GUJARAT INDUSTRIES POWER COMPANY LIMITED
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CIN – L99999GJ1985PLC007868.

Ref.:2021/SE/Letter_AnalystMeet_outcome

Date: 16th June, 2021

The General Manager Corporate Relations Department BSE Ltd. 1st Floor, New Trading Ring Sir Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai: 400001.	The General Manager Listing Department National Stock Exchange of India Ltd. "Exchange Plaza", C-l, Block 'G', Bandra-Kurla Complex, Bandra (East) Mumbai: 400 051.

Scrip Code: 517300

Scrip Symbol: GIPCL.

Dear Sirs/Madam,

Sub: Transcription of conference call held on 08th June, 2021

With reference to our letter dated 05th June, 2021 regarding Conference Call scheduled on 08th June, 2021, post declaration of Audited Financial Results of the Company for the Year ended 31st March, 2021, we are enclosing herewith a copy of the transcription of Conference Call held on 08th June, 2021. The aforesaid information is also disclosed on the website of the company at www.gipcl.com.

Kindly take the above on your records and acknowledge the receipt.

Thanking you,

Yours faithfully,
For Gujarat Industries Power Company Ltd.

CS Achal S Thakkar
Company Secretary & Compliance Officer

GUJARAT INDUSTRIES POWER CO. LTD.
P.O. RANOLI DIST. VADODARA 391 350

Encl.: As above

"Gujarat Industries Power Company Limited Q4 FY2021 Earnings Conference Call"

June 08, 2021

MANAGEMENT:	**SHRI K.K. BHATT - GENERAL MANAGER (FINANCE) & CHIEF FINANCIAL OFFICER – GUJARAT INDUSTRIES POWER COMPANY LIMITED** **SHRI S.N. PUROHIT - CHIEF GENERAL MANAGER (RENEWABLE ENERGY AND BUSINESS OPERATIONS) – GUJARAT INDUSTRIES POWER COMPANY LIMITED** **SHRI A.S. THAKKAR - COMPANY SECRETARY AND COMPLIANCE OFFICER – GUJARAT INDUSTRIES POWER COMPANY LIMITED**

K.K. Bhatt: Good afternoon all the shareholders and Mr. Rahul. Basically the company Gujarat Industries Power Company incorporated in the year 1985. We started the Plant in 1993 with the first commissioning of 145 MW gas based station. GIPCL also in the year 1996 when liberalization came into picture, PPA based gas based station 165 MW was initiated and in 1998 we have commissioned 165 MW gas based station. Simultaneously, the Government of Gujarat gave us the land lease for lignite based station at Surat and GIPCL took this opportunity and established 250 MW lignite gas station in the year 2000 thereafter further expansions took place for 250 MW at the same location with the lignite as a fuel.

Further in the year 2014-2015 onwards, GIPCL looked forward and taken the initiatives with the RE and GIPCL established its presence in wind and solar both RE section simultaneously. That is 112 MW of wind division was commissioned, 162 MW solar we got commissioned as of now and 100 MW is in pipeline.

Further to that I would like to add a point, GIPCL has been awarded land for 2375 MW capacity to be build up at Khavda that is 30 gigawatt solar park had been inaugurated by our Honorable Prime Minister, Narendra Modi in the month of December 2020 wherein GIPCL has been allotted 2375 MW capacity to be buildup over there over a period of six years that is through the RE solar or wind that is hybrid power. So this is the future plan and journey which GIPCL is looking forward. We are ready for the question and session on the financial for the year 2020- 2021.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good evening Sir. I have three questions; first Sir what was the availability of your Surat Lignite Power Plant in FY2021 and also if you can share the FY2020 numbers. If you can share for all the power plants it will be helpful?

K.K. Bhatt: Basically all these information are available on the website, but since you have raised this query, let me give you the details. See, SLPP-1 commercial availability for this current financial year 2021 is 60.98%, previous year it was 73.53%, SLPP-2 the commercial availability was 79.76% and previous year it was 80.44%.

Mohit Kumar: Sir, what is the fixed cost under recovery in FY2021?

K.K. Bhatt: See, the under recovery in FY2021 regarding SLPP-1 is around 19 Crores to 20 Crores. This is going to be recovered through the insurance for unit II which is under shutdown and maintenance, for Economizer Beams replacement, which is already in process. So, for that we have already lodged the insurance claim but the accounting is being carried out in the year of settlement of the insurance claim. So as and when it will be admitted, the income will be booked.

Mohit Kumar: Sir, what was the main reason for decline in profit from FY2021 compared to FY2022?

K.K. Bhatt: Regarding 2020 and 2021.

Mohit Kumar: Yes, 2020 and 2021 because 248 Crores I think believe for FY2022?

