



ORIENT GREEN POWER COMPANY LIMITED
H1 FY14 Earnings Conference Call Transcript
November 20, 2013

Moderator: Good afternoon, ladies and gentlemen, I am Beulah, moderator for the conference. Welcome to the H1 FY14 Conference Call of Orient Green Power Ltd. We have the senior management team with us today. At this moment, all participants are in listen-only mode. Later, we'll conduct a question and answer session. Please note this conference is recorded. I would now like to hand over to the floor to Mr. Mayank Vaswani of CDR India

Mayank Vaswani: Thank you. Good afternoon, everyone. I welcome all of you to the OGPL conference call scheduled to discuss the performance for the quarter and half year ended September 30, 2013.

Before we begin, I would like to mention that some of the statements made in today's discussions 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. These documents have also been posted on the website.

I would now like to hand over the floor to Mr. J. Sivakumar, CFO at OGPL. Over to you, sir

J. Sivakumar: We welcome you to the conference call on the performance of OGPL for the second quarter of the year, 2013-14.

Thanks for taking the time out to join the call. I would like to start by wishing you all belated Happy Diwali. I trust all of you have received the Investor Presentation sent out by us earlier.

I'd like to first take this opportunity to introduce our new Managing Director, Mr. S. Venkatachalam to all of you. Mr. Venkatachalam has joined us in September 2013 and took over from Mr. Krishnakumar, our previous Managing Director in October 2013. Mr. Krishnakumar remains associated with the Shriram Group in his new capacity as Managing Director of Leitwind Shriram Manufacturing Limited.

Venkatachalam brings with him over 29 years of rich experience across various multinational and large Indian corporate groups. He has worked with some of the well known companies like Tata Steel, ITC and Sintex industries. In terms of education qualifications, he is an alumni of IIT Kanpur and has subsequently completed his management studies from IIM Bangalore.

I will quickly hand over the floor to Mr. Venkatachalam for a few words before I take you through the key operating developments and financial highlights

S. Venkatachalam: Thank you, Sivakumar for the introduction and a very good afternoon to all of you. I am definitely excited to be a part of OGPL and my first thoughts are that the company continues to enjoy very strong fundamentals.

Though we see in the last quarter there had been some challenges facing the sector in both the renewable energy in terms of wind as well as the biomass sectors, but I'm sure all these can be overcome

by either looking inward in terms of improved operating efficiencies or looking outward in terms of improving the continued support from the government and the regulatory bodies and continued dialogue between the power producers and the regulatory bodies.

I'm sure we'll be able to see, better times ahead. And with this, I'll just hand it over back to Sivakumar. Thank you so much

J. Sivakumar: Thank you, Mr. Venkatachalam. Before I get into the details of the operational performance, from the management team besides myself and Mr. Venkatachalam, we also have Mr. Srinivasan, Member of the Board on the call.

Now I will take you through the operating and financial performance of the company during the first half of this financial year. The business environment remained challenging for the renewable energy sector, as we continued to wait for direct revisions across various states and regulatory incentives also and coupled with the high cost of borrowing, which again was a dampener for the fresh funding. Further, poor infrastructure uptick had resulted in a top line declining during the first half of FY14 as against the same period of last year.

Top line during H1 stood at ₹238 crore as against ₹287 crore during the same period of last year. Of this ₹238 crore in the current period, wind business contributed ₹175 crore, while the biomass business contributed about ₹63 crore. The subdued revenue generation of wind business was as a result of frequent unprecedented grid backdown in the quarter in Tamil Nadu where the bulk of the capacity is presently operational.

While there had been favorable wind availability as also optimum machine availability during the quarter, the inability of the state grid to accommodate the entire generation from the wind machines has significantly impacted revenues. This was primarily due to reduced demand on account of improved weather conditions, subdued industrial activity and power sourced by the state utility from other sources.

Further, the early monsoon resulted in increase in hydropower generation resulting in overall improvement in availability of the power. Due to abundant power supplies TANGEDCO, which is the distribution arm of TNEB was not in the position to evacuate the entire power that was potentially available from renewable energy suppliers across the state, resulting in severe grid backdown, thereby forcing shutdown of units for varying periods of time, each day.

