



ORIENT GREEN POWER COMPANY LIMITED

18th November, 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 Q2 and H1 FY 2018 results

This is further to our intimation dated 08th November 2017, pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding the conference call to discuss the Q2 and H1 FY 2018 Financial performance of the Company on Friday, November 10, 2017 @ 04.30 PM 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

Q2 and H1 FY 2018 Conference Call Transcript

November 10, 2017

Moderator Ladies and Gentlemen, Good Day and Welcome to the Orient Green Power Q2 and H1 FY 2018 Earning Conference Call. As a reminder all participants' lines will be in the listen only mode.

I now hand the conference over to Mr. Suraj Digawalekar from CDR India. Thank you and over to you, sir!

Suraj Digawalekar Good Evening, Everyone. I welcome all of you to Orient Green Power Company's Earning Call to discuss the performance for the quarter and half year ended September 30th, 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 were 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. Thank you and over to you, sir!

S. Venkatachalam Thank you, Suraj and a very good afternoon all of you and thanks for attending the call on late Friday afternoon.

I trust that all of you would had look at the results and gone through the Investor Presentation as well.

We are really pleased to announce strong momentum and performance during the first-half of the year. For H1 we reported a consolidated turnover of Rs. 330 crore with an EBITDA at an all-time high of Rs. 250 crore and the PBT at Rs. 54 crore. This continues our strong performance in Q1 and we are on course to register our best ever performance in terms of EBITDA and PAT in FY 2018.

First up, I would like to share that we have concluded the sale of our biomass units through our promoter group entity, Shriram Ventures Limited. The deal was executed in end August that is August 31st, 2017. So biomass performance has been only



included for a part of that quarter and to that extent the numbers are not strictly comparable.

So even after non-inclusion of biomass performance for the month of September following its sale in end August, we have reported a strong growth in wind top-line of about 8% in H1 FY 2018. This has been due to the consistent grid availability in Tamil Nadu where we have 308 MWMW out of our overall 425 MWMW of wind assets, coupled with a fairly robust wind season also.

Except for a brief drop in wind patterns for about three weeks from end August to early September, the overall wind season has been fairly satisfactory. Further grid availability for the first-half is average 95%, and is much improved compared to the last least three years.

As we have shared earlier TANGEDCO has scaled up its evacuation of wind power units due to numerous initiatives by the utility and the wind association coupled with overall changes and the approach towards wind industry itself.

Given the strengthening of the North - South grid, we expect that Tamil Nadu will be in a position to evacuate the surplus power which bodes really very well for grid evacuation status and the demand outlook for the wind power.

Coming back to the sale of biomass business, this concludes our initiative of the last couple of years where we were trying to segregate the bio businesses. As you are all aware, over the last three years, over 30% to 40% of the losses have come from biomass. Further the average EBITDA of biomass over the last three years is approximately negative 3% as against 70% and improving for the wind businesses. So with the transfer of the biomass business the wind business is unshackled and in a position to build on the strong turnaround and improvement in performance. That is already demonstrated in the last couple of years.

With the sale of the biomass business, our total debt is reduced by over Rs. 300 crore and the shareholders funds have also gone up as the accumulated losses have gone out with the biomass business.

So the financial position of OGPL from a leverage perspective is much improved as compared to even six months ago. In addition to the reduced debt burden due to sale of biomass has also been some positive developments on account of refinancing of debt.

Well, I will ask Mr. Kasturi our CFO to share the finer details. We are on course to deliver on our target of reducing interest by at least Rs. 35 crore to Rs. 40 crore over the next 12 months.

As far as the proposed merger of IL&FS with OGPL is concerned, the exclusive the period of the confidentiality and exclusivity agreement as mutually agreed between the Company and IL&FS wind energy was completed on 31st August, 2017 and the Board has decided not to have further discussions with IL&FS wind energy in relation to evaluation of merger of the wind business.

As far as RECs are concerned there has been a marginal increase in trading in H1 FY 18 compared to the same period last year. This is despite the uncertainty in price. If you recall CERC had proposed that the floor price for RECs will be reduced from Rs. 1,500 per MW hour to Rs. 1,000 per MW hour with effect from April 1st, 2017 this was challenged by, the wind power association and the Hon'ble Supreme Court has granted a stay vide their order dated May 18th, 2017.



In July, 2017 the Hon'ble 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 a credit of Rs. 1,000 and the balance Rs. 500 will be kept in escrow account with the CERC.

So REC trading is underway and we have received Rs. 1,000 per certificate sold and we are awaiting the order of the Hon'ble Supreme Court to ascertain the final realization.

On an overall basis we feel very good about the business, we have a portfolio of 425 MWMW of wind assets with approximately 45 MWMW in the pipeline. Improving grid availability will ensure that units generated continue to grow.

