ORIENT GREEN POWER COMPANY LIMITED

9th May 2018

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 and FY 2018 results

This is further to our intimation dated 27th April 2018 pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding the conference call to discuss the Q4 and FY 2018 Financial performance of the Company.

The transcript of the conference call held on Friday, May 04, 2018 is enclosed for your reference and records.

Thanking you.
Yours faithfully,

For Orient Green Power Company Limited

P. Srinivasan.

P Srinivasan
Company Secretary & Compliance Officer

ORIENT GREEN POWER COMPANY LIMITED

Encl: as above

Orient Green Power

Q4 & FY18 Earnings Conference Call Transcript

May 04, 2018

Moderator Ladies and gentlemen, good day and welcome to the Orient Green Power Q4 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. I now hand the conference over to Suraj 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's earning call to discuss the performance for the quarter and year-ended March 31, 2018. 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 maybe forward-looking in nature and may involve risks and uncertainties. Document relating to our financial performance were emailed to all of you earlier and have also been posted on our corporate website. I would now like to hand over the floor to Mr. 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 taking time out to attend this investor call. I would trust that all of you have already received the copy of the presentation, and have through the same.

I will discuss the key developments during the Year following which Mr. Kasturi would run through the Financial Highlights. Overall FY'18 has been a very memorable year for all of us and we have made considerable progress in our efforts to drive an operational and financial turnaround in the business. The year saw our wind business stabilize, performing much closer to its potential resulting in delivering our highest ever EBITDA. We were also able to conclude the sale of part of our biomass business, thereby streamlining our business model. We made positive headways in rightsizing the balance sheet and reducing debt. Lastly, it has been a good year to be a seller of RECs as we were able to liquidate our entire inventory of RECs and now at the end of March we are at zero stock of RECs overall.

Starting off the numbers, our revenues from the wind business which is the continued business which you see in our report, stood at Rs.394 crore as against Rs.384 crore reported during FY'17, about 3% higher. The EBITDA was about 4% higher at Rs.302 crore as compared to Rs.291 crore. The EBITDA margin has also improved significantly and the loss before tax has reduced to Rs.20 crore as compared to Rs.61 crore. Now, just to add to this, EBITDA would have been better. We have made some provisions in terms of the REC because the REC was being traded at Rs.1,500. Now following the CERC and the APTEL order, we have made a provision of about Rs.14 crore with respect to REC and a little bit in terms of impairment of some machine. Now, as you all aware, a couple of years ago, we had implemented a strategy to streamline our business model. This entailed focusing and elevating the performance of the wind business on the back of structural improvement in macros. The objective was to bring its performance closer to potential. The second part of the strategy entailed divesting our Biomass business which though an attractive business was underperforming and hence was a drag on the overall performance of the business.

Now, I am glad to share with you that the overall evacuation of wind which was an issue as far as Tamil Nadu is concerned was at a record of over 95.7% and we really going forward located going to about 96%, 97% in the current year. The wind season has just about begun at the end of April itself. Secondly, the last year was subdued wind year because we had some bad patches in August, September and also Q4 though it is a subdued quarter in terms of wind generation; Q4 was much slower than last year. So this year from a level of Rs.74 crore of generation we see that going up by at least another Rs.4 - Rs.5 crore units as far as wind is concerned. Now the EBITDA margin as a result of the last year's performance with improved grid availability was Rs.302 crore which I just mentioned, with a margin of 77%.

Now, the considerable efforts that we have taken in terms of grid evacuation in Tamil Nadu over the last few years with a lot of support from TANGEDCO and its entire staff, has resulted in this phenomenal improvement in terms of grid availability to a level of (+95.7%) as I mentioned, and as I said, once again going forward, we look at it going to about 97%, 98% which is close to the overall evacuation. In fact, two days back there was a newspaper item saying that in April end itself they had evacuated 2,500 MW of wind energy in the evening time which is when they needed the most with so many ACs coming into operations as well as the fact that during IPL match in Chennai, they had actually had a peak power load of 15,400 MW as against the normal of 13,000-14,000 MW. They could make up for the deficit mainly because the wind is available.