K.K. Bhatt: There are two reasons; one is the under recovery of fixed cost in Unit II in FY20-21 which I have already conveyed that is around 19 Crores to 20 Crores and another factor is the wind division wherein due to wind velocity we have lost almost 18 Crores to 19 Crores of revenue current year even though machine were available above 95% but the wind pattern has slightly changed in the current year which has resulted into a downfall of around 4% to 5% of CUF in the wind division.

Mohit Kumar: My last question is on the Khavda 2375 MW, how are you going to monetize this asset and what will be the business model for us in terms of revenue and what is the timeline?

K.K. Bhatt: Basically, it is a Greenfield project and GIPCL has been allotted the land and the same will be developed in phase manner. We have to develop first the RE Park. That is the first requirement from the point of view of the RE park requirement as per Government of Guidelines. Once we are through with the RE Park development that is all the facilities has to be developed in the park thereafter we will go with the allotment of plots and that plot size will be auctioned through GUVNL and SECI tenders through lowest Bids, unlike the SECI and GUVNL does as of now for allotment in that particular park. In this park we will be getting the UDC upfront development charge as well as GUVNL charges with some ROE recovery. Secondly we will be adding capacity also in the park as a project developer sizing around 50% to 70%. As of now, we are thinking to put the solar projects in our own park only. It is around 1600 to 1700 we would be targeting in the next six years in phased manner.

Mohit Kumar: Sir, what is the capex requirement for developing this land, overall capex?

K.K. Bhatt: As Park development project, the capex would be hovering between 700 Crores and 800 Crores not more than that.

Mohit Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Thank you so much for the opportunity. Sir, wanted to understand on this Khavda Project. Basically the own capacity is going to be developed, this 1.5 gigawatts to 1.6 gigawatts. How do we plan to sort of phase this out? Will this come up in one phase or in multiple phases? Also will we be participating in auction in the bids and then putting this up or it will be more like a supply to CNI if you could throw some light on this please?

K.K. Bhatt: Basically Khavda project is 30-gigawatt project wherein so many developers have been awarded the land, NTPC, GSEC, Suzlon, Adani, we have been allotted 2375 MW, around 4500 hectares land has been allotted wherein we have to develop 2375 MW of solar. Now this is going to be developed as per the government notification in the phase of six years, three years in the first phase that is 2024 December 50% and thereafter balance three years 50% capacity has to be developed. Once we are ready through the RE Park development, then we will go through the auction bidding of the plots through GUVNL or SECI tender. As per the requirement, at that point of time that will be decided.

Apoorva Bahadur: Sir, do we intend to do the EPC? Do the EPC works for our own capacity or do we intend to get outsource it?

K.K. Bhatt: See, we go for 1500 to 1600 MW projects in our own park. That is our basic target, but we generally execute the projects through EPC contractor who will be given the timelines of the project. We have already done three to four projects on the EPC mode I think that would be better to go with the EPC mode.

Apoorva Bahadur: How do we intend to fund this, this 1500 MW?

K.K. Bhatt: Funding would be in a span of five to six years, we have to do. We will be going as of now 70:30 Debt Equity funding.

Apoorva Bahadur: Thank you so much.

Moderator: Thank you. The next question is from the line of Swati Jhawar and Individual Investor. Please go ahead.

Swati Jhawar: First of all thank you so much for apprising this call for the investors. We happen to go through the working that is published recently. We hear that the company has done well during these last few years. It is almost net debt free even after doing the capex for around 72 metric watts along with 500 mV of Lignite Power Project. The company is also paying regular dividends with excellent networth of around 3000 Crores with large depreciation benefits, but still the matter of concern for us, investors is its poor market capitalization. So, the company is definitely growing as a child, but the shareholders are not able to unlock the value. I would like to understand what steps the management is actually taking to brew this as we see that there is a healthy book value of approximately 197 and one of the options could be the buyback as the other companies are doing and it has been a long wait for us and we are heavily invested in the company. So, we definitely need your hiring from this?

K.K. Bhatt: Basically, what you are saying is correct. The book value is 195 to 196 but basically shareholding pattern of the company is over 55% is with the promoters, the state government undertaking and the others are holding around 20% to 25%. So 75% is being held by either the promoters, state governments & MF, publicly it is available only 21%, but as you rightly said, we have started the call because the investors will get the information on the company's growth plan, development, future development plan of the company, what projects are being taken by the company for development, all these things we would like to share with the shareholders. So it will definitely add to the value in the market.

Swati Jhawar: Absolutely. That will help probably. A bit of transparency.

K.K. Bhatt: Correct.

Swati Jhawar: Thank you so much.

Moderator: Thank you. The next question is from the line of Anshu Goyal from Aurigin Capital. Please go ahead.

Anshu Goyal: Good afternoon Sir. My first question is do you have any plans to do any solar other than the Khavda plant at present? The second would be you mentioned that we want to do around 1500 MW here do you have a right of first refusal or you have to collect the bids? What if other people bid lower than you?