During the period of grid back downs it did not make sense to undertake investments on maintenance or debottlenecking of turbines in order to improve efficiencies. Now these investments will give improved efficiencies leading to growth in units generated. We are hopeful that with an expected uptick in economic growth and the power consumption there would be some increase in tariff.

Apart from top-line growth, the other initiative we are focused on is cost of funds. We have already made significant progress in this regard and after consolidating the gains of this round of financing we will actively seek to extend this further.

So top-line growth and expenses management will help us deliver further improvement in profitability and margin performance in the coming years as we aim to be most efficiently run in the renewable energy company in India.

Overall, we see a very positive outlook going forward.

I will now hand over the floor to Mr. Kasturi who will take you through the financials.

K. V. Kasturi

Thank you, Mr. Venkatachalam. Good Evening, Everyone and Thank You for taking the time to join our earning call.

I will briefly run through our financial performance for the period under review. Post which, we can start the Question-and-Answer Session.

So, starting up with revenue. We are pleased to report that we deliver top-line growth of 6% in the first-half. This was driven by consistent grid availability and supportive weather condition resulting in good wind pattern especially in the month of June and July.

Our total revenues for H1 FY 2018 stood at Rs. 330 crore as against Rs. 310 crore generated during H1 FY 2017.

Revenue momentum though was strong, was marginally impacted in the second quarter owing to volatility in wind patterns across some of our key regions. We would have been to deliver even a better run rate but for that reason

The grid availability for the first-half was 95% as against the availability of 95% during the H1 FY 2017.

As indicated on our previous call, Tamil Nadu evacuated a record 4,414 million units of wind power in Q1 as against 3,092 mu and 1,592 mu during the previous two years.



Sharp improvement has result of years of efforts put in by Wind Associations in Tamil Nadu coupled with very positive approach from TANGEDCO.

EBITDA for the first-half stood at Rs. 250 crore as against Rs. 233 crore generated during H1 FY 2017, higher by 7%.

Depreciation for the first-half stood at Rs. 75 crore as against Rs. 84 reported during H1 FY 2017. Going forwards depreciation will be lower, now that biomass assets have been sold.

Moving to interest expenses. I am pleased to share with you that our consistent efforts towards the rationalizing part of our high cost debt have finally started leading positive response.

First and foremost, overall debt will decline following transfer of loans amounting to around Rs. 300 crore which were against biomass assets which have been sold to a subsidiary of SVL Limited.

Further, we have also successfully refinanced one tranche of existing loans amounting to Rs. 100 crore at a reduced interest rate of 12.75% from 18% earlier. This is with effect from 1st July, 2017.

The reduction in interest cost should help us to save annually around Rs. 5 crore. We are also exploring opportunity to reduce interest rate by 100 basis points to 150 basis points on loans amounting to Rs. 765 crore which were restructured under 5/25 scheme.

A combination of these initiatives is expected to reduce annual interest expense by Rs. 30 crore - Rs. 35 crore, which will flow directly to PBT in turn improving cash flows and liquidity profile on the company.

Let me briefly discuss about biomass transaction before we move ahead with the Question-and-Answer Session.

We have transferred all our biomass assets to subsidiary of SVL Limited. The transaction was down at enterprise value of Rs. 272 crore comprising of debt Rs. 182 crore and cash of Rs. 80 crore. Further outstanding loans reduce to buy Rs. 159 crore from Rs. 1,887 crore as of 31st March, 2017 to Rs. 1,728 crore as of 30th September, 2017.

A quick word on REC before I conclude. Revenues from REC picked-up momentum during second quarter, following commencement of trading, following Supreme Court order permitting conditional trading of non-solar RECs.

Demand through on a overall basis were relatively soft given that obligated entities are required to pay at old REC rate. However, the demand from some utilities remained strong especially wherein state regulations have given RPO enforcement orders recent months.

On an overall basis for six months ended September, Non-Solar demand is up by 11% compared to the same period last year.

To conclude, I would like to say that our recent strategic initiatives undertaken towards addressing large part of our legacy issues have positioned us well to deliver steady and consistent growth going forward. We also carried out specific methods towards addressing the liability side of the business, rationalizing debts, strengthening cash



flows and balance sheet, we are confident that these measures will lead to enhanced value creation in the quarter's ahead.

That is all from me. We can now take your questions.

Moderator

Thank you. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. the first question from the line of Hemant Thillaisthanam from Elysium Investment Advisors. Please go ahead.

