



ORIENT GREEN POWER COMPANY LIMITED

13th May 2019

**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 Q4 FY 19 results

This is further to our intimation dated 24th April 2019 pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding the conference call to discuss the Q4 FY 19 Financial performance of the Company.

The transcript of the conference call held on Tuesday, April 30, 2019 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

Q4-FY19 Conference Call Transcript

April 30, 2019

Moderator: Ladies and Gentlemen, Good Day and welcome to Orient Green Power Q4 FY19 Earnings 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: Thank you. Good afternoon everyone. I welcome all of you to Orient Green Power Company Limited Earning Call to discuss the performance for the quarter and year ended March 31st 2019. We have with us today Mr. S. 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 related to our financial performance were email to you all of you earlier and have also been posted on our corporate website. I would now like to hand over the floor to Mr. S. Venkatachalam. Thank you and over to you, sir.

S. Venkatachalam: Thank you Suraj and a very good afternoon to all of you and thanks for joining the investor call. I trust that all of you would have had a look at the results and gone through the investor presentation that was circulated earlier. I will begin the discussion by highlighting the key operational developments post which our CFO – Mr. Kasturi will take you the financial performance.

Those of you closely following our performance would be aware of this strategic intervention undertaken which have enabled us to elevate our performance from FY17 onwards. Better performance of wind assets, divestment of biomass which was a drag, improved contribution from REC, better grid availability have allowed to raise the aggregation of EBITDA levels closer to the Rs.300 crore mark which we saw in FY19. However, we are aware that there was an overall shortfall of wind this year with a late start and early end to the season by about 15 days on either side. This has led to a shortfall of about 6.4 crore units which is basically about 63.7 crore units as against 70.1 crore units in the past year.

Though there was some makeup in Q2, Q3 again let us down with a couple of cyclones blowing the good winds away. As a result, our overall EBITDA for the year stands at about Rs.246 crore as against an overall EBITDA of close to Rs,300 crore in the previous year. However the previous year figures are not entirely comparable because there was some round about Rs.16 crore gain due to refinancing of the SREI loan and a FOREX gain of about Rs.10 crore, but at the PBT level we would like to inform you that we are at something like minus Rs.33 crore as against minus Rs.35 crore for the continuous operation in the previous

year and at minus Rs.48 crore as against minus Rs.69 crore including the discontinued operation for the year.

The significant point to note here is that the promoters have reinforced their commitment to the business by waiving off the interest on the group outstanding which stands at something like Rs.445 crore. The impact of the waiver is about Rs.33 crore. This only shows that going forward that in a normal wind year we would definitely be a profitable business. Further to all this the inventory of RECs have been completely liquidated over the last four quarters. Our overall average traded price for the RECs for the whole year has been close to about Rs. Rs.1200 and the last few sessions have actually traded at Rs. 1500 and surprisingly even in April which is normally a low month for RECs has traded at Rs.1500.

Our revenue from RECs over the years stood at round about Rs.29 crore and this is really an important change over the last few years following the strict enforcement by the government and this has ensured that RECs have become a steady stream of dependable income for us. Apart from this there is an escrowed amount of something like Rs.21 crore of RECs with the CRC which is pending the supreme court verdict on the value of past RECs which was earlier at Rs.1,500 and there was a contention that the past RECs should be still at Rs.1,500 and this we are confident that once a supreme court opines on this matter that particular escrowed amount will also be with us.

The other good thing is that with regard to the grid situation in Tamil Naidu we have been consistently getting a grid availability of over 95% and this as you are all aware was made possible by the relentless effort taken by the TANGEDCO and the wind associations. Grid back down in the past used to be close to about 25% to 40% over the last few years and it is something which is really a thing of the past and you are aware of the kind of erosion in the revenue which had happened in the past and now this is completely I mean a very stable evacuation levels and these are getting converted into performance. Apart from all this you will see that the power demand in the country continues to rise steadily with both residential and industrial demand reflecting the continuous rise in the level of activity and consumptions.

