the tariffs are low it is still very profitable because they pay you on time, they never have any grid evacuation issues, they do what they commit to you as such.

**Ronak Shah:** Just in terms of the wind manufacturers, with Suzlon now having kind of made a good come back and their working capital now seems to be in order, are you finding that you are able to have a little bit more negotiating power given that there are more players that are available for you to buy equipment from?

**S. Venkatachalam:** If you really see how the wind industry has worked in the past, they have worked on an IRR model because there is wind manufacturing capacity is over 10,000 MW in the country and we have been really doing about 3,000 to 3,500 MWs only. So theoretically with the demand/supply gap the prices should be coming down. But what has been in short supply is a good wind sites along with grid evacuation which they develop over 3 to 4-years all the OEM suppliers like Suzlon, Gamesa, ReGen and all the others they take time and develop this. So that is in short supply. Also you have to keep looking at the tariff which the state has to offer, in fact, last year Madhya Pradesh was good, this year it is not. So they have really been selling their windmills at a premium on IRR basis. So if the tariff is low they even sell it to you at about Rs.6 crore, if the tariff is very good they even sell it to you at Rs.7.5 crore for the same machine. But going forward few things are going

to happen -- One is the government is looking at competitive bidding in wind also, which is going to put some pressure on that, Secondly, the interest costs are going to go down which means the capital equipment cost and overall the expectations in terms of the kind of revenue generation for the entire windmill also would help us operate at lower tariffs. So that is the kind of gist I have, but I am sure there will be pressures on prices to go down because the power minister is also putting a lot of pressure having seen the success that you have seen in solar as such.

**Ronak Shah:** Just on the demerger, now I would think that the bankers would try and make the demerger contingent on your Biomass sales first going through, right, because in this scenario that you do the demerger and the Biomass sales fall through, that unit separately is not generating enough cash flow to really be able to repay any of the debt. So right now, wind cash flows are allowing you to repay the debt on the Biomass side. How are we thinking about that?

**S. Venkatachalam:** No, actually the wind is not really helping the Biomass pay the debts, because it is escrowed at least the beta and various wind SPVs that we have only for themselves and Biomass has been helped by the group in the past and that is how the cash flows for meeting the bank commitments have come in. Now, as far as the Biomass is concerned the bankers really have nothing to worry because the same guarantees from the parent group was also, that continues even if when we move into the bio bijlee green power as Biomass is concerned, and the banks are also aware of the status of the sale of these units. So irrespective of that they should not really be having any problem with the way we have been explaining to them and they are also aware of it.

**K.V. Kasturi:** I do not see any issue.

**Moderator:** Thank you. The next question is from the line of Ramesh V, individual investor. Please go ahead.

**Ramesh V:** I have a couple of questions: The first one is, is there any opportunity for repowering of any of the existing assets and if yes what is the headroom you have there? Second one is, is there any capital raising plan coming up in next two quarters?

**S. Venkatachalam:** As far as repower is concerned, some of the windmills in Tamil Nadu have come close to the fag end of their life, so they are at about 20-years, so they have something like 5-years balance period, so that really comes up for repowering. When you do repowering of say 250 KW windmill with 2 MW kind of class of windmills that is available now, you have to redo the entire work space that you have because there are restrictions in terms of spacing between windmills which is called 5D and 7D, etc., which really is to do the blade diameter, in fact, if the blade diameter is 100 meters, so the next windmill alongside you can put at 500 meters the next windmill you can put alongside and the backside you can put at 700 meters. So once you change from 250 KW windmill to 500 KW windmill then you will have to relocate all your windmills and get the necessary evacuation approvals also because these new class of windmills will be producing in excess of 25% to 30% PLF whereas the old ones their class used to produce with a lower hub height also used to produce between 16% to 18% PLF. So we are doing the math and in the next 3-4-years we will definitely be looking at repowering. There is a good repowering policy also the government is working on, they have still been finalized and the last parts of it are being honed and up for comments. As far as the expansion plans, we definitely have expansion plans going forward which I

explained, we are really looking at doubling our capacity from our existing 435 MW in wind in the next few years. So far we have been having if you really call it a bad report card in terms of the last few years and we are more kind of writing cash flows and anything in terms of PBT, but looking forward the banks are quite enthusiastic and number of people have started talking to us and being listed entities generates lot more interest in the markets, number of people are talking to us and I am sure this results also will enthuse them further to kind of invest in the wind portfolio because number of funds are invested in the wind portfolio.