Hemant Thillaisthanam So if I were to take let us say a decade view over the last 13 years or so. If you look at India's installed wind energy capacity that has grown by a factor of 10. whereas if you look at the stock price of let us say a wind turbine provider like Suzlon it is pretty much gone 90% negative. So it has become 1/10th from the IPO listing price in 2005. So you have an end market that has grown ten times, so why is it that turbine makers have not been able to capture value and who is it that is capturing value in the wind value chain?

S. Venkatachalam

Yes, I think, it is a good question because the entire industry sees renewable as it is going through various ups and downs. In fact, if you see the renewable industry went up till about 2012 when the ADI was available to the full. And then they introduce the GBI also with ADI being cut to half. Now, during that turn when they withdrew the ADI for a year there was a big downturn and in fact, wind mill operators found that there is nothing really to do and they were almost at they have wits'end as to how they would be able to sell the next turbine. And then there was a spurt last year when there was a big impetus as far as for the wind industry. Till such time, they opened it up for competitive bidding. So this is the second cycle that we are going to see of downturn which is probably going to be there for at least a year or two because I can see that tariffs according to me will definitely go up because these tariffs which people have quoted are really not sustainable even this Rs.2.64 people have assumed between 38% and 42% PLF which I would really be at my earnings wondering as to how they have quoted that they are very few sites and even if you quote of a site say a 100 MW site, you will get a patch of about 20 MW - 25 MW which will offer you that 42% PLF. But along the edges of that or the periphery of that particular wind mill site you would not get those and on an average, you will be down to about 35% - 36% in the best sites in the country. Secondly, people have assumed which I mean the business line talks about assumptions of Rs.5.25 crore per MW. I mean, this is again because of stocks people are carrying. But if you see on a comprehensive basis, see Rs. 1.5 crore to Rs. 2 crore is the kind of expense that you will have to incur after the wind mill I mean, OEM is supplied you the components because there is land, there is infrastructure development cost, there are some other costs which are there other than the equipment cost itself. So definitely even if they cut the rates just to capture I mean sell off their stocks both Suzlon and Gamesa, the costs are not going to below Rs.5.75 my estimate. We have done all the homework on this, second. And thirdly, see, which I have been telling you in various seminars, one is that excel sheets are the biggest enemies of mankind, you put garbage you can get out garbage, you can make the excel sheet I mean give you the kind of results that you would like to see. And secondly, I have always been saying that the Government's if they are abiding by their norms, the tariffs will definitely go down, one is the Governments have to sign PPAs on time which we have not been doing, they have to evacuate in full, they have to pay on time, in fact at this point in time Andhra is paying after five months. Similarly, M. P. and Maharashtra also. They have to pay on time and then fulfill their RPO obligations. If they do these, if we can trust the Government on these four parameters I mean, the tariffs will definitely go down and it will still be workable. In fact, if you see our own case, we would have definitely done these calculations five - six years back without factoring in so much amount of grid back down which we faced. About 30% - 40% of grid back down. So if Government fulfills their commitments I think I mean there are a lot of positive things not only for wind but for all the industries to come.



Hemant Thillaisthanam Got it. And a couple of things, just to push the point about efficiency assumption which you just mentioned, do you think, that it is also a function of say increase in wind turbine diameter sizes, so people are getting a little more optimistic about a 120 meter turbine versus say stuff which was installed a decade ago which would have been may be 50 meters at best.

S. Venkatachalam That is right, yes. In fact, there is definitely that comes as a factor because those who are between 15% to 20% PLF at best even in the best sites like mookambika towards Kanyakumari belt. Now, if you look at these higher wind turbines in Gujarat, etc., when you install them you can get there are instances where you can cross 40% PLF. So the technology has definitely played a part...

Hemant Thillaisthanam And at what height would this be, if I could...

S. Venkatachalam This is between 100 meters - 120 meters with 120 diameter also. But having said that, still on average assumptions that they are making of 38% to 42% PLF which various people have done is still far beyond what these machines also can deliver on an average.

K. V. Kasturi And second thing, this adds cost to the CAPEX also. Suppose, if we are increase the length obviously it is quite difficult to accommodate its Rs. 5.25 crore per MW. The moment you start increasing the you know the other peripherals of the machineries, so obviously it adds to cost to insulation. So I am not sure whether that Rs. 5.25 crore per MWMW assumption holds good if these kind of things are going to be put in place actually.

Hemant Thillaisthanam And I suppose the entire engineering lay out of the wind farm itself would have to undergo a change if I were to say migrate from a 50 meter to 120 meters and that would also have an impact on the overall running efficiency, right?