Now, coming to the divestment of the Biomass business. We concluded the sale of eight biomass units to Janati Bio Power, a subsidiary of promoter company, Shriram Venture Limited. Biomass business has been delivering losses consistently over the years and in turn impacting the overall profitability of the business. The losses stem from sub-optimal operations of the business and for the business to be revived it would have entailed infusion of fairly large amounts of working capital in order to operate the plants at high utilization level consistently. This should allow businesses to generate sufficient units and consequently revenues to meet its expenses and generate adequate return to manage payments to lenders as well as in the working capital. Now due to limited resources of both funds and management time which were available to be allocated, we took a studied call to deploy all resources towards reviving one business vertical and give us the best chance of success. Since wind was the larger vertical and more profitable vertical in terms of installed capacity, the Board thought it was apt to sell off the biomass business which resulted in moving out of the biomass related debt in addition to providing the cash up front. Due to shifting of the biomass business related debt and also extending the tenure and lowering the interest rate of our wind business loans, we have also been successful in overall lowering our interest outgo. Higher interest outgo over the years have contributed significantly to PAT losses over the years as it soaked up a large proportion of operational profitability. I would not like to get into the nitty-gritties of all our efforts as I would let Mr. Kasturi to talk about it in depth. But I think the overall reduction in the interest expense is visible to all and this has contributed meaningfully to our improved cash flow and liquidity position, and going forward we also see that there will be a further reduction in interest rate, already you can see about Rs.20 crore worth of interest reduction and going forward we see going another Rs.25-30 crore since we are refinancing many of the wind loans and considering the good performance, a lot of interest in terms of refinancing all our loan portfolios.

Another positive development, in fact, I would call it a very positive development is a revival of REC trading which has been subdued for the last few years. In fact, the REC trading started getting spikes from November and then on to December in the last quarter. As at end March, in fact, the REC stocks for non-solar throughout the country became zero, in fact, interestingly the buy bids were slightly in excess of the sell bids as far as the end March is concerned. So this is a very positive development. Of course, you are aware that the REC was traded at Rs.1,500 in the past and following of the APTEL order and the CERC order, Rs.500 was kept in escrow for the entire year with CERC which in our case is about Rs.38 crore which is kept in escrow and then in April the APTEL gave a judgment that the entire amount will be status quo and therefore we will be only entitled to Rs.1,000 per Mwh. Of course, this judgment or ruling by the Hon'ble APTEL we feel is not in the right spirit or in the right sense because it is actually encouraging the past people who have not met their RPO obligations, it actually encourages them because they had not met the obligation and they are getting it at a much cheaper rate. So we have contested this and we definitely will be able to write back some of the RECs that we had provided for in the quarter, otherwise because EBITDA would have been much higher than Rs.302 crore, it would have been above the targeted level of Rs. 320 crore.

Now, overall while the outlook on the revenue growth is steady, we believe that growth in profit will surpass growth in revenues and this is because the incremental revenue growth which will be accretive with high operating leverage. Secondly, there are levers to reduce cost and overheads. Thirdly, the sale is a biomass asset will result in reduced depreciation henceforth. Lastly, the reduced debt and further scheduled installments in refinancing at lower interest will result in a decline in interest cost by about Rs.30-35 crore this year which will only directly flow into the PBT, and as I said, we are expecting a good wind year with at least Rs.4-5 crore units of extra generation which should translate into revenue of about Rs.20-Rs.25 crore over and above the factors that I have talked to you about.

So, we look forward to some very exciting times ahead and we really see that the past is behind us. That is it from me and I hand over the floor to Kasturi to take you through the Financials.

K.V. Kasturi: Thank you, Mr. Venkatachalam. Good afternoon, everyone, and thank you for taking the time and join our earnings call. I will briefly run through our consolidated financial performance for the period under review and post which we can start the question-and-answer.