During the quarter, as the result of the grid backdown, the cumulative impact across three of the subsidiaries had been to the extent of 110.61 million units, which resulted in contraction in PLF's during the quarter and also in the first half. PLF's during the first half stood at 22.9% as against 29% during the same period of last year, mainly on account of the grid backdown.

Despite reduction in the revenues, we have been successful in improving the margins by about 400 basis points with improved sales realizations. Our operating margin stood at 61% as against 57% during the same period of last year. This has, of course, as I mentioned earlier, through improved sales realization and reduction in operating costs as well as rationalization of expenditure across the company.

Depreciation during the first half of the current year stood at ₹63 crore as against ₹54 crore in the same period ahead by 17% mainly on account of sizeable capacity addition during the quarter. We have significantly ramped up our capacity over the last year and which as of October 2013, stands at 474 Mw against 398 Mw during September 2012. Out of the total capacity additions by us, major part of such addition has been in the wind business, where on we have added around 76 Mw since September 2012.

Interest outgo during half-year amounted to ₹119 crore as against ₹94 crore in the same period higher by 27% mainly on account of higher debt having been taken for the expansion activities and some part of the interest getting unwound to the profit and loss account, which didn't have matching revenues from the wind and the biomass businesses.

Our other income during the half-year stood at ₹5 crore as against ₹22 crore in the same period, lower by 77% mainly due to one-time profit from sale of our Sri Lankan subsidiary in the same period of the previous year. Further, the contribution from REC mechanism has been significantly lower from the last year as lower demand had resulted in most of the certificates being sold at floor prices.

Strict enforcement of penalties is the need of the hour, if one has to see a meaningful and sustainable improvement in the REC mechanism. We are already witnessing some improvement in October 2013 in this regard with several state ERCs forcing the state utilities to fulfill their obligations within this financial year.

Higher interest cost coupled with lower revenue generation resulted in a loss of ₹32 crore as against a profit of ₹25 crore in the same period last year. As mentioned earlier, we have been undertaking activities, which will help us in lowering our debt burden and are hopeful that the benefits of the same will be visible in our performance in the coming quarters.

The wind sector received a much needed boost following the government's decision to restore the generation-based incentive, GBI scheme in the first half of this year. The increased eligibility per Mw will also help in improving the sentiments toward the sector. As per the new eligibility norms, our eligible projects would get ₹1 crore per Mw as against the earlier level of ₹62 lakhs per Mw, thereby, improving the viability of the eligible projects.

On the biomass front, Indian Biomass Power Association is continuing to pursue with the MNRE and Ministry of Finance to consider incentives for the biomass sector. These include the introduction of GBI scheme for biomass, annual resetting of prices for tariff and according priority sector status for lending to the industry. We are hopeful that any such benefits being considered will greatly improve prospects of the biomass business. We are also continuing with various efficiency measures at the operational level, including broad basing our fuel sourcing in order to get fuel at the optimum cost.

As far as REC's are concerned, the greater penalties by regulators on parties failing to meet the RPO obligation will help revive the market. And we are pleased to mention here, that we are witnessing the same being put into practice, as demonstrated by compliance initiated by Punjab and the state ERCs in Maharashtra, Chhattisgarh and Delhi mandating the state utilities to buy the REC's to fulfill the obligations within this financial year.

Further, entry of other discoms in the REC market and the recent order by the ERC wherein the extended the validity of RECs to 730 days will help increase the participation level by the obligated entities.

To conclude, I would like to reiterate that we continue to remain one of the leading players in the pure play renewable energy space. Our on ground capacity is in excess of 500 Mw. We have a small part of our expansion plan remaining to be commissioned, which will see our capacity touch 600 Mw over the next six to eight months. Increase in capacity will enable us to realize benefits of operating leverage going ahead.

We've also undertaken certain activities to address some of the concerns surrounding our financial position due to subdued performance and are continually working on improving efficiency and profitability of for operations. With the above, I come to the end of the opening remarks and we would invite questions from the participants.

Question and Answer Session

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question comes from, Mr. Darshan Dodhia from Care Ratings. Please go ahead.

Darshan Dodhia: I have a couple of questions sir. Firstly, are you facing any grid back down in Q3 FY14 that is in this quarter, by Tamil Nadu in your wind operations?