Indications remain firm that power demand will continue to grow with more and more villages being electrified and in fact almost all the villages are also electrified and once the connectivity is improved you will find that the power demand is going to rise exponentially in fact the government figures are something like 7% to 8% growth in power demand. In the backdrop the economic situation presently requirement of job creation and environmental consideration, renewable energy simply becomes more relevant in the scheme of things. We believe that the issue is currently plaguing the industry which are in terms of the lower tariff which have been quoted in solar and wind. These are really temporary in nature and this will gain rapid momentum in terms of absorption of renewable energy going forward.

We anticipate that the sector economics are set to improve and the serious long-term players as well. In light of this the FY19 establishes a robustness of our business model which stood some upheavals during this year, but still ended with a fairly respectable performance. We are extremely confident that about building on this performance in addition to the company specific initiatives that we have taken. There has also been a mark shift in the micro environment level which has significantly helped us and other wind energy generators as well. Better integration of the national grid has aided the transmission infra and buoyancy in REC markets on the back of stringent regulations have enhanced the micro environments.

Moving on to company specifics developments now:

Firstly, the exit of the biomass business has not only helped us emerge as a dedicated wind energy power house, but also enabled us to improve our profitability and lower the debt burden on the business. Management efforts are now primarily focused on elevating the wind business further by tapping the massive opportunity that the segment offers. Second the major initiative that has been undertaken by us is renegotiation with the bankers on existing loan terms. We are working towards reducing our debts cost from about 12.5% to 13% at present by at least about 200 basis points and this is at an advance stage of development and only due to the elections etc.. you will find that there has temporarily stoppage through this particular efforts, but once that is through we are confident that this will bare fruits giving rise to at least Rs.20 to Rs.25 crore reduction in the overall debt burden as far as the interest expenses are concerned.

Overall to conclude: we believe that the business are in much better shape than what was in the past and we are more agile asset light and focus and the strategic initiatives that we have taken in the past few quarters will only improve because some of these are really towards their conclusion. Once again to reiterate that if given a normal wind year with the Group looking at waiving off the interest on their component of the debt and various other issues like things like the REC is trading at premium, the full evacuation of wind power we are confident that in the coming year we will be a profitable company.

Thank you with that I hand over the floor to Mr. Kasturi who will take you through the financials.

K V Kasturi:

Thank you Mr. Venkatachalam. Good afternoon everyone. Thank you for taking the time to join our earnings call. I will briefly run you through our financial performance for the period under review post which we can start the Q&A sessions.

Starting with the topline the total income for the quarter stood at Rs.56 crore as against Rs.44 crore reported during corresponding quarter last year. While on a yearly basis, the same stood at Rs.339 crore as against Rs.399 crore last year. Revenues for the year could have been much higher had it not been for the factors highlighted by Mr. Venkatachalam earlier during the call.

EBITDA for the quarter stood at Rs.31 crore as against Rs.21 crore reported Q4 FY18. While on a 12-month basis the same stood at Rs.246 crore as against Rs.300 crore ended in FY18. Operating margins for FY19 stood at 73% as against 75% reported during FY18. Depreciation for the quarter stood at Rs.27 crore as against Rs.29 crore reported Q4 FY18. While on an annual basis the same stood at Rs.114 crore as against Rs.124 crore registered in FY18.

Moving on to interest expense:

The outgo for the quarter stood at Rs.10 crore as against Rs.50 crore reported in FY18. While on annual basis the same stood at Rs.166 crore as against Rs.211 crore, lower by 21%. During FY19 SVL Limited has waived interest to the tune of Rs.33 crore. As mentioned by Mr. Venkatachalam earlier we are in discussion with the bankers to lower the average cost of debt which presently hovers around 13%. We have successfully reduced our debt consistently over the last 5 years in turn improving the liquidity and cash profile of the company.

We continue to maintain zero stock level with respect to RECs in the last five quarters. We traded around 2.41 lakh RECs and realized Rs.29 crore such an average realization of around Rs. 1,200 per REC.

To conclude – I would just like to state that as mentioned by Mr. Venkatachalam, we believe we are in much better position than we have been in recent years to

revive the business with a legacy issue getting addressed, we will be able to deliver steady and consistent performance going forward.

That is all from me, we can now take to our questions. Thank you.

Moderator: Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of KP Singh an Individual Investor.