S. Venkatachalam Exactly, see basically these are governed by the 5D, 7D norms, though these norms can be compressed a bit, you can even operate between 3D, 5D norms kind of a thing. But still 50 meter blade this 5D, 7D would be to 250 meters and 350 meters. But a 100 meter blade would be almost taking it to a kilometers with these norms 120 meter blade. So the spacing between the wind turbines to prevent the wake effect, etc. definitely change in the pattern or the configuration of the wind farms that you have.

Hemant Thillaisthanam Got it. And sir, the wind turbine makers on what basis are they pricing the turbines, is it still the IRR basis or are they basically around flat rate of is it now as you move towards auction, is that changing?

S. Venkatachalam Yes, it is changing because see, first the IRR model was there for pricing wind turbines because they had the shortage item was really the land and the evacuation infrastructure, the wind mill manufacturing capacity was never a shortage, so selling the shortage items on a IRR basis. Whereas now the entire dynamics has changed with the I mean competitive bidding having opened up new kind of market dynamics and this is what the power minister wanted, and he has in a way achieved I mean with now the competitive biddings throwing up such low rates and so these people have to in order to liquidate of course, the bidders have also talk to Gamesa, Suzlon some of the bidders have talk to them. But still there are so many other costs other than the equipment cost have to be factored in which I know for fact have not been factored in.

Hemant Thillaisthanam And as an industry, maybe you can even might even want to do OGPL how is the industry thinking of CAPEX over the next say three years to five years especially given the solar targets that seems optimistic to me but how do you think you and the industry is thinking about CAPEX and prospective capacity addition.



- S. Venkatachalam** See, capacity addition will happen okay not so much from OGPL at this point in time unless we have some other avenues for financing like either a merger or whatever because from our past records point of view, the capacity additions at this point in time or major investments would be a little challenging. But having said that I mean we are definitely looking at opportunities for expansion but people who have flushed with money and people who have raised finances from various I mean investors are sitting on a lot of money and they need to immediately invest these monies and this is coupled with a fact that there are stocks available in the market of wind mill turbines. So at least for a year or two we see the prices being low as far as the quotes. But I see a correction happening after a couple of years.
- Hemant Thillaisthanam** Sure. And do you think there is some bid of orphaning happened to wind given focus on solar?
- S. Venkatachalam** Yes. See, basically the solar tariffs went down so low but now they are also there are wits' end with having quoted to 44% in Badla this in Rajasthan and then the panel prices went up. I mean it went up by about 15% - 20%. So now everybody is wondering whether these projects will ever come up? So the solar has definitely put pressure on the wind and in fact, the Wind Association were trying to say that competitive bidding should not be there and now they have accepted competitive bidding in full. But both for wind and solar, see they have to evacuate the power in full and also sign the PPAs on time and pay on time these things, if these are not done I mean whatever the investors may do finally it is bank's who are going to suffer at the end of all this.
- Hemant Thillaisthanam** Sure. And one general final point on the use of renewable versus coal based power at the moment. So the one uses the renewable, coal based plants have to back down. So how does the scenario play out in a situation where you think solar installation is going up? Wind sort of plodding though over the next year or so as you are saying. What is your reading of the overall electricity and power sector as a whole not just renewables but renewables plus coal.
- S. Venkatachalam** Correct. See, basically, solar okay we will have to really see how much really comes up out of the 100 GW and the 60 GW of wind they have planned. Okay, at least something there is going on and they are talking about another 4,500 MWMW of wind auctions and some more solar auctions, etc., but in the overall scenario one needs a balance even coal is needed. We cannot wish away coal and though the PLFs are falling temporarily now the PLFs are also falling because there is a coal shortage also. The coal linkages have not been there in the full in that last week, there has been shortages of coal. Now, what my only hope is, see, one is the increase in power off takes with some industrial growth, secondly, the growth as far as the number of villages which are electrified as far as the Government programs are concerned they are looking at electrifying all the villages, so there would be some growth there. Thirdly, which has been happening is the I mean lifestyle changes which are prompting more and more people the middle class also have shifted to air-conditioners as compared to the past. These three changes are definitely going to improve the overall per capita consumption which is between 900 units to 1,000 units per capita to at least 1,100 - 1,200 if not more. I mean it is not going to stagnant at these levels. There are hick-ups at this point in time but definitely over a period of time these will see changes, and this will go forward.
- Hemant Thillaisthanam** Got it. And are you seeing any increased demand from industrial cooling in say Tamil Nadu or neighboring states?
- S. Venkatachalam** Not yet. In fact, we are hoping that this will happen, and I am quite confident that this will definitely pick-up. How long can the industry stay stagnant at this level, is what my reading is.



K. V. Kasturi

I think, post to this GST a lot of overhauling currently happening. May be in another couple of months it will all settle down and many people will start looking at further investments in the month to come. Because now a lot of confusion was there in GST implementation and the tariffs and all those things probably in a couple of sittings by the GST Council will bring a lot of clarity on various products and its rates so still probably now the climate will start improving then the industry investments will start coming in that is what I am hoping probably by early next year somewhere around June quarter, it will start coming in.