J. Sivakumar: What is happening is, now it's the tapering season. So, the PLFs are lower than what we have seen in Q2, because of the seasonal impact. So, as such we have found that in October, the wind availability has been good and we have been able to wheel whatever we have been able to generate without too much of issue that we faced in the second quarter.

Darshan Dodhia: And sir, my second question is with the commissioning of Kudankulam, are you facing on ground transmission capacity constraint within TN?

J. Sivakumar: No, there won't be anything, there are lines exclusively for the wind generators there in that location, plus the line which is coming up in the Kayathar belt, which is basically the 400 kV line, will actually ensure that whatever the power is generated in that part is wheeled and evacuated, without leading to back down in any of the machines. So, we don't anticipate any issue from the Kudankulam plant per se. It is only the grid improvement, for which the work is going on and is expected by April that line should be available for connecting to the national grid. So, with that happening I think the backdowns that we faced in the last couple of years should be a thing of the past.

Darshan Dodhia: Ok and sir what are your realizations from wind energy in Tamil Nadu per se?

J. Sivakumar: Realizations have been ranging between....the gross realizations are in the range of about ₹5.70 in the case of the existing wind assets. With regard to new wind assets, we are getting average realization of about ₹5.80 to almost ₹5.90 as the gross realization.

Darshan Dodhia: Sir, is there a case that, you know if Tamil Nadu is able to get power from outside at a cheaper rate, let's say around ₹4 - ₹4.50 or so there will be -the wind generators in Tamil Nadu will face more grid backdown, especially during the monsoons? Is that a correct statement to make?

J. Sivakumar: In the case of Tamil Nadu for importing cheaper power the first necessary step will be augmentation of the grid - the grid has to be connected. It will be a two way process. One is you may be able to get power from other States wherever possible, that is one thing which is always there. The other situation is where we were not able to export, because of the State policy, it has opened up now with the grid connectivity. So, there will be avenues available for us within the State as well as outside the State. There is an opportunity for us and we look at it as opportunity. We are not going to get into similar situation as we got into in the second quarter.

S. Venkatachalam: Further, we are also contesting the fact that wind has a must-run status, so we are trying to get that implemented. So, we are quite confident that in the next year the must-run status will be implemented. So, the wind will be given first priority and then the other sources of power will be explored from outside State.

Darshan Dodhia: Okay. Thanks for taking my questions sir. I will get back in queue.

Moderator: Thank you. The next question is from Mr. Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: Good afternoon sir, just wanted to understand that what kind of REC volumes would you be looking at for this year, whatever is remaining of FY14?

J. Sivakumar: 28,000 REC or so, the inventory is available. It is difficult to predict how much of it will be sold. But, definitely we expect that with discoms like Maharashtra forced to come into the market, we expect a sizable portion of RECs to be sold at least in the next four months. At least in October, we saw some traction, which was better, but not very significant, but it was definitely better than the previous month. Going forward we expect from December to March, there should be demand and supply variable. So, even if we are able to put in about 50% to 60% of our inventory in the next three to four months, very sizeable volume would have gone into the market

Devam Modi: Sir, current inventory, the floor price will be somewhere around ₹35 crore to ₹40 crore at the end of October?

J. Sivakumar: Yes, you are right. About ₹40 crore is the approximate inventory.

Devam Modi: Okay. And sir, under biomass I understand that there will be several contracts wherein we will be waiting for a price, sort of a price increase, correct?

J. Sivakumar: Biomass what is happening is, one, in the Southern plant; we have taken a step of moving towards group captive, to provide the stability and regular operations, which was affected in the second quarter, because of lower off take and pricing pressure. Although our endeavor will be to sell at close to the same price, but we are looking at the longer term operations, so that we run the plant to the optimum level rather than to shutdown in the offseason when the off take goes down. That is one thing. But in Rajasthan, yes, we are expecting much better pricing. Already we have got it in one unit; we have got the pricing of about ₹5.90.

Devam Modi: Sir, given that there is a good chance where the regulatory tariffs maybe revised upwards, how do you evaluate the option of group captive versus regulatory tariff for biomass, especially given the fact that if there is lack of availability, then there may be penalties in group captive or something like that?