KP Singh: Couple of questions sir, firstly sir do we plan to retrofit some of our old wind assets in Tamil Nadu, given that they would be around 20 years old come FY20/21. We have seen instances in recent times, wherein some of our peers have retrofitted some of their units which resulted in higher PLFs. Secondly, What is the current status of Amrit Envirotech issue and what is the likely time when the company can liquidate it? . Third question is sir the stock price is declining consistently, what are your views on it? And lastly sir, what is the annual return from our Croatian unit?

S. Venkatachalam: Yes I will come one by one, you see the old wind assets which still have about 4 to 5 years of useful life. The old wind assets are giving between 16% to 19% PLF.

Basically quarter 4 is not a wind quarter so you will get 10%, 11%, but for wind assets old or new you have to always look at the wind assets for the entire year as a whole.

K V Kasturi: Annual average is 17% compared to last year 20% for the PLF.

S. Venkatachalam: Basically we have been following up with them because not only us there are number of other companies who are waiting to repower their wind mills. Now the policy with regard to repowering has not yet been firmed and finalized. Now we have got some of the best wind sides in Tamil Nadu in fact probably the best wind sides in Asia in terms of the Southern part of Tamil Nadu. So we are awaiting the policy with regard to repowering and we will definitely take actions in the next two to three years because they still have about 5 years of useful life left even then once the policy is clear and the government is quite keen on coming over the proper policy as far as wind repowering is concerned. Secondly, the AETPL that you are talking about Amrit Environmental. Now I this is particularly a loan with IL&FS for AETPL .Now IL&FS, over the last few months we are unable to get the right people we are servicing the loan through beta, but we are unable to get forward as far as IL&FS is concerned. Once these IL&FS issues are resolved we will be able to complete the sale of the AETPL also.

KP Singh: Isn't it already sold to I think Adani?

S. Venkatachalam: Actually We have got a buyer, but we are waiting for IL&FS NOC so that we can complete the transaction.

KP Singh: So it will take another one quarter?

S. Venkatachalam: Yes, one quarter hopefully we should get some clarity from IL&FS going forward. Secondly on the share price, it is very difficult to comment on share prices as to how the share price movement occurs. You are aware that in the last few years I have been some strains etc, but as far as the grid back down REC sales etc which are all things of the past even the biomass which was dragging us down and as I was saying that in a normal wind year we should be able to make profits given the actions that we have taken over the past and we are obviously doing our very best to give the maximum value to the shareholder and going forward we see all these actions are in the right directions and definitely will bear fruits.

- KP Singh:** My point is that the market always welcomes the positivity and profits and like you have given Rs.113 crore as advance last three years in spite of that you are taking a loan at the rate of 13% and Rs.76 crore to different bio units, Why did we invest such a huge amount in a business which wasn't yielding us good returns?
- K V Kasturi:** This Rs.113 crore, Basically we are looking at expanding by another 44 megawatt in the given site which is an excellent site 27%, 28% PLF that we are getting from the site with the existing windmills in Tadipatri in Andhra Pradesh. Now unfortunately we will be realizing with AP government has not been able to work out a tariff. Obviously if it is still at the tariff which we are getting for Rs.4.70 plus 50 paisa GBI it was totally workable. In fact, we have actually developed the site fair amount in lot of investment has gone into it, but at this tariff we are not willing to take a call on the tariff in fact we are hopeful that the government will take this thing on the tariff very shortly.
- KP Singh:** Because it is pending since one-year sir?
- K V Kasturi:** Yes, it is pending since one year and we are all liasoning with the Andhra government and Andhra government has issues in its own in terms of attracting fresh investments and they are looking at much lower tariff considering the overall competitive bidding has given very low tariff. So they are looking at kind of reducing the tariff and we are looking at obviously monetizing it with since these are old assets that we had old investments that we have made. So that tussle is going on with the government and we are sure that some this thing result will come especially after elections because during the elections nothing can move forward.
- KP Singh:** Sir, do we have to take back Rs.76 crore from Jagruti, you have given to Jagruti also?
- K V Kasturi:** Jagruti Bio is a part of our Group only, it is a subsidiary of our parent company and our dues to SVL Limited which is I think close to Rs.450 crore. Ideally of course we will be able to realize this money in the next couple of quarters, but even worse case we can always set off against our dues.
- KP Singh:** If you take back this Rs.76 crore then you will be in profit?
- K V Kasturi:** Our objective is to improve the operating performance that is our immediate objective which we are working towards in various measures. So definitely we will not lose any money on this particular transaction so it is well-protected no issues at all. Coming to the Croatia unit during FY19 the company has done around topline of Rs.18 crore and EBITDA of around Rs.11 crore and registering a PBT of around Rs.3.5 crore.
- KP Singh:** So this is in profit this year?
- K V Kasturi:** Last two years it has been making profit last year was around close to Rs.2 crore this year is around Rs.3.4 crore.
- S. Venkatachalam:** It is self-sustaining also I mean it is not depending on any funds from here to run the operation, but it is a profitable operation for us.
- Moderator:** The next question is from the line of PR Mehta from HNI Investment.
- PR Mehta:** I have two questions. First have we received payment of Rs.81 crore from sale of biomass plant of Kolhapur whose agreement was executed on 26 March, 2018? Second question have we received sale proceed of biomass plant at Sukri village MP and Biobijlee Green Power from SVL and their amount?