Moderator:

Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti

So I just had a question, I mean, let us go back to the first question the previous participant asked. I mean given how the shareholder value creation has been for the participants in the wind value chain. Is there any plan of the Company to move into other parts of the value chain in addition to what you are in right now going forward in sometime?

S. Venkatachalam

See, what we would look at is see basically we were looking at solar and other firms, in fact biomass was something which was very hot about four years - five years back. Now we have looked at divestment of the biomass into our own group company. In fact, a couple of back we were seriously looking at solar when the solar tariffs were between Rs. 5 and Rs. 7 and when we were looking at it and then the solar tariffs went down from Rs. 4.64 then there were Rs. 3 quotes and then, now the Rs. 2.44 quote. So I mean as we went through this, we found that it does not make sense to enter these areas at this point in time, people who are established as far as solar is concerned I mean definitely people know about solar more than what we do. But in the wind itself, we are seeing these tariffs going down at least the Rs. 3.46 we ourselves were quite confident that it was a good tariff when it happened. But then when it crashed to Rs. 2.64 we really do not see this a workable or a viable tariff and we are quite skeptical as to whether these projects will come up at all. But having said that, see, we are definitely looking at expansion plans, we will need to look at some mergers, etc., we were talking to IL&FS and as I said, we have just shelved that idea of talking to IL&FS because the numbers do not seem to pan out. But others we are talking to so that overall together we can do some expansion and definitely we will have to ride on the power story which is going to go up in due course of time.

Rohith Potti

Okay, that helps. So speaking up on what you said about a minute back. So you have mentioned that a wind tariff of Rs. 3.46 was something which you thought was workable. So I mean, from the FIT levels of above Rs. 4.5 - Rs. 5 over two years back you are confident that Rs. 3.46 is a workable tariff. So could you please explain, what change over the last two years - three years which made you comfortable with the Rs. 3.4 - Rs. 3.5 tariff because at that time in February there was some concern as to whether even that tariff was low?

S. Venkatachalam

Yes. See, basically if you really look at it, like I said with the previous caller that you know wind mills were sold on an IRR basis. In fact, the OEMs like Gamesa, Suzlon, and all the other Inox were selling Wind mills based on the IRR tariffs based tariffs. They were saying that see the wind mill manufacturing capacity was never a shortage. But the good sites along with good evacuation was definitely in short supply. So wind mill manufacturers worked on those and then once they had good site, they would offer it to various IPPs for quoting, it was anything Rs. 6.5 crore to Rs. 8 crore per MW depending on the site and the potential that it had to deliver an IRR. Now with competitive bidding has definitely changed the market dynamics and at Rs. 3.46, if you really take even a Rs. six crore plus kind of the capital cost and say 35% - 36% PLF which is quite workable, you do get equity IRRs of about 14% - 15% which is a kind of things that people are aiming at this point in time. And the interest rates are also fallen,



the capital cost have fallen, the machines are better with a better PLF compared to what it was even two years - three years back.

Rohith Potti

Okay, got it. So this is something which I heard in one of the con-calls of a wind turbine manufacturer recently. What they mentioned was that at Rs. 2.64 as well they were confident of generating a reasonable equity IRR because one, we have discussed the PLF has become higher; and second, because the PPAs are from the Central Government now there is more confidence on the stability of the PPA; and third, the cost of funds coming down; and the fourth, the return expectation itself has gone down among the players. So they seem to believe that because of these four factors a Rs. 2.64 tariff is workable. So I mean, in these assumptions, I know you have answered some of them, but if you could explain for our understanding what part of this assumption seems a little optimistic that would be helpful. Because some of these players might be the ones who are coming I mean, who are capital of abroad and where the cost of capital is not that high?

S. Venkatachalam

Yes. See, basically, even if you assume let us say a 9% at least overall average debt. In fact, they have assumed an 80% - 20% debt equity which they have assumed between 9% and 9.5% which is a little ambitious. But having said that let us look at the capital cost itself which people have assumed Rs. 5.25 in my opinion is in fact, we have checked with all the OEMs which if you really include all the cost go that is about Rs. 1.5 crore to Rs. 2 crore is the other cost other than the machine cost, it definitely crosses Rs.5.5 and in fact it is closer to Rs.6 are the numbers that we are getting. Now definitely the PLFs also 42% PLF which they have assumed is only available on small patches. In fact, if you are doing a 100 MW wind farm, we will get about 25 MW to 30 MWMW which can give you a 40% - 42% PLFs in a good wind season. But over the entire 100 MW of the wind farm, I have my doubts on those. Though people are optimistic and my assumption is that they have funds available which they have to deploy at the earliest. So the assumptions are getting far too aggressive and I do hope that these don't spoil the market for the future tenders. This is my reading, people may have different opinions because we have talked to various OEMs they keep justifying their assumptions when we talk to them.