J. Sivakumar: It is only in Tamil Nadu we are now getting into group captive, in three of the units. What is happening is, in the case of the group captive, whatever we are getting is pegged to a certain tariff. Whenever there is a tariff increase, we would be able to change the tariff levels. For example, up to March we have now contracted for same pricing to the customers in Tamil Nadu.

Devam Modi: Okay. But, in the case of the group captive or in a case where your PLF drops, like say for example, the wind plant does not have the requisite PLF in this season, because of evacuation issues, then how are the customers taken care of, because they would be relying on your power, right?

J. Sivakumar: Biomass is more firm of course. Wind also we will come to that. Biomass, we are able to contract up to say March or whatever time we are able to contract, next one year or so. So, as long as we are able to get the fuel in, I don't think there will be any faltering in that regard, with regard to supply of power. Wind, it is unprecedented this year., In the previous year, when we contracted, it has been honored by us and they also have picked up, except for some few cases where they have not picked up. Of course there is also a churn in the customer profile. But, in this case since it is industry wide problem, the customers are also aware of it. We have put them into notice of any short supply that may happen. They have found alternate sources and in fact even some of it through our own biomass plants. But otherwise, generally once we are able to give them the adequate notice for this, they are able to find out alternate sources and commercially it is not something which has damaged us at least within the Tamil Nadu state in the wind business. We will have to maintain a particular schedule which we are confident of meeting.

Devam Modi: Understood sir. Thanks a lot. That's it from my side.

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

Richa Jain: Good afternoon sir. Sir just wanted to understand, your realizations for wind segment has gone up meaning ₹5 this quarter as compared to ₹4.55 last quarter. So, what is the reason? Is it renegotiated tariffs with the third party PPAs?

J. Sivakumar: Generally in the wind business, while the PPAs are for a particular period only, with about four-five years validity but, within a year there are some cases wherein either the buyer is not expanding or is not able to offtake the power contracted. In such a case, what happens is, we bring in other customers. One customer may go out and we would get another customer easily because of the shortage of power. When they come in, obviously the price point will be slightly higher than what we have been selling to the existing customers. That is one reason for the increase. Second is, in the new wind assets, our entire capacity has become operational from August. So, we had about 130 odd Mw for the full year, last year. This year entire 165 MW is available for generation. We have therefore added customers in the last six months since the generation has started from June-July. When these customers came in, obviously they are at a higher price point. So, these are the two reasons for the increase in the realizations

Richa Jain: Okay and sir, of your existing capacity of 413 Mw, how much will be falling under the third party PPA route and how much will be under the preferential tariff route?

J. Sivakumar: In the wind business if you see, today we have 385 of our existing wind assets which we are in operation. Out of this, 310Mw are in third party PPA, which is the group captive model. The power capacity in Tamil Nadu are in group captive, rest are on preferential tariff signed with Andhra Pradesh and Gujarat electricity boards.

Richa Jain: Okay. Under preferential tariff route, are you looking at Madhya Pradesh in terms of our future capacity expansion plans, given that it has a very high tariff of about ₹5.92?

J. Sivakumar: The only thing is Madhya Pradesh has been a late entrant. The challenge is that we are wanting to complete the expansion in maybe in the next eight months, six to eight months. Possibly Madhya Pradesh, we may not be able to commission it in that period. But, we are looking at Madhya Pradesh as well for future expansion as it is a good location.

Richa Jain: The PLF sir, are not really high in Madhya Pradesh, is that also one reason that people are not looking at MP?

J. Sivakumar: They may not be in the same league as Tamil Nadu's best locations. But, it has got good IRR, because of the tariff being very attractive.

Richa Jain: Okay. Also, you have mentioned in the PPT that a lot of the states like Maharashtra, Punjab, Jharkhand they are taking action against people who are not complying for REC. So, in the month of October we saw a sharp increase in volumes of REC traded. REC traded was about 98,000 as compared to 38,000 in the last month in IEX. So, which are the States that were buying RECs, because of this RPO enforcement happening?

J. Sivakumar: Most of the discoms are yet to start the buying. Of course Punjab has been in the market for some time. But, bulk of the volume is still due to private sector obligated entities. So, we expect going forward possibly from November, we may find the other large discoms coming into the market.

Richa Jain: Okay. And one more thing is on the GBI, you mentioned that GBI has come in but what is happening on the ground. Are obligations being sent to IREDA or it is still under the implementation phase?