K.K. Bhatt: Your questions were not clear, but what I have understood presently we have 100 MW of capacity addition in Solar is going on. It is likely to be commissioned by the end of this month and the second solar plan is the Khavda project that is 2375 MW project. It is to be developed in a span of five years, 3+2, 50% in first three years and 50% in the balance two years. Basically, we have to develop park as barren Greenfield project. Initially we have to develop park infrastructure, water, everything and thereafter we will be looking at the project i.e capacity addition over a period of five years as maybe required through bidding process i.e through open bidding through GUVNL tender to get the best tariff to the state.

Anshu Goyal: My question was a bit process through bidding what if you are not the lowest cost bidder? Do you have a right of first refusal and still deliver this 1500 MW if other people bid lower than you?

K.K. Bhatt: Basically this modality is still to be decided. We have to initiate dialogue with GUVNL about how this modality will work. As Project Developer-GIPCL will be e putting capacity in own park and how the pricing of the tariff would be determined that will be decided through discussion with GUVNL at a length. So there would be some mechanism to arrive at the best tariff which suits to GIPCL as well as to GUVNL..

Anshu Goyal: Given the fact that we are focusing on the Khavda project going forward other than this project we will not be doing any other solar projects?

K.K. Bhatt: See as of now we do not have any project in our mind, but I cannot say that we will not go for capacity addition. If any new project is coming up and if it is challenging and good one, we can think of for taking that challenge also, but as of now there is nothing in the pipeline.

Anshu Goyal: Thank you.

Moderator: Thank you. The next question is from the line of Akhilesh Bhandari from ICICI Prudential Asset Management. Please go ahead.

Akhilesh Bhandari: Thank you for taking my questions. The first question is on what is the Surat plant's normative availability level which allows us to compete because of the fixed cost?

K.K. Bhatt: The SLPP-1 is 75% and SLPP-2 is 80%.

Akhilesh Bhandari: Coming to the Khavda park, I understand that around 32% to 40% might leave out to other developers' so for that portion and you will be getting the developer fee, do we have any particular ROE in mind which you will be making on the capex that you will be doing for that portion?

K.K. Bhatt: See, as per the MNRE guidelines, project park developer can **(audio cut) 20:33**. We will be looking near to that particular figure which is per the MNRE guidelines prevailing as of now.

Akhilesh Bhandari: I am sorry your voice, I lost you in the middle. Please repeat what number you mentioned.

K.K. Bhatt: As per the MNRE guidelines the Park developer is supposed to get the ROE up to 16% so we will be targeting within that range only as of now.

Akhilesh Bhandari: Sir, in FY2021 our receivable level has gone up from around 502-odd days to around 81 days, so any timelines when we expect this to normalize?

K.K. Bhatt: Pardon, I could not get you.

Akhilesh Bhandari: Sir, your receivables level has gone up in FY2021 and the receivable days are around 81 days versus 51 days last year FY2020. Any particular timelines by when you expect this?

K.K. Bhatt: Basically, we are PPA driven station- i.e Surat Lignite Power stations and the Baroda Station. See, basically as per the PPA we have to recover differential Lignite pricing through debit or credit notes at the end of year. We generally charge the provisional lignite as per the previous year lignite price, during the whole financial year. At the year end, we have to calculate the actual lignite price after the end of the year and differential amount if higher than the previous what has been charged as a provisional we have to bill GUVNL at that particular differential amount as per the PPA through debit note. This year this debit note is around 30 Crores and there is a MAT which will be require to be recover through debit note to the extent of 15 Crores to 16 Crores, so that all goes 35 Crores to 50 Crores and in the previous year there was a credit note of 20 Crores and second thing is that this year the lignite price has gone up basically due to usage of imported coal and the production. So, these are the main factors plus the requirement of the promoters has gone up in February and March because of the higher production by them so the demand from this promoters was on a higher side as compared to the previous year wherein we have billed around 15 Crores to 17 Crores more as compared to the previous year to our promoters in the month of March also. These are the three, four factors which has resulted into the higher receivables as compared to previous year nothing like number of days what you are calculating. It is within the 90 days all the receivables.

Akhilesh Bhandari: What you mentioned the debit note of 30 Crores or 15 Crores to 16 Crores has that been approved by GUVNL or that is currently to come?

K.K. Bhatt: This is a standard practice that has been approved. Every year it is a standard practice. If I have to charge provisional let us say Rs.1000 lignite price, yearend if the actual lignite price comes to Rs.1100 I have to raise a debit note of Rs.100. Suppose I have billed current year for Rs.1000 per metric ton at the yearend it will be actual cost works out to Rs.1100, I have to give a debit note for differential amount Rs.100 multiplied by the metric ton which has been consumed which is available in the billing of 12 months. So accordingly they have verified the documents and they pay that particular debit note. So, this is a normal practice. Every year it goes on and GUVNL pays to us well within the stipulated timelines. Most probably it has accrued and now I think we will be hitting the payment within a short period.