K. V. Kasturi

The only thing is we want future investments will all get suppose the tariff seems to be quite this kind of low tariff, obviously, the investments will not flow as expected, the addition to a capacity will definitely shrink because there will be few times people may bid for that, but over a period of time it is quite difficult to sustain that kind of tariff in a long run because that is the point because since the life of the is 25 years so obviously you need to factor a lot of uncertainties in the system itself. We have been there in the business for several years obviously a lot of uncertainties are there. New things keep coming up actually. So that put a lot of particular **returns** will take some beating if there are slip in somewhere here and there actually. So obviously it is a quite very aggressive in terms of quotation. Maybe it may sustain for a year but as we mentioned it may definitely turn to be a much higher number later on.

S. Venkatachalam

Even the stock liquidation prices some of these are like...

Rohith Potti

I mean that is very-very interesting, sir. So just to get, so let us say this year and next year what unit price is something which you think is sustainable over a long period I mean given accounting for the uncertainties that might occur.

S. Venkatachalam

I would put it more closer to Rs. 3.50 because see, some amount of uncertainty will remain as we have seen in our own case. In fact, obviously when we made these assumptions six years back when we were investing, we would have made assumptions of at least 95% to 98% grid availability which was not true really speaking. Now the Center may say something but the State Governments seem to go in a different path all together of course, they have challenged all these PPAs, they want



to revisit these PPAs and so on so forth though these are not really tenable when you go in a court of law. I mean they cannot really revisit your PPAs once it is signed. But in all these waste times. Suppose the Government calls me and says I want to renegotiate your PPA and then I go to court. For one year I will not get any payments or one year I can keep fighting it out and by the time the case is solved, enough damage would have been done to various investors. So these kind of things with all these assumptions Rs. 3.50 looks because there have to be some uncertainty factors which have to be taken into account delays in payment. See, even delay in payment Andhra, Madhya Pradesh, and Maharashtra, for early payment I mean you are supposed to give them a 1% to 2% discount based on the contract that you have signed. But after six months also they want that particular waiver and they want a 1% to 2% discount after six months. I mean basically this is arm-twisting which is happening across the industry because it is a kind of monopoly that they are in. so they try to arm-twist you into accepting and many of us do get arm-twisted because we want that money because we have not honored our bank commitment and so on.

Rohith Potti

Okay. And this is very-very helpful. So just taking it further, once the player has won the auction I guess as you say that tariff is not tenable. If a construction does not happen I am assuming there are certain amount of penalty they will have to pay to the Government for not completing, etc., right?

S. Venkatachalam

Yes, that is a very good point because what they lose right now is only the EMD that they have paid. Now, in the Shriram Group we have got an EPC company also, Shriram EPC and they tell us that if they default in any of the contracts they are black listed for three years. In fact, we have suggested to the MNRE saying that okay, you go ahead with competitive bidding but black list people who have not put up both the solar or wind guys for a year, if they come up well and good but they do not come up there has to be some penalty in terms of blacklisting.

Rohith Potti

Okay. So the current scenario there is no blacklisting or fine for not completing the projects on time, is it?

S. Venkatachalam

Really speaking there is not much penalties for that except for the EMDs that they will lose.

Rohith Potti

Okay. So that is not a good scenario to be honest. Okay, got it.

K. V. Kasturi

I think, even couple of months back there was a report Inox and few more players they did not execute the project, I think they had a tariff of something like Rs. 3 or something, it was reported in the paper, some 100 MW or 250 MW, they did not complete it at all. In fact, they bid for that, but they did not do it actually, this was news in the paper, I think couple of months there was a report on this because they did not complete the project, they did not even start it also because it may not be lucrative for them to execute the project. So there are people who may do it for the sake of doing it but finally like a casual player they come and do bidding and finally they said they are not able to arrange the funds some of things. Definitely today the Indian nationalized banks may not come forward for funding Rs. 2.65 because whatever figures we have lot of consortium banks, we are in indirect talks, so they are very aggressive in terms of this the kind of tariff. And secondly I will just give you one view, see supposing say 100 at Rs. 5.25 crore per MW costing, 80% is the debt fund. So almost around Rs. 4.20 crore is the cost of debt. At 9.5% you have to pay annual interest of Rs. 40 crore and assuming that you have to pay at least another over 15 years you repay this loan. So that also add another Rs. 2 crore per month as they repayment thing. So almost Rs. 5 crore is the kind of repayment and interest and principle. See, as he mentioned there are a lot of delays happening in the Discom level in terms of payment of dues. So if you take Andhra Pradesh as a classic case where we are currently having a problem. So almost five months - six months like that they are delaying it, imagine the delay



happened, so it will have an impact on repayment of both interest and principle. Obviously, the banks will put a lot of pressure on you to pay it, where will you go, again you have to go and seek funds somewhere and keep the particular account standard, so whether it is on an ongoing basis which is sustainable, we need to see that. So that is why I am saying the ground reality is completely different.