J. Sivakumar: Among the existing assets we have 4 Mw for which we had already applied the previous year. And the regulatory authorities have approved that. For the new projects, we are now approaching

them. These have got commissioned recently, in the last one or two months. Now since notification has come out, we are now in the process of applying to the IREDA. In any case we will get GBI from the date of commissioning... We expect to apply for registration in November and after that actually the activity will start, in terms of the cash flows. Hope I have been able to answer your question.

Richa Jain: Yes sir. I will get back in the queue.

Moderator: Thank you sir. Next question is from Mr. Mohammed Shakeel from Banyan Capital. Please go ahead.

Mohammed Shakeel: Thanks for taking my question. Kayathar line is expected to start in April of 2014. My question is, is it good to assume that there will be no transmission issue, knowing your current capacity and the upcoming capacity that is going to be there in next six to eight months?

J. Sivakumar: That belt, Kayathar belt we have almost about 250 MW. Once that comes up, it is expected that not only ours, but almost about 5,000 Mw which is in that belt would benefit.... It is expected that once in April it comes up there will not be any problems in evacuating the power to the grid and shutdown will significantly go down.

Mohammed Shakeel: Okay. In that area, I am talking about overall Tamil Nadu.

J. Sivakumar: Overall Tamil Nadu, this will take care of the Southern corridor There is also some kind of congestion in the Northern belt which is near Coimbatore. There also, TANGEDCO, TNEB has taken action to lay lines from Udumalpet to Salem in order to de-congest that corridor also. There we have relatively less capacity. We have possibly about 30 odd Mw. That would possibly take a little longer time possibly in the next season of 2015 to be completed.

Mohammed Shakeel: Okay. And my next question is on the petition in High Court related to must-run status. So, how is it going to help you, after having must-run status, what will be the business model? How will you sell? And what would be the exact proposition?

J. Sivakumar: We will be continuing to sell power to third parties by using the TNEB grid, for which in any case we are paying charges. So, the petition is only, to ensure that the State Government honors the must-run status, which is enshrined in the Grid Code, it is definitely something which the Indian Wind Power Association views as a violation of the Grid Code with has very serious ramifications for the industry. So, once that is being settled, we shall ensure smooth injection of power into the grid

Mohammed Shakeel: Okay. And my next question is on biomass. In Rajasthan you have two units, which are not under operation. Which are these plants? I want to confirm.

J. Sivakumar: One is Kotputli that is 7.5 Mw plant in Kotputli. The plant was acquired by OGPL, it still can be made feasible - we are in the process of trying to restart the plant.

Mohammed Shakeel: And which one is the second. I didn't get the name of the second one.

J. Sivakumar: Second one is in a place called Hanumangarh, which is a 10 Mw plant. There the fuel is not a challenge, it is more in terms of the sale model as we wanted to come out of sales in a trading platform. It was not yielding any revenue at all as the tariff was going down to ₹3. We have now sought an order from the ERC, Rajasthan ERC for sale to the utility at a preferential tariff. It is under active consideration of ERC. We expect the order shortly, before we restart the plant and this would provide better realization for the plant.

Mohammed Shakeel: Okay. On Kotputli, firstly what do you think is the timeline for the resolution? Secondly, if you don't see a near resolution, is there any other way, like converting it to the merchant power basis?

J. Sivakumar: Generally there the issue has been of fuel availability at the right price. So, now the season is approaching for fuel, most of the fuel will be available at a very reasonable price. We have the ability to now take decision to restart it, get the fuel at the right price, which will provide the positive cash flows. Primarily we shut it down because of the negative cash flows. Now, we have also repaid the external debt in that unit. We are looking at options on how to restart the unit. Possibly we should take this decision in the next few weeks.

Mohammed Shakeel: Okay. And my last question is what are your CAPEX plans after 600 Mw, given your experience of delay, lower CERC demand and issues in Rajasthan?

J. Sivakumar: Since we have committed to do the 600 Mw, we are open to further expansion depending on the availability of the right tariff and the right jurisdiction in terms of the wind power. We are open for that. But, as of now our focus is to complete the 600 Mw.

Mohammed Shakeel: Okay. Thanks a lot and that is it from my side.