Akhilesh Bhandari: Sir, what is the timeline for commissioning of the 100 MW projects which are under construction?

K.K. Bhatt: It is by the end of June will be commissioned.

Akhilesh Bhandari: Sir, till now for our operational renewable capacity, I understand that FY2021 was an aberration for the wind plants because of lower wind speeds but so far, how has the PLF performance for the solar and wind plants been as compared to the 375 at the peak level?

K.K. Bhatt: Basically, we generally do our calculation net 375 of PFT only and on that basis we have done, our calculation and view yourself, but last year we got the PLF of around 21% as against the previous year hit was 26.55%.

Akhilesh Bhandari: Sir, what is the P90 level for this particular plant?

K.K. Bhatt: P90 levels for 23.4.

S. N. Purohit: If you see overall India also the wind velocity is quite low. So compared to our previous year, last year wind velocity was totally down by 6% to 8% all over India and in particular zone also it was down, so in spite of the grid availability we are not able to generate the total wind resource, wind plant.

Akhilesh Bhandari: Sir, if you can also help me with the data for the solar plant for the last two years on the P90 level that would be really helpful?

K.K. Bhatt: In solar there is nothing like P90 or something like that. It is based on the radiation level at that particular zone. So, basically we are getting around 21%, 22% CUF continuously in the last three years.

Akhilesh Bhandari: Sir, is this 22% in line with what was your expectation at the time of bidding or higher or lower, how was that?

S. N. Purohit: Last year it was higher, slightly higher.

K.K. Bhatt: It is better than our expectation and the budgets. Basically what is happening is we have seen in the solar plants wherein we have recently commissioned two, three stations are giving good CUF. in the own 5 MW and 1 MW, which are four, five years old, they are not giving this CUF because this capacity is one to one wherein we are getting slightly less CUF but the new capacity addition that is 75 MW one year down the line we have received around 23.72%. We are continuously getting for the last two years in 80 MW, we are getting 21.70 continuously for the last three years. So this is the expected performance which is better than expectation.

Akhilesh Bhandari: Sir what was the utilization of second unit of Vadodara Gas plant which runs in and declared this in FY2021 how was that assets in FY2020 and also how do you see the utilization shaping up going forward?

K.K. Bhatt: Basically this station PPA got expired during the year 2016 wherein we have recovered the full fixed cost as per the terms of the PPA. Now GUVNL has entered into a PPA for five years short term PPA on as and when requirement basis, these stations runs as per the requirement of the grid as per the requirement of GUVNL during the demand requirements will request to GIPCL to run the station according to their requirement that is all.

Akhilesh Bhandari: So what was the PLF for unit I?

K.K. Bhatt: PLF will always be less around 2% to 3% because we are running these stations on as and when requirement basis. So, this is only fulfilling the requirements of the grid that is all.

Akhilesh Bhandari: Sir, what is the rate at which the power has been sold? Is it at marginal cost?

K.K. Bhatt: Generally this power is being sold with variable cost on actual basis recoveries plus certain O&M we are recovering. So the cost is high because we have to inject spot gas which is costly one.. So that is the reason for per unit cost goes up, but the SLDC as and when required during the peak requirement direct us to run the station sometimes.

S. N. Purohit: I will just give you the brief idea of all the modalities of this design is. For example, if my variable cost because of the gas for this month is Rs.6 per unit, our O&M cost to that and we offer to the GUNVL for purchase, if GAIL wants the power at that rate during the period then they will give us the schedule and they take the power in case of any grid requirement, this is just modality.

Akhilesh Bhandari: Got it. Thank you, Sir. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Pawan Nahar an individual Investor. Please go ahead.

Pawan Nahar: Thank you Bhatt Saab. What I wanted to ask is in FY2021 you made and EBITDA of Rs.446 Crores, of this how much would be lignite and mines, ballpark, in the meantime I think lot of investors are not aware that the plant performance data is already there on the website.

K.K. Bhatt: EBITDA for thermal station altogether is around Rs.290 Crores and the renewable section it is around Rs.190 Crores you can say.

Pawan Nahar: Okay, that makes it like Rs.480 Crores?

K.K. Bhatt: Yes, you add it Rs.190 Crores and Rs.290 Crores roughly, it is Rs.480 Crores.

Pawan Nahar: Sir, our EBITDA is Rs.446 Crores?

K.K. Bhatt: No, what I am telling is, I am having that figure.

Pawan Nahar: Okay, that means that the balance number will be like unallocated cost or something like that?

K.K. Bhatt: No, I am having the figures in front of me. It is correct figure Rs.190 Crores

Pawan Nahar: I think you have added other income also then it will be Rs.446 Crores.

K.K. Bhatt: Yes, I have added the income before the depreciation in interest this figure I am telling about this.

Pawan Nahar: Yes, I got it. So, this Rs.30 Crores other income I should remove from the lignite side, right?

K.K. Bhatt: Yes, that you can remove.