As mentioned by Mr. Venkatachalam earlier, FY'18 has been a satisfying year for us… I say satisfying because our financials have started reflecting the improving fundamentals of the business. We have been diligently working towards addressing our legacy issues over the last few years and finally starting to see positive effects of the same. Starting up with the top line, revenues from continued operations for the year stood at Rs.394 crore as against revenue of Rs.384 crore generated in FY'17, higher by 3%, but on a quarterly basis, same stood at Rs.38 crore as against Rs.57 crore in FY'17. Revenue momentum to a large extent was owing to higher grid availability and steady wind availability. I had mentioned in our previous calls we have seen a stark improvement in terms of grid availability on the back of sustained efforts of TANGEDCO which resulted in grid availability in excess of 95% for the last 12-months. EBITDA for the year stood at Rs.302 crore as against Rs.292 crore generated during FY'17,while on a quarterly basis, EBITDA at Rs.19 crore as against Rs.28 crore reported during corresponding last quarter. Margins for the year and quarter stood at 77% and 50% respectively. Benefits of higher operating leverage, better PLF coupled with efforts towards improving cost efficiencies contributed towards margin provision. Depreciation for the year stood at Rs.124 crore as against Rs.137 crore reported in FY'17, while for the quarter same stood at Rs.30 crore as against Rs.37 crore. Going forward, depreciation will be lower, now that some biomass assets have been sold.

Moving on to Interest Expense: On an annual basis, the finance cost stood at Rs.211 crore as against Rs.224 crore while on a quarterly basis Rs.58 crore as against Rs.68 crore. As mentioned earlier, we have been working towards addressing our liability side of the business more specifically on the debt side. I am pleased to say that we have made significant headways in that regard. We have successfully refinanced one tranche of existing loans amounting to Rs.100 crore of reduced interest rate at 12.73% from 18% w.e.f. 1st July 2017. The reduction in interest rate should help us to save around Rs.5 crore per annum. Also, rupees amounting to Rs.765 crore which were restructured under 5/25 Scheme. The interest rate will now be reset on one year MCLR rates which are approximately 100 basis points lower than the prevailing 13%. Going ahead, we expect the cash flow and strong liquidity position to be fairly comfortable on the back of the above measures.

A quick word on REC before I conclude. The demand for the certificates remained high owing to stringent regulations. We have liquidated our entire inventories fetching us almost Rs.78 crore. Going ahead, we are hopeful of momentum in REC trading continues in future. To conclude, we believe that we are well placed to deliver consistent growth going forward owing to our strategic initiatives and supporting macros.

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

Moderator: Thank you. We will take the first question from the line of Kartik Muthuswami from Tritent.

Kartik Muthuswami: Can you please give me what is the net debt numbers as of FY'18 post sale of biomass business?

K.V. Kasturi: We have around Rs.1,600 crore debt which comprises of external debt - bank's debt around Rs.1,200 crore while Group debt is around Rs.400 crore.

Moderator: Thank you. We will take the next question from the line of Hemant Thillaisthanamfrom Elysium Investment Advisors LLP. Please go ahead.

Hemant Thillaisthanam: Following on from our previous conversation, could you talk a little bit about the competitive landscape in terms of auction activity, in terms of all the moves that has been happening in the renewable energy space specifically with reference to wind in the last six months, the development that you see?

S. Venkatachalam: A lot of interesting things happening as far as government is concerned. We have gone in for a complete competitive bidding route and their mandate is that they will only go for the competitive bidding and there will not be much in terms of the regulator-based pricing in future. That is the kind of direction that the government is taking. Now having said that the competitive bidding in the first few rounds have been, if I may add that these biddings have been a little too crazy in terms of the rates that have been bid, the discovered panels or something like Rs2.44 for solar and Rs.2.43 for wind was the lowest ever, following which there have been some improvement in the tariffs which have been realized in the subsequent bid. Now, as far as the Rs.2.44 for solar is concerned, following that the China actually increased the panel prices as a result of which we really do not see any of those projects coming up, so we do not know what is the status but as of now none of these projects are coming up because they are still trying to sell those projects upfront to other developers but there do not seem to be any takers for the same. As far as wind projects are concerned, okay, who have quoted Rs.2.43, etc., they have taken very aggressive assumptions in excess of 40% PLF and now very few sites are available with even the best of machines which deliver those kind of PLF. Secondly, they have taken very aggressive assumptions in terms of the capital cost which is something like Rs.5.25-Rs.5.5 crore which I think is very ambitious because 1.5 crore itself is other than the machine cost in terms of the land, IDC cost where the grid and the substation cost, etc., itself will add up to about Rs.1.5 crore. I am not aware of any of the OEMs willing to supply just the machine part of it of Rs.4 crore or below. So, some of these have been very aggressive assumptions but when you talk to some of the developers there they do say, yes, these have been aggressive assumptions and they expect these to get corrected in future. But to what extent we will have to wait and watch at least in the next two, three rounds, I do not expect it going beyond the Rs.3 mark. I think with the level of interest rates available today with many of the people who quoted had lot of funds which were actually chasing them. So, there was an urgency to quote and get these projects and probably build up a book also from the IPO point of view. So these were all the kind of pressures because of which many of them have quoted very low rates. But going forward, we do not see this similar trend continue. At least I expect it to stabilize around Rs.3 which with the lower interest rates and if the capital costs are kept lower, or the rupee per kilowatt hour, that is another measure of the wind because of the better quality of wind, the capital cost per kilowatt hour if it falls, I think these are the areas which will help in terms of keeping the prices but Rs.3 is more realistic is what I would conclude.