- S. Venkatachalam** Yes, just to add to that. In fact, I put all these assumptions which we have made for this Rs. 2.64 on an excel sheet, at best I got 10% both in terms of equity IRR and the project IRR. In fact, after taking the best of all these things so I really do not know how they would be able to sustain when the bank interest cost itself is between 9% to 10% they have assumed.
- K. V. Kasturi** And the moment you delay it obviously, they will charge penal interest then other overdue charges all will start commencing. So imagine a kind of hardship the investor has to go through that. These are some of the practical issues which is currently being faced by many people actually.
- Rohith Potti** It is very interesting, sir. So in your opinion so you would broadly agree with the approach of auction mechanism but it could have been made more robust would that be right?
- S. Venkatachalam** Yes, you are absolutely, right.
- Rohith Potti** Okay. So not just make the price of the electricity low but ensure that the execution happens with some penalty clauses that would have been the best way to approach it?
- S. Venkatachalam** Yes.
- K. V. Kasturi** Absolutely. So that people do not vote irresponsibly.
- Rohith Potti** Okay, understood. Also at Rs.3.5 the wind energy industry would not need any subsidy or any more protection like they did in the past and it will be self-sustainable it is a tariff around Rs.3.5 and it is competitive as compared to other forms as well.
- S. Venkatachalam** Correct. The only subsidy is in terms of the Government fulfilling all the commitments, that is all.
- K. V. Kasturi** Payment is important. We supply payment then we supply particular power to the Government, Government should ensure that today I can gladly say that Gujarat is the only Government today I get the payment within 7 days' time. So those kind of commitments is coming from the Government side yes, definitely it is doable. But if there are like you know today Andhra Pradesh Government is taking almost six months to make the payment obviously that will have an impact on the cash flows itself actually.
- S. Venkatachalam** And Andhra was a 30 days payer.
- K. V. Kasturi** Earlier in fact, one year back they use to pay in 35 days time. Now today, there is a huge delay is happening.
- Rohith Potti** Okay. And it is purely because of the chains FIT to auction mechanism and they feel they are short....
- S. Venkatachalam** I think, they have an overall shortage of funds for all industries not all their projects and not just the power, they have slipped into delayed payment in all sectors.



- Rohith Potti** Okay, that is from me at this point of time. I just want to acknowledge that this I mean I have attended a few con-calls and over the last year this has been the most productive con-call for me. Thank you for your candidness and your detail explanations.
- Moderator:** Thank you. The next question is from the line of Chintan Ramkrishan, an Individual Investor. Please go ahead. Chintan, your line is unmuted. Please go ahead.
- Chintan Ramkrishan** Is there any estimation on the current year EPS earnings per share for the current year 2017 and 2018?
- K. V. Kasturi** We do not give any forward kind of thing. I will give you the brief about our business per se. Normally our business is a seasonal by nature, okay. 70% of our revenue comes during the first six months of the period and 30% of the revenue comes to the rest of the period. Obviously, it depends on how we do it. But we are quite particularly during this current fiscal year that is 2017 - 2018, we are expected to do some sort of breakeven at the PBT level, so that is lot of efforts have gone in terms of separating biomass business and interest rate reduction all those things are being currently perused. So obviously that will start yielding results in a more better manner in the next coming years actually.
- Chintan Ramkrishan** Okay. And same thing, so will that be reflected in the spot market prices because we see that though there is a lot of efforts from the management side and though we are getting good results but what we see for the investors, so we do not see much from the stock market perspective. So can we see light from here onwards?
- S. Venkatachalam** See, basically we are doing our best and it is up to the market to react to the positive thing that we are doing. Honestly, personally I have never understood the stock market it goes sometimes contrary to what you believe it should be and it has got its own dynamic so something which I really do not see. Only yesterday when we posted the results after the board meeting, see the format of posting our results as far as the auditors have certain SEBI format to post it in. in that format you cannot really put that okay the last year's profit Rs. 49 crore was coming from exceptional income due to a write-back or sale of one of the biomass units. So really speaking when you compare the last year's profit tend to look at a little better than this year. But if you subtract that Rs. 49 crore which has come as an exceptional item, last year's profit is only about Rs. 15 crore - Rs. 16 crore whereas this year it is about Rs. 54 crore PBT. People only read overall figures and say okay, this performance does not pan out to be better than last year. So the comparison only when you attend an Investor Call like this and see the Investor Presentation you do see the comparisons turning out to be far better.
- Chintan Ramkrishan** Okay, thank you. And one last question from my side, I was hearing the earlier conversion from the other your questions. You have some plans to do merger in the future. Do you have any timeline or something that you are looking to finish any merger in the future because now IL&FS is not happening so do we have any other timelines that you wanted to make an adjustment.....
- S. Venkatachalam** See, basically we had tied with IL&FS and that exclusivity period got over and we have also whatever we discussed across the table did not seem to work out. So we are now in talks with other entity for the merger we have just commenced all that, it is very difficult to put timelines because all these take much longer than what you actually anticipate because there are various processes in terms of due diligence, in terms of the numbers or the ratios that you will work out with the potential merger candidate and after all that then you have to go through registrars and various things those processes are far to removed, I mean, very difficult to put a timeline or a number but we are working towards it.