Pawan Nahar: Yes, so Rs.260 Crores and Rs.190 Crores that makes it like Rs.450 Crores. Okay, the next question I wanted to ask you was Rs.190 Crores, and before that how much was the depreciation for lignite and mines in FY2021 and how much will that be in FY2022, given that the debt repayment period is over for Surat-1 and Surat-2?

K.K. Bhatt: See depreciation is for thermal station would be Rs.80 Crores for the financial year 2020–2021.

Pawan Nahar: And how much will that drop to in FY2022?

K.K. Bhatt: I think this at this moment, I do not know, but if you look at the Rs.80 Crores plus Rs.80 Crores, Rs.160 is the total depreciation against that depreciation for the financial year 2021-2022 would be around…

Pawan Nahar: Rs.50 Crores will be the drop is not it, as you told earlier the ballpark would be just on lignite side, only for the lignite and mines Sir, because the solar will get added separately? In the meantime, can I continue with the next question?

K.K. Bhatt: The total depreciation FY2021–2022 would be thermal station i.e., SLPP Rs.56 Crores.

Pawan Nahar: Rs.24 Crores drop. The other question I had was we have got Rs.290 Crores, ballpark CWIP right now as in March and loans and advances has gone up by Rs.100 Crores, so most of that would be advances for the projects only, right?

K.K. Bhatt: Basically, we have given Tata Power advances for the project 10% initially, that is lying in the advance I think so, that is the reason this mismatch maybe what you are saying in the capex and the cash flow.

Pawan Nahar: No, that is fine, that is all. So, basically Rs.290 Crores plus Rs.100 Crores is what including loans and advances, right?

K.K. Bhatt: Right, correct.

Pawan Nahar: Power projects which money already gone out, okay. Then the other question I wanted to ask you was this 100 MW which is getting commissioned the cost will be at about Rs.500 Crores and it has 50% extra DC capacity, so 150 MW, right?

K.K. Bhatt: Yes.

Pawan Nahar: Okay, and in this how much should we add PLF?

K.K. Bhatt: PLF means?

Pawan Nahar: On this 150 MW?

K.K. Bhatt: 29.12%.

Pawan Nahar: On 100 MW?

K.K. Bhatt: Correct.

Pawan Nahar: Okay 29.12%. Now, generally when we are bidding for these new projects what is the kind of IRR or payback (1) we have basis our existing project like we assume some number the numbers are coming out, so what would that number be and what is it when we are bidding for new projects?

K.K. Bhatt: When we go for any new projects, generally we go with the equity IRR of 12%.

Pawan Nahar: How much? Sorry, sorry we lost you equity IRR of how much?

K.K. Bhatt: Not less than 12%. It will be more than 12% we will do. But 12% is the threshold limit for bidding purpose.

Pawan Nahar: Okay, so this will be paid back in eight years for equity, is that what you mean?

K.K. Bhatt: Pardon?

Pawan Nahar: When you say equity IRR of not less than 12%, you are saying that in eight years we will recover our equity?

K.K. Bhatt: Yes, what you are saying is correct.

Pawan Nahar: Okay, and that a project IRR what is the number?

K.K. Bhatt: Generally, we do not see the project IRR, we go with the equity because it depends with the debt components in which how much your rate of interest is and what is there all these things are there but generally, project IRR will be somewhat low.

Pawan Nahar: Got it, and the other thing was like even if we go with this 1500 MW commissioning 1500 MW let us take round figure, that ballpark how much capex Rs.7500 Crores or little less than that as on today?

K.K. Bhatt: It would be around Rs.6500 Crores to Rs.7000 Crores, will not be more than this.

Pawan Nahar: Okay, in that case if it is going to be spread over five years in which case Rs.1000 Crores–Rs.1200 Crores is the annual capex outlay or maybe a little more because in the first three years we have to do half?

K.K. Bhatt: Yes, you are right.

Pawan Nahar: So, if you can give a sense that when will this ordering starts like we know that your cash profit is like ballpark Rs.450 Crores annually. So, how much will be the capex let us say FY2022-FY2023, if you have any sense on that. I understand it will be lumpy?

K.K. Bhatt: I can explain you, basically first requirement would be the RE Park development. You have to do the RE Park development activity initially that activity takes place around one year down the line and it will be having capital outlay of around Rs.750 Crores to Rs.800 Crores. Once the RE Park is ready then in next two years the process of the project will start. So, initially in the first phase of the project also capex would be less as compared to the last phase, capex infusion would be on a higher side in third year as compared to first two years. First two years it would be around Rs.500 Crores to Rs.700 Crores and the last phase it would be remaining capex spend, that is the fundamental principle of RE project.

Pawan Nahar: One more thing Sir, I just forgot, so you told me ballpark EBITDA of the fossil fuel plant is about Rs.260 Crores if I remove other income. Now, this Rs.190 Crores if I were to break it up, is it fair to say that ballpark Rs.100 Crores plus would be from solar and Rs.80 Crores plus from, can you just break that up the balance number Rs.190 Crores of renewables?