Hemant Thillaisthanam: Also, would you have any thoughts on where the plant load factors would move, is there any scope for improvement beyond the 20% that you have delivered for FY'18?

S. Venkatachalam: Basically, two things; as part of the OGPL is concerned, one is the better grid availability and last year we had two very bad pockets of wind… actually Q1 started off with very good wind, in Q1 throughout the country that is mainly for us in terms of TN, AP and Gujarat which there was a big downfall as far as August, September was concerned, in fact, unseasonal rains which happened in Tamil Nadu and also the wind in Andhra that is Tadpatri and in Gujarat also felt a bit. The Q4 was pretty low but the predictions or the projections for this year seems to be a good wind year and let us hope like they predicted a good monsoon here as well. So at least 4-5 crore units is what we see it going up, but the existing wind mills only have that much amount of capability with PLF overall average from say 20% we can go for about 1-1.5% is what we see it as.

Hemant Thillaisthanam: Could you just outline your management objectives over the medium-term, three years or so - I understand debt reduction is a key part of your strategy?

S. Venkatachalam: We talked about, one is the debt reduction that has gone a long way and what more is going to happen in the next couple of quarters is since our results are now good and we have come online with the banks, that is what many of the lenders who are looking at. So we are looking at, at least for the Rs.1,000 crore portfolio with beta which has now gone to about Rs.950 crore, we were looking at single digit interest rates. Secondly, REC happened on its own, I would not take any credit, we are quite happy that it happened, so that really helps in terms of our cash flows as such. But going forward two areas; one is we are looking at acquiring some assets which are up for sale, in fact at good tariffs, not at the tariffs determined by the recent auctions but good tariffs there are certain assets which we are in active talks with, probably in this quarter itself we will come to know or we will be making some announcements in that regard that we are looking at acquiring some assets and there are some active talks in that and some good lenders also available for the same. Secondly, you are also aware of many of the entities are looking at IPOs and IPOs have been a little difficult to come by and there have been not so much of market appetite for the IPOs. Even ACME Solar kind of backed out of the IPO. So there are active interests in terms of reverse merger. We were in talks with ILFS which you are aware of which did not fructify but there are at least a couple of others which are at very advanced stages of discussion and there is a lot of renewed interest because we are a listed entity. So these are the two areas; one is acquiring some assets and then the reverse merger options that are available to us.

Hemant Thillaisthanam: My question on the competitive landscape, actually mention of companies also looking at IPO-ing. So it seems to be as an outsider that there is a general feeling about accumulating assets and then taking them to the market through the IPO route. Now given the situation with the competitive bidding landscape as it has been in the last two, three years where it has not been remunerative enough from most reasonable angle, I am just trying to understand the thinking behind people accumulating assets when the economics actually deteriorated. So would you have any thoughts on that?