K V Kasturi: Yes, with respect to the Kolhapur transaction sir we conclude the transaction last year in the month of March 2018 we received the money and paid up all the dues to the banks and we close the deal in the month of March last year itself. With respect to the second transaction the biomass sale to Biobijlee around close to Rs.81 crore that money has to come from our parent company SVL Limited. The money is well secured I think this will be the transaction will be completed during the current year.

Moderator: The next question is from the line of Mayank Vaswani from CDR India.

Mayank Vaswani: I just had a query that I thought we could share for the benefit of the audience, could you give us some sense of the tariff horizon for the next couple of years what we have in place and how we see the upsides in the next couple of years compared to the rest of the industries?

S. Venkatachalam: Yes. In fact if you really see OGPL is a company which has presently 425 MW and amongst the best tariff in the industry that is what we have been enjoying over the past as compared to now if you see the tariff as far as the competitive bidding is concerned we have gone to about Rs. 2.5 level and the Government is also putting a cap when people are bidding. Now going forward two, three things that I would like to mention one is the competitive bidding itself which had happened at these kind of tariffs and these kind of rates most of these projects are not completed one is the banks are not funding them similarly they are not able to raise finances. The SECI tenders which happened in Gujarat, there has been a lot of setback because the land has not been allocated by the Gujarat government and they are already many of the investors have already passed one year as far as SECI tenders are concerned. Thirdly in Tamil Naidu some of them had got a tariff of Rs. 3. 42 paisa in the Tamil Naidu tender for wind which I would say is a pretty decent tariff considering that Rs. 2. 50 is the going rate or Rs. 2.44 etc which was happening in the past bids. Now the Rs. 3. 42 paisa the investors in that particular tenders who had quoted for the tender now they passed at one year and the deadlines which is supposed to put the investments in they are still running around for banks funds because the banks are unwilling to give any loans for Tamil Naidu based tender because the Tamil Naidu the TANGEDCO normally pays over a year in fact they are more than 18 month kind of delays as far as payments are concerned.

Now the future bids which have happened over the last couple of sessions which is what I was telling everybody about in the last few investor calls saying that over three, four rounds of bidding there will be a self-correction which is taking place. The last two bids which is both in the solar and the solar wind hybrid bids of 1,200 MW each hardly had any response in fact it is something going something like 500 MW, 600 MW was what was bid and even that with a very lukewarm response and because the government had put a cap. So all this is going to at least the new regime the tariff are actually going to go northward is what our estimate is unless the government removes the cap on this bids there will not be much further interest because they also see the installations' will not be coming forth both in wind and solar and once the election is over and the new government is formed. This is one of the things that they will really take up as far as renewable energy sector is concerned.

Secondly for us in Tamil Naidu is where we have got a variable tariff whereas in Andhra and Gujarat, we have got a fixed tariff which is on a PPA over the government which is at Rs.4 .15 plus 50 is Gujarat in Andhra and 4.70 plus 50 paisa in Andhra. In Tamil Naidu we are enjoying something like Rs.4.70 is the net tariff that we are getting and we foresee that over the next one year there will be an improvement because the coal prices are going up and overall there is a push on renewable energy. So we foresee about 10 to 15 paisa increase as far our tariff are concerned. Over the last year there has been about average about 9% to 10% drop because there was a lot of competition in the coal bidders but the coal bidders

themselves are unable to sustain those tariff done to undercut us, but we see that at least a 10 paisa to 15 paisa increase in the tariffs over the quarters to come.