K.K. Bhatt: Let me see, generally we maintain the RE division separately. But it would be around Rs.110 Crores for Solar and Rs.80 Crores for wind you can say.

Pawan Nahar: Gas would be making a small number?

K.K. Bhatt: Yes.

Pawan Nahar: One more question, so on Surat we will be under MAT or what will be the tax for Surat and how do we benefit on overall taxation because we are doing the renewables capex. I am sure the company as a whole will benefit?

K.K. Bhatt: We are now in the MAT only and I think the available MAT credit will last up to 2032. It would be around next three, four years we would be in MAT in the regular taxation.

Pawan Nahar: Yes, but then my question was like, MAT is what you will bill SLPP at SLPP to GUVNL right. Now, because you are doing so much of renewables capex is there an overall tax benefit to the company?

K.K. Bhatt: Basically, PPA governs with the provision of reimbursement of credit of MAT as well as the taxation, even if we go with the 30% tax when it comes into picture the taxation portion will be reimbursed by GUVNL as per the PPA that is not an issue.

Pawan Nahar: That I understand because you are doing capex in renewables will you and it all like in the standalone entity, would you be able to save on tax actually?

K.K. Bhatt: MAT credit whatever we used to do the capacity addition as of now I think it will last for three four years only.

Pawan Nahar: Thank you.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Thanks for the opportunity once again. Sir, what is capital cost solar park and what are the kind of modules we are using? Have you tied up with Chinese supplier?

K.K. Bhatt: See capex is around Rs.500 Crores, with the DC capacity of 1.5 MW and I think modules are from China.

Mohit Kumar: Got it and what is the capital cost can you come again Sir I did not hear you?

K.K. Bhatt: Total capex is Rs.500 Crores.

Mohit Kumar: Rs.500 Crores. I think we have a capex plan of roughly around 1600 MW plus we have around Rs.800 Crores which will be required to develop this land. My sense the equity requirement will be around somewhere in the range of Rs.1800 Crores to Rs.2000 Crores, do we have such amount with us? I do not think we have enough cash.

K.K. Bhatt: If you see the EBITDA, around Rs.400 Crores EBITDA we are generating every year. Iif we add the depreciation, we are generating cash accrual of around Rs.400 Crores per year. If you look at the five years down the line, we will be having Rs.2000 Crores available cash surplus to plough back in the projects plus we have at present Rs.400 Crores, cash in hand. So, Rs.2500 Crores is not an issue to plough back in the project as capex capital infusion through internal accrual over a period of next five to six years.

Mohit Kumar: Understood Sir, and how are we funded our current renewables? Have we taken any debt and if we have what is the amount of debt which we can ascribe to the renewables piece and what is the debt which can you ascribe to the regulated power plant and what is the regulated equity of the business?

K.K. Bhatt: Basically, all the stations are debt-free except renewable section wherein we have taken the term loan for the renewable section would be solar and wind and around Rs.400 Crores is the debt for wind which is funded by the banks at around rate of interest of 6.55.

Mohit Kumar: So, how much the equity infused in these renewables power plants and in the lignite power plant and the mines?

K.K. Bhatt: Basically, we do not disclose how the equity is being funded in the individual stations, so we generally take the care of IRR of more than 12% for each project that is the fundamental which looked into while investing in the project.

Mohit Kumara: Any capital cost of all the renewal power plants the solar and the wind which are already under operation?

K.K. Bhatt: Rs.420 Crores–Rs.425 Crores is the capex for 75 MW, 80 MW was around Rs.400 Crores and wind was if you take it was around Rs.725 Crores.

Mohit Kumar: Sir, debt is around Rs.400 Crores in all the assets, am I right?

K.K. Bhatt: Yes.

Mohit Kumar: Understood Sir. Thank you.

Moderator: Thank you. The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

Anuj Upadhyay: Thanks for the opportunity Bhatt Sir. Sir, one clarification on this Khavda project, in the previous question by one of the investors you mentioned that Rs.6500 Crores or Rs.7000 Crores would be the capex for 1500 MW to 1600 MW of capacity which we plan to occur, right Sir. Okay, so how much we plan to do in the phase-1 over the next two year to three years?

K.K. Bhatt: Basically, we have to do 50% capacity in the first three years.

Anuj Upadhyay: So, that comes to somewhere around 750 MW to 800 MW, right?

K.K. Bhatt: Yes.

Anuj Upadhyay: Okay, and the development cost you mentioned around Rs.800 Crores, odd this is for both phase-1 and phase-2 or it is only for phase-1?

K.K. Bhatt: No, no it is for entire park as total.