S. Venkatachalam: In fact, even we are quite bewildered by the kind of things that are going on as far as market is concerned. Okay, they have been able to raise lower interest rate money. For us going forward we will be able to do that, but still even with say interest rates of 8.5%, 9% that they have assumed, but their capital cost assumptions as well as the PLF assumptions which they made, I think far too ambitious even if the best of machines available in Class-III sites. There are a couple of sites which give you about 40%, 42% PLF but it will not be over 100 MW parcel of land, it will be say 25 MW of that particular parcel will give you the best of PLF, but not the entire 100 MW, but when you take an overall average give you about 36-37% or even below that. So as much as you are bewildered, I am also quite surprised by the kind of things that are happening as far as the competitive bidding is concerned.

Hemant Thillaisthanam: Finally, sir, could you maybe share some thoughts on the general unit economics of renewable energy business today in a scenario where the key driver of value which is the price is only on its way south. So the only other levers which you can exercise as to reduce your capital cost which also seem to be sticky on the way down or to improve PLF, again it is not a situation where 15 PLF sites can suddenly start operating at 40%. How is it that you can take a 25-year asset and sort of build a profitable business around renewable energy given the situation or perhaps my understanding is wrong, so I just stand corrected if I got anything wrong there, but I was curious to hear what you would have to say here?

S. Venkatachalam: If you really see the industry has gone through a certain phenomenal change, in the past people are quoting on IRR basis, so they were looking at delivering say 16% IRR to the investor, so it was Cummins, Suzlon, etc., they would price the machines based on the PLF available at that site, so it gives you a return of something like 16% IRR. It was the kind of a monopolistic situation because they were not really selling the machine but they were selling the grid evacuation and the fact that they develop that site which is also in short supply. A good site with good evacuation which is if you develop 10 sites, probably three of them will end up being good. So all that effort they were looking at really an IRR return that they could deliver and charging even up to Rs.8.5 crore per MW. Now, going forward, the prices definitely have come down to about Rs.6-Rs.6.25 is what would be the realistic assumption at least since okay last year there were some amount of stocks available of machines, so they were willing to offer better prices but going forward if there are something like 10,000 MW of wind auction that take place in this current year maybe the kind of prices that the wind at least OEMs would have, they may not offer the same prices. So this would put a strain on the overall 25-year cash flows. If you really look at the OGPL story when we came up about five, six years back, all our projections should have looked very good, but we would never have factored in that wind with the must on status would have say 40% grid back down at some point in time. So similarly, even if these assumptions which people have made are all the best assumptions with not even a day delay in payments with no grid back down and with more and more renewables going into the grid, these issues are bound to come up at some point in time or the other. There are a lot of ifs and buts but going forward the government will do something to encourage overall.

Hemant Thillaisthanam: The reason why I ask is that in a scenario where again your bidding prices are going to settle down at say Rs.3 per unit, you have got old assets which are at much higher prices, logically speaking, they have to be valued higher than a lot of the prospective assets which are coming online, so in the absence of any realignment in logical pricing, I am at a loss to understand why not just a listed market but even competitive thinking look at this very differently, maybe I am just missing something else?

S. Venkatachalam: There was an attempt to renegotiate the prices, some of the regulators were looking in that, but that is now the past, the power ministry has shut down those. So people who have the assets at the old tariffs or the better tariffs would continue to do so and some of them okay are available for sale, that will be protected. But larger proportion of the assets will come at say Rs.3 or lower tariffs at least the next 5,000-10,000 MW would come at those tariffs. But the old assets even the solar which have been going at say Rs.15 tariff itself will continue to be there and those will be very valuable assets and they will be up even for a premium …

Hemant Thillaisthanam: Because those will not be theoretically available at a distress price simply because they are far more valuable than what is available today in the market?

S. Venkatachalam: Exactly, they will not be available, they would definitely look at a premium when they are trying to. Some of them are really looking at exiting the business because it is not their core business, so from that point of view also we have got one or two of them, some of the other businesses are not doing well and just putting a stay on their wind business or. So those kinds of assets are available.

Hemant Thillaisthanam: That will be subject to case, it will not be uniform?

K V Kasturi: It will not be. So, obviously, there needs a lot of in-depth study about the PLF size and then grid availability and what is the tariff and so on. So a lot of things will be there and in terms of O&M contract, efficiency of the machine. All those things will have to be factored while determining those kinds of acquisition.

Moderator: Thank you. We will take the next question from the line of Sameer Dalal from Natverlal & Sons Stock Brokers. Please go ahead.