- Moderator:** Thank you. The next question is from the line of Rupesh Goel from Rupesh Goel & Company. Please go ahead.
- Rupesh Goel** Sir, what is the future ahead of Orient Green Power, I am invested in company from last five years and you have made very sincere progress and now, for next one year where do you see our company progressing?
- S. Venkatachalam** See, basically if you really see the H1 results are something that will pan out into the full financial year results which would mean that there would be a much better EBITDA margin for the year as compared to the previous year. So previous year if we were at about Rs. 290 crore we definitely see some Rs. 30 crore - Rs. 40 crore of EBITDA going up mainly due to better wind that we have had and also due to the various measures which our CFO explained in terms of reducing finance cost. And further the EBITDA also would be promoted by with the de-merger or the divestment of the biomass because we had to take some of these calls because the biomass industry we thought would be a good investment which was looking extremely good about three years to four years back now with the fuel prices because there is a raw material content in biomass which has not so in wind and solar. So I mean, looking at it from a futuristic point of view, we only see that things will be better from now on also you are aware that last three years to four years there was sever grid back down in Tamil Nadu because of which very highly very subdued wind performance that we had. This is something which Orient Green Power has taken the lease along with the wind association to ensure that Tamil Nadu is now evacuating almost the entire wind power that is available. So these are steps that we take and when you work with Government utilities there are certain uncertainties which do come up. But I think, these are all the things of the past and these are all things behind us really.
- Rupesh Goel** Any fund-raising plan, sir?
- S. Venkatachalam** No, basically as we said, see basically we are looking at the 45MW expansion in A. P. itself but other than that to look at fund rise at this point in time also the private equity firms are also quite skeptical about how the wind industry will pan out with the tariffs having fallen for any future expansion. So we pass, we are getting a good tariff and we will live with that but future expansions at lower tariffs even the banks are quite skeptical about it. So more than a fund raising we will be looking at a merger so that we consolidate and grow together along with another company.
- Rupesh Goel** But sir, it will take time. So our capacity is same from last three years. But since we are progressing in Tamil Nadu, we are posting better numbers than last year.
- S. Venkatachalam** That is right, yes.
- Rupesh Goel** But our next growth engine will start from where, if capacities are not increased?
- S. Venkatachalam** Yes, basically we have got a 45MW pending for which we have already initiated the work as far as Andhra is concerned, this is along the same wind site that we have in Tadipatri in Andhra Pradesh. And we already got the grid infrastructure, the substation everything in place so the wind mills are coming up and will come up by the end of this financial year. So apart from that, we do not have any immediate plans because we are waiting and watching the tariffs are also very subdued and the banks are also not willing to fund at these tariffs we have talked to almost all the bankers and they are not willing to fund these tariffs even for the people who have bid for these. We did not bid for them but even for people who have bid for them the banks are quite skeptical and vary of funding these projects. So we will have to wait and watch at least for a year before things stabilize and the tariffs also stabilize.
- Moderator:** Thank you so much. Sir would you like to add any closing comments.



- S. Venkatachalam** Yes, , just like to thank all of you for attending the call and we are hopeful of a very bright future ahead. At least with the existing capacities, the future capacities will take the calls as and when they happen and as and when the things stabilize in terms of tariffs and investments in the wind sector. Thank you so much and have a great weekend.
- K. V. Kasturi** Thank you.
- Moderator** Thank you. Ladies and Gentlemen, with that, we conclude today's conference call. Thank you for joining us and you may now disconnect your lines. Thank you.
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