Moderator: Thank you. The next question is from Mr. Anirudh Gangahar from Nomura Securities. Please go ahead.

Anirudh Gangahar: Thank you for the opportunity. Sir, first question is on scheduling and forecasting. I noticed in the presentation that you mentioned that it has been stalled since on account of the court cases. Could you just help us as to what is the current status and if at all the courts the case is stayed, would it be applicable from July onwards, when the notification was issued?

J. Sivakumar: As such it has become applicable from July. We are awaiting the verdict in the case that is going on. And depending on that whatever is the order coming out, we expect it to continue to be applicable from July, depending upon whichever way or they may also defer it, As of now, we have done the calculations also, from July as to what will be the impact on the company etc, and it is actually a positive. In fact for us it is a positive, others we don't know how they have been impacted. We may have to therefore get money from the utility. In the long run there could be even losses which may happen. The association as such will be wanting that the regulator would take a pragmatic view by not enforcing it immediately, but looking at it for some time and then coming out with penalties etc. after a period of time. No one is against the implementation. We all want it to be implemented definitely. The contention is at least don't levy penalty in the initial at least one year or so.

Anirudh Gangahar: But, the mechanism, itself is currently not being made procedural. Today it is not operational?

J. Sivakumar: Yes, it has not become operational.

Anirudh Gangahar: And the CERC sir has been approached to review the entire thing or that is not the case?

J. Sivakumar: Since the matter is almost sub-judice, I think we will have to wait for it before commenting.

Anirudh Gangahar: And sir which High Court is this case in?

J. Sivakumar: Madras High Court.

Anirudh Gangahar: Madras High Court. Second question, basically you mentioned on GBI you have applied for the payments to be made. Do you expect the cash flows to come in this year itself?

J. Sivakumar: Typically we expect that in the case of first approval to be given by IREDA, the cash flows can start coming in at least, towards the end of this financial year and after that, it should be

received more frequently. Close to about six months from the day the notification was done, we should start getting it, ie at least the Q4 of this year.

Anirudh Gangahar: And you said thereafter the sequence would improve, that will be your quarterly payment, is that how it would work?

J. Sivakumar: After that what we will do is, we will have to see the mechanism how the IREDA proposes it. We are asking for a monthly payment of, just like the REC mechanism, i.e. as and when the generation happens once the project is approved. And once that is approved, we would like to move it to a monthly payout. We have to wait for IREDA to come out with the exact procedural guidelines.

Anirudh Gangahar: Understood. Final question was on the must-run status as far as wind business is concerned. We have seen this problem in Tamil Nadu. Any other State or others like Gujarat where you face this issue? Or this question has been raised in any other context before? Is this a Tamil Nadu related issue, given the wind capacity in the State?

S. Venkatachalam: It is only in the must-run status, the problem is only in Tamil Nadu, where apart from this, as what Sivakumar was telling you about, the excess power from hydro electric was also responsible for the current situation. Also, they had some power from outside States. So, it happened in Tamil Nadu. The other States have not been so much; in fact they have not been affected at all by this, given the must-run status.

Anirudh Gangahar: What may be the penalty in case what TANGEDCO has done, obviously is a violation of the Grid Code and do they take any penalty in case if the ruling goes against them?

S. Venkatachalam: No, there is no provision for a penalty as far as the act is concerned. We don't expect really much in terms of the penalty being levied for this. We are expecting at least the must-run status will be restored in the coming season.

Anirudh Gangahar: Sir, you may not be compensated on account of the back down of generation?

S. Venkatachalam: I don't think so. We are waiting for the court order; I don't think we are expecting anything specific on that.

J. Sivakumar: Our plea is to explain the gravity of the situation, so while we believe that we are deserving of compensation, possibly the courts may not entertain such a plea. While we are definitely trying for that, but the larger issue is, this should be honored on a year on year basis in the region and not violated. That is what we are seeking. .

Anirudh Gangahar: I understand and appreciate. Thank you very much for the answer.

J. Sivakumar: Coming to the earlier question of where we have filed the scheduling, forecasting cases, Madras High Court as well as Delhi High Court, two courts are hearing it.

Anirudh Gangahar: Two separate cases?

J. Sivakumar: Right.

Anirudh Gangahar: Right. Thank you for the clarification sir.