K V Kasturi: One more thing after the implementation of Uday Scheme across the various state discoms. So the one of the condition is that tariff has to be automatically adjusted every quarter or every year actually. Many state governments did not increase the tariff for due to the political situation. So obviously this is likely to undergo a change post-election the tariff is bound to go because all its state discoms are having a significant stress on their financial. So unless otherwise they go on increasing the tariff it will be difficult to sustain in the next long run for all the state discoms. So we are hoping that particularly especially on Tamil Naidu side as per the Uday scheme they were supposed to increase the tariff by 6% in year '17-18 they did not do it for political reason. So we are expecting that there will be a some sort of upward revision bound to take place very shortly which will definitely improve the margin to us also.

Mayank Vaswani: Just two more question I have, one is on the REC if we look at last year realization there were closer to Rs.1,100 to Rs.1,200 crore mark obviously I am excluding the escrow and this year you are saying the average is closer to Rs.1,400, so what is the outlook for the next year so do you think we can actually even surpass our average of Rs.1,400? and a brief sense on the demand supply that you expect and also what was the peak pricing that we saw in the exchanges this time around in March when there is a peak trading in March.

S. Venkatachalam: Last year average was closer to Rs.1,200 just a correction on that even the last few trading sessions going at about Rs.1,500 marks and as I said surprisingly even April had touched Rs.1,500 which is normally a demand month for various discoms. In fact, actually the reason for that also is that some of the discoms we expected a very high price in March and they decided to postpone it by one month and buy off in April. Now if you see the REC stocks which was there which was at a very high level over the last few years there is almost no stocks at present and the demand is far higher than the stocks. So I expect at least a Rs.1,400 kind of rate would be prevalent as an average rate for the entire year if not more because I was quite enthused by April trading session itself which was at Rs.1,500. Peak was in fact one of the exchanges IEX and PXIL one of them have touched Rs.1,600 in the last month.

Mayank Vaswani: Sir could you give us an outlook on the cost to containment measure that have been taken because we are seeing because the line items for the operating cost, employee cost all of that is kind of stable to decreasing and also the outlook for depreciation and finance cost looking at the full year of FY19 what kind of reduction can we see in FY20 and FY21 ?

K V Kasturi: See as far as the operation cost is concerned it will remain steady okay it will not significantly go and of course subject to many our costs are O&M related that is operation & maintenance cost vis-à-vis our OEM suppliers and all those things. As per the contract which we have enter and as far as the other significant cost which we are looking at is in the case of below EBITDA interest cost which is significantly where we are currently pursuing with various institutions for refinancing the debt which will hopefully in the next couple of quarters will reduce the interest cost on annualized basis around Rs.20 to Rs.25 crore of course the depreciation will keep coming down because many assets especially the small wind assets which is getting another four to five years it will get over. So obviously that keeps coming down on annualized basis may be around Rs.5 to Rs.10 crore reduction will be there. So I am seeing some sort of definitely the efforts are on from our side on every opportunity available to reduce the cost and optimize the profitability of the company. So definitely our endeavor is to work towards improving the bottom line

Moderator: I would now like to hand the conference over to the management for closing comments.

S. Venkatachalam: Thank you so much to all the participants who took time out to attend this call. I can understand that especially as far as Mumbai is concerned there are number of analysts probably who have taken an extended with the election and labour day coming in between. So anyways thanks to all those who have taken time out to be part of the call and I would like to once again reiterate going forward we will look at very exciting times ahead. I would like to state that we have got some of the best tariff in the industry the grid back down issues I think of the past the wind regimes are good I mean once the wind regime are good we will definitely turn into a profitable kind of a situation that is the way I look at the overall business. Now the other thing is in terms of the reduction in the bank interest is also at nearing completion. So going forward we see some very good times ahead and we do hope that with the wind season about to start we have exciting at least the first two quarters which will take us forward as far as the company is concerned. Thank you so much and have a good day.