Anuj Upadhyay: It is total Sir. So basically the development fees which we would be recovering from other developers would be to the tune of Rs.200 Crores to Rs.300 Crores only, right because two-third of the capacity is something which we plan to develop in the plant of that 2200 MW, 2300 MW capacity we intend to build up around 1600 MW of capacity, is my understanding correct, Sir. So, basically of this Rs.700 Crores, Rs.800 Crores the capex incurred for developing our own plant would be to the tune of Rs.500 Crores to Rs.600 Crores only?

K.K. Bhatt: What we are saying, we will be recovering around 300 odd Crores from the other developers.

Anuj Upadhyay: From the other developers, right.

K.K. Bhatt: As a development charge.

Anuj Upadhyay: Exactly, okay fine Sir, so basically if I just want to look at the project IRR or do some project level of calculations would it be fair to consider the overall capex by adjusting this 500 MW of capacity as well. Say for example you mentioned that 1500 MW would cost you around Rs.6500 Crores to Rs.7000 Crores and half of that would be built over a period of initial three years, say Rs.3500 Crores so this includes the development cost we would be incurring?

K.K. Bhatt: No, Rs.6500 Crores to Rs.7000 Crores is only the project development cost, park development cost is separate.

Anuj Upadhyay: Yes, like in that 1600 MW capacity we are doing, in phase-1 we shall do 800 MW. But you are telling that the development charges whatever was there about Rs.800 Crores out of which Rs.500 Crores would be towards our own projects, right Sir? Then when you say that the overall capex which comes somewhere around Rs.4 Crores – Rs.4.5 Crores, this includes development cost as well, right?

K.K. Bhatt: Yes.

Anuj Upadhyay: Okay, and what sorts of returns are we expecting like the balance Rs.300 Crores, odd which we will be doing for the other developers?

K.K. Bhatt: As per the MNRE guidelines we will be recovering less than 16% ROE in the park development phase and the project development we have to see the equity IRR of around 12% as per the present practice.

Anuj Upadhyay: Right, that room already we have that for our own project but we can enhance our project IRR by incorporating the development charge in our own project?

K.K. Bhatt: That is true. All these things we have to see to be competitive that is the main purpose. So, you should be competitive enough to get the project.

Anuj Upadhyay: Got it, and 16% you mentioned is the upper limit?

K.K. Bhatt: Yes.

Anuj Upadhyay: The only thing I was wondering that as you mentioned we are targeting a project IRR somewhere to the tune of 12% to 13% and that would be applicable for other developers as well?

K.K. Bhatt: No, not like that.

Anuj Upadhyay: Another thing on the lignite side, what would be the exact extractable lignite capacity from our mine Sir, or not capacity what quantum of lignite do we expect annually and what actually is the requirement of the plant?

K.K. Bhatt: See basically three lakhs requirement is per month, so 36 lakh metric tons to 37 lakh metric tons is the total requirement. So, we are getting 32 lakh metric ton to 34 lakh metric ton from the Valia Mines and balance 4 lakh metric ton to 5 lakh metric ton from our Vastan mines.

Anuj Upadhyay: Okay, so 32 lakh metric ton and 4 lakh metric ton, so over the average 36 lakh metric ton is what the annual requirement of SLPP 1 & 2, right Sir?

K.K. Bhatt: Yes.

Anuj Upadhyay: That is it from my end. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you Sir, for the opportunity. Sir, if you take the cost of raw material consumed, could you explain us the mix and what factors determine the price trend of the raw material consumed?

K.K. Bhatt: The raw material we are consuming having two kind of raw materials, one is the lignite which we have our own mines and second one is the gas which we are procuring from the GAIL and GSPC. These are the two raw materials we are using in the thermal stations.

Saket Kapoor: Sir, I missed the last part, you told lignite we are self-sufficient but then this cost escalation?

K.K. Bhatt: **For** lignite we have captive mines, two mines are there so it takes care of 36 lakh metric ton to 37 lakh metric tons per year which is sufficient for running both the stations to run at 80% PLF.

Saket Kapoor: Correct Sir. These are only the royalty part that is played Rs.600 Crores and how is the amendment in the MMDR act changed the math for us, if any?

K.K. Bhatt: Rs.600 Crores, what is your question?

Saket Kapoor: Sir, my question is then Rs.600 Crores is only the royalty part that goes into payment, what constitutes this Rs.600 Crores, when we are owing the mines, it is only the royalty and the cost to excavate that we are debiting?

K.K. Bhatt: See mining , we have Stripping ratio, you have to remove overburden up to 10:1, 12:1 depending upon the availability of lignite through mining. We have to remove the overburden that costs us, there are so many other costs also. The mining restoration costs is also there, plus OB removal cost is there, then the lignite removal cost is there, then again lignite has to be transported to the power stations then again lignite re-handling cost is there.

Saket Kapoor: Is it through the MDO route or we are managing the same totally or how efficient would an MDO route work Sir?

K.K. Bhatt: We are managing our own mines, which is our captive mines so cost of lignite is below say around Rs.1000 per metric ton, which is far, far cheaper than the market rate.