Sameer Dalal: I just had a couple of questions: The first being that this realization per unit of power has seen a drop of Rs.5.4 to Rs.5.19. I would guess you would certain PPAs in place. So why this reduction in average selling price of power?

S. Venkatachalam: We have got 308 MW in Tamil Nadu, we have got 79 MW in AP and then 25 MW in Gujarat. So the AP and Gujarat prices are totally protected, these are in PPA with AP at Rs.4.70 plus GBI of 50 paise, Gujarat at Rs.4.15 plus 50 paise. But the Tamil Nadu assets are totally based on the group capital structure. We are not supplying to the grid or the utility in Tamil Nadu. So on a Group capital structure, there are some amount of market determined prices. Now, there were some pressures because of various others entering into the fray and there were some price pressures as far as the group captive is concerned. So there were about 20 - 25 paise reduction in the tariffs which we had to offer the market.

Sameer Dalal: The 25 paise cut that you will have given, you have given to your group companies, is that correct?

S. Venkatachalam: We are not supplying to any of our group companies. This is a Group captive structure wherein 26% of the equity is invested by potential big customers which we have in Tamil Nadu like Cognizant, TVS Group, Madura Coats, Infosys and others, you can supply at least 51% of the power or the entire power can be supplied to them. So this is the group captive structure, so there is no cross-subsidy as far as the group captive is concerned. So it is something like an open access wherein they have an ownership and there is no cross-subsidy as far as group captive is concerned. So, this is the structure in which we operate in Tamil Nadu.

Sameer Dalal: So what can we expect average realizations to be going forward given the fact that Tamil Nadu is the biggest production hub, there there is no certainty of pricing?

S. Venkatachalam: Going forward, two things have happened as far as the pricing is concerned; one is the coal lobby they also get together to come up with the pricing, now they find that the pricing that they have given is no longer viable. So they are actually increasing the prices, so we get to ride on that because we had to reduce the 20, 25 paise because the coal thermal based power plant had reduced their prices, but they do not find that viable any more. Second is as far as the UDAY Scheme is concerned, Tamil Nadu is supposed to increase prices by about 6% this year, in fact, they have committed to increasing the HT tariffs by about 6%, and the agreements that we have with our group captive customers is that we get 50% of the upside that TANGEDCO comes up with. So we see at least in the next quarter or once the wind season begins there will be price pressures going upwards actually. So we get to ride on that. Last year there was a little downturn but a 20, 25 paise reduction, but we will get to see an overall increase.

Sameer Dalal: My next question has to do with your REC. Now, you have completely sold off your existing inventory of REC, from that you recognize the revenue of Rs.78 crore, but Rs.38 crore still in arbitration. Going forward now, what kind of RECs will you generate because if I were to eliminate the REC part of the profit that came which would have had a lot of historical REC generating in the current year on operations, you would have still not made a cash profit because if I were to eliminate the Rs.78 crore. So I am just trying to figure out what kind of profitability given that RECs may not be in the same quantum next year.

S. Venkatachalam: No-no, REC which we generate on a yearly basis is about Rs.40-45 crore at Rs.1.5. So if you look at it Re.1 something like Rs.30 crore of REC that can be sold. Rs.78 crore is also pertaining to the accruals of the previous years which were not sold.

Sameer Dalal: Absolutely my point. So now going forward we can assume only Rs.30 crore REC revenue, correct?

S. Venkatachalam: Correct, and we are able to convince the Court, it can go back to Rs.1.5 as against Re.1 but okay, for the time-being we can take Rs.30 crore as a very safe bet in terms of the REC.

Sameer Dalal: My question has to deal with that; Rs.30 crore of REC revenue, that is Rs.48 crore of revenue reduction from the FY'18 to FY'19, that would reduce my cash profit which you generated Rs.67 crore which is down to about Rs.20 crore… is it safe to assume that the cash profitability that we did of Rs.67 crore, could significantly reduce down to almost about Rs.20 crore because Rs.48 crore was additional revenue which will not happen again?