Moderator: Thank you. Next is a follow up question from Mr. Darshan Dodhia from Care Ratings. Please go ahead.

Darshan Dodhia: Sir, just a book keeping question, what is your current installed capacity in Tamil Nadu?

J. Sivakumar: Capacity in Tamil Nadu for wind assets is about 316 Mw.

Darshan Dodhia: 316 Mw and of this how many are third party PPAs?

J. Sivakumar: All are third party PPA.

Darshan Dodhia: All are third party PPA. So sir, correct me if I am wrong, if you are seeing that there is a backdown, I agree there was a lot of hydel generation in TN in Q2, so is there a back down by the end consumer that is why the captive where you are selling it?

J. Sivakumar: Ultimately the power has to go through the utility grid infrastructure and not through, dedicated line to the customers etc. So, customer also gets the power wheeled by utility and the backdown is at the behest of the State utility only, because what we inject in the grid is the State utility infrastructure only.

Darshan Dodhia: Okay. So, possibly there was no decline in demand from the end consumer of 316 Mw, is this because of the transmission constraint? Where you have faced the problem in this quarter?

J. Sivakumar: Yes, correct

Darshan Dodhia: Okay fine, thank you sir.

Moderator: Thank you sir. Next is again a follow up question from Ms. Richa Jain from Crisil Limited. Please go ahead.

Richa Jain: Sir, just want to understand, you are planning capacities in biomass segment, so given the current scenario, where fuel costs and other expenses are going up and there are also issues in terms of availability of fuel, will these capacities be viable?

S.Venkatachalam: As far as Tamil Nadu is concerned, with the group captive and the rate was something like ₹.5.10 to ₹5.20 net after all the wheeling and transmission charges...because it is mainly from coconut and various other feedstocks; we are able to run these plants just about, we are able to run these plants optimally with minimum profits from these plants, which we just started in the last two weeks. As far as Rajasthan is concerned, with the better tariff and better fuel, fuel rates are much better in Rajasthan, especially when you come to the mustard season, where the fuels are available at a much better price. That kind of combination, Rajasthan at least two units are quite viable. And in fact they may be making much better cash flows. Remaining units in Rajasthan, which we are looking at various options as to how to get either a better tariff or better fuel rates in Kotputli or better output.

Richa Jain: Okay sir. Thanks.

Moderator: Thank you. The next is also a follow up question from Mr. Mohammed Shakeel from Banyan Capital. Please go ahead.

Mohammed Shakeel: The Company has taken ECB of 35 million, which is held at lower interest rate according to one of the news article. So, can you please tell us what the interest rate, tenure term is? The question is what is the interest saving you are looking at from this option and other refinancing option?

J. Sivakumar: Effective interest rates, fully hedged 35 million dollars is about 12%. So, it is an arbitrage of about 1%, which is available for the future, whatever we pay, we just take it at 12% interest rate. And more importantly the further benefit is on account of favorable forex gain, we hedged the product. When the 35 million was taken and subsequently when we hedged it, it was a favorable currency movement that has contributed to another about 1.3%. So, effectively the cost in the ECB would be about 10.7% across the tenure of the instrument, it is a ten year instrument. That is one part of the ECB. With regard

to the other refinancing initiatives, what is happening is, we are going step by step in terms of the loans that we already have in the books in terms of the existing assets, where the loan component is about ₹300 crore is what we are trying to get refinanced. I have to assume that if we successfully get it done, savings of at least about 1% to 1½% is what we are estimating at least.

Mohammed Shakeel: Okay. The current rate of, the current interest cost in this quarter was ₹64.3 crore. So, what is this number for quarter you are looking at after all the refinancing that you will do in the next six months?

J. Sivakumar: What we have in refinancing is then, I think on an overall basis, if we were able to get it done. I think we will like to have a saving of not less than 1½% of the entire portfolio.

Mohammed Shakeel: Okay, that's fine. Thanks a lot sir.

Moderator: Thank you sir. As there are no further questions. Now, I hand over the floor to the management team of OGPL for closing comments.

S. Venkatachalam: Thank you very much. In fact there have been some very interesting questions and we look forward to a good quarter and the next innings ahead. We are sure that there will be some very good times coming ahead.