- Ramesh V:** So are you planning to raise any additional equity from investors?
- S. Venkatachalam:** No specific investor we can name of, but number of them are talking to us at this point in time but in the next few months I think we should be having something up and running.
- Ramesh V:** On the half yearly reports, you mentioned there is Phase-III for which you have already paid Rs.50 crore and that project has been delayed because of non-funding availability. What is the plan?
- S. Venkatachalam:** The Phase-III 43.5 MW basically the equity portion was already tied up, the debt portion was taking a little bit of time, so those funds already been put in and in fact some of the equipments have been ordered by Leitwind who is going to be the wind supplier for this and it is the same wind supplier who has been for the rest of the Andhra assets also the 50 MWs which is already in place in Andhra. OEM supplier is also waiting for the fund tie-up as far as the debt is concerned. So that Rs.50 crore has been waiting for the rest of it to be tied up really speaking, it is not actually Rs.50 crore, in fact we have paid them about Rs.80-90 crore.
- Moderator:** Thank you. The next question is from the line of Mythili Balakrishnan from Avezo Advisors. Please go ahead.
- M Balakrishnan:** I just wanted to check with you expedition of ADI, GBI or these kind of benefits going away in terms of your own plans, would that have a significant impact because you indicated that you would be doubling your capacity in wind?
- S. Venkatachalam:** One thing we have been telling the government is okay the ADI and GBI is not a thing that is going to be sustainable for long term, these were all incentives, if you see ADI was given at a time when the number of the windmill portfolio itself had to start up and number of people with profits in their books adopted the ADI model, and then they slowly wanted to shift over to GBI model which also has got a certain life span and one was expecting that these things are going to come off... at least the government is going to withdraw these benefits over a period of time. So now we really need to look at a level playing field without these numbers available to us for all future investments. Now two things are likely to happen -- one is we expect the equipment suppliers also basically they supply on IRR model. So that itself is the ADI and GBI is not available, the overall tariff is going to come down, at least the net realization is going to come down. So the pricing also will be under pressure and coupled with the pricing pressure, which has been put by the fact that there is going to be auction in terms of the competitive bidding for windmills. Second thing is I would say that the interest rates are definitely going to go down and that itself will make the investments viable at lower tariffs. So these are two things I see happening in the future. Only time will tell us as to how exactly these numbers pan out.

- K.V. Kasturi:** Also, I just want to add that today the banks have also realized that in terms of funding on a long-term basis because earlier the banks were restricting the door-to-door around 8 to 10-years, now they are open to beyond 15-years because that also to great extent helps the cash flow for considering the seasonality of the business and this will definitely ease out to a great extent in terms of the investors coming forward for this funding for this business.
- M Balakrishnan:** But when you are looking and doubling your capacity, which is what you have indicated in terms of wind, then what is the IRR that you are sort of looking at in this additional capacity that you are putting up?
- S. Venkatachalam:** We are looking at the opportunities and in fact as I said some investors also would like to invest in the wind portfolio, the number of funds which are available looking at renewables itself. Now, we have to look at the state wise policies of wind and the tariff available on a year-to-year basis and right now we look at 16% to 17% IRR but with the interest rates going down we will be looking at lower IRRs also in the future.
- Moderator:** Thank you. Ladies and Gentlemen, this was the last question for today. If you have any other queries or questions, you may write into Mr. Kasturi or Mr. Sachin from the Company. With this, I would now like to hand the conference over to the management for their closing comments. Over to you, sir.
- S. Venkatachalam:** I must thank for joining us in the call and this is something we have been waiting to tell all of you... in fact last 2-3-years we have been trying to say that things are changing and this is something we have really been able to prove that things have actually changed for the better. So this is really speaking an exciting moment for all of us at OGPL and we look forward to great times ahead and we really feel that the past is behind us and we have got something good to come up in the future. Thank you so much.