Saket Kapoor: Sir, what has been the impact of the revisions in the MMDR act of the mining. How has our payment of royalty changed if any, Sir that has been applicable to us also on lignite?

K.K. Bhatt: It is not applicable to us.

Saket Kapoor: There is no change as such, Sir?

K.K. Bhatt: See my right for the mining is kept for the captive requirement, I cannot sell it outside. I have to supply to the power station with that understanding GOG has given me the rights of lignite.

Saket Kapoor: Right.

Moderator: Thank you. The next question is from the line of Falguni Data from JetAge Securities. Please go ahead.

Falguni Data: Good evening, Sir. How are you?

K.K. Bhatt: I am fine. How are you?

Falguni Data: Good, Sir. Sir, two questions, one is on this lignite pricing, how is this lignite pricing done, is it cost plus basis or is it based on prevailing coal prices or some linkage to the index?

K.K. Bhatt: These costs are in line with the PPA only and cost is very, very cheap as compared to the market lignite price.

Falguni Data: So, when you mention that one year we had a credit so why would that credit be, I mean last when?

K.K. Bhatt: In a particular year we are recovery cost as per previous year as provisional and suppose last year it was Rs.1000/MT and this year it has worked out Rs.980/MT so I have to on cost plus basis, recover Rs.20/MT suppose it goes it the current year Rs.1200/MT then I have to bill differential Rs.200/MT it is like that. So, cost plus basis you have to bill on actual only.

Falguni Data: This is cost plus, okay understood. The second question is on this solar, what is the depreciation and interest for this year only on the solar account?

K.K. Bhatt: The Rupee depreciation what has been charged to the P&L for solar.

Moderator: Thank you. Due to time constraint, we take the last question from the line of Dhruvesh Sanghvi from Propero Tree. Please go ahead.

Dhruvesh Sanghvi: Sir, two questions, one you said that we have our cash flows at around Rs.400 Crores per year, now assuming because the timelines for the new big solar plant or project is not yet completed. Can we see from our existing solar 100 MW plant which is coming up, do we see that this Rs.400 Crores will reach to what level in the next one year to two years, any thoughts around this I mean some ballpark number on EBITDA level or cash level versus today, say one year – one and a half year this may reach?

K.K. Bhatt: EBITDA level will go up by around Rs.50 Crores by capex addition of 100 MW in the next financial year.

Dhruvesh Sanghvi: Right, and in this Rs.400 Crores we are also assuming that in FY2021 we had some downturn because of lower requirements and a bit of operational issues. So, these were corrected and in total for the company including the renewables and fossil does this mean that this Rs.400 Crores can go to Rs.500 Crores or no this is difficult to cross Rs.450 Crores?

K.K. Bhatt: Basically, if you look at the PPA based thermal station EBITDA level what I have told this EBITDA level is not going to be at very high level or lower level. It will remain at the same level because we are recovering cost plus basis. So, it is a regulated product, so basically as per PPA, EBITDA level will always remain the same if at all depreciation suppose goes down or the interest what I am incurring after the repayment of the term loan which I am not supposed to recover from the sales as a part of sales, these are all the cost-plus mechanism. So, EBITDA level will always remain at the same threshold level, what I would like to state for the thermal station.

Dhruvesh Sanghvi: Thanks. The second piece is when do you sense, I mean it is dependent upon your estimation or your thinking process, when do you sense the first money will be spent, the first Rs.50 Crores or Rs.100 Crores will be spent towards this new solar project that we are talking, I mean six from now our first level money starts spending or it will require two years from here, what is your estimation on that?

K.K. Bhatt: No, already we have spent around Rs.25 Crores to Rs.30 Crores for this project towards the land acquisitions and soil testing and other tenders have already been floated as per the initial requirement. So, all the activities have already been started. The initial advance would be around Rs.10 Crores to Rs.12 Crores we have already paid to the contractors for initiation of the work at the site.

Dhruvesh Sanghvi: Sir, but in the next one year will we see significant work towards this. Why I am asking this is because government projects for many times we do not understand the risks and hurdles where these will get stuck. So, it becomes very difficult from a timeline perspective to imagine for us as investors, so I was looking in this direction?

K.K. Bhatt: Basically, timeline we are also targeting one year down the line. Solar Park at least will be ready but looking at the difficulties and saline condition of the region we are of the opinion some grace period maybe granted by the government in coming days we think so.

S. N. Purohit: Sir, one more thing on upfront investment we will get central finance assistance also for the park development, so that will also start receiving once we start the project activity and for example if we start building pulling substation then some portion of the MNRE subsidy as a PFA assistance we may receive, like this our advance may start for the park level.

Dhruvesh Sanghvi: Fair enough Sir. Thank you. Thanks a lot.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

K.K. Bhatt: Thank you all the investors for having a concall. First time, we had it this time and we will continue this process of concall every six months when the results will be there and we will discuss on the developments as well as the performance front of the company. Thank you.