K V Kasturi: I just wanted to clarify, if you go by almost annually around close to Rs.30 crore worth of certificates, will be sold at Rs.1,000. If it has been at the Rs.1500 certificate, the reduction is around close to Rs.12-13 crore only, it is not Rs.20 crore because what has happened is in the last few years there were a lot of accumulation of RECs in the system because of these low volume in the trading. But fortunately, in the last year, the volume got increased in the last quarter, that means starting from December to almost Jan, February. So that is why it completely got liquidated. But going forward, what you are saying is the reduction is only around Rs.12-13 crore on an annual basis, it is not Rs.20 crore or Rs.25 crore what you are having in mind

S. Venkatachalam : Which will be more than made up by interest cost reduction and little by better wind also.

Sameer Dalal: You said you have Rs.400 crore of group debt. Can you tell us what is the average interest rate you are paying to the group company?

K.V. Kasturi: 10.5% is the interest rate we are paying to group.

Sameer Dalal: The last question is to do with the fact that in your consolidated numbers, you reported Rs.34 crore **(Inaudible) 41:27-41:31** in the current financial year. Now what part of that business is now completely sold off and what part is yet to be sold off, what will be the next year, what will be the loss from the discontinued operations we can assume?

K.V. Kasturi: As far as the continuing operations is concerned, last year effective 7th September we separated the entire biomass units from the whole system and going forward for the current fiscal year that is say '18-19 we will be purely a wind company. As far as wind is concerned, particularly the last year from the wind business, we had recorded revenue of almost Rs.394 crore and Rs.302 crore of EBITDA. So in terms of number wise, there will be likely small improvement there because one is that as Mr. Venkatachalam mentioned that one of the grid availability improvement in Tamil Nadu plus also we are expecting some good wind in the season itself. So both coupled factors we expect at least another Rs.20, Rs.25 crore addition in the EBITDA level, plus at the bottom level interest cost we are in the lookout for refinancing the interest cost for almost around Rs.1,000 crore debt where we are looking at a single digit rate, we are in the active discussion with various stakeholders. So that will give a benefit of annual basis around Rs.30 crore but it will be around Rs.15 crore in the second half actually because maybe we will fructify only in the second quarter. So we will be adding it in the bottom line at least now around Rs.30-40 crore in the current year.

Sameer Dalal: My question was more on the discontinued operations, how much will remain in the books – is there any part that still remain or is it all completed, nothing is there?

KV Kasturi: Nothing, all completed.

Sameer Dalal: So when I look at my consolidated numbers, there was one specific item, loss from discontinued operations at Rs.34 crore. That number will be zero.

KV Kasturi: Yes, absolutely correct.

Sameer Dalal: The last question on that same point, you mentioned earlier that the depreciation will go down because of sale of your biomass unit. But my guess is in the discontinued operations the depreciation would have been adjusted for. So would that mean the depreciation will remain this year's level or will there actually be a reduction in depreciation because you have not factored that into the Rs.34 crore loss?

KV Kasturi: I understood your question. Going forward, there will be marginal reduction in depreciation, one is that there are certain assets particularly the wind assets which are bought out assets and all those things. Marginal, there will be 1 MW, 2 MW kind of reduction will happen over a period of time because it has reached its life, normally as per our depreciation policy, we depreciate over 22-year period. So obviously, particular amortize fully in the books of accounts. There will be marginal reduction, may not be a significant reduction, maybe currently at Rs.123 crore or Rs.124 crore, it may be around close to say Rs.118 crore or Rs.119 crore like that it will be there, significant reduction will not happen.

Sameer Dalal: You mentioned an acquisition that you are looking at. Can you give us at least some indication of what size of acquisition you would be looking to make and how much your debt leverage would change if you made an acquisition, what is the leverage you are willing to increase yourself up to further to make an acquisition, what would be your threshold?

S. Venkatachalam: It is very difficult to give you some details at this point in time though the discussions are in little advanced stage. There are a few; one is 50-60 MW, another is about 200 MW, another is 100 MW. So very difficult to say which all will fructify and as the previous questionnaire talked about these acquisitions, they may charge a premium because they are at much higher tariff, but we believe that we are getting some good offer from them because the sellers have various strengths in their own other businesses. So they are looking at sale of these assets as far as wind assets are concerned.

Sameer Dalal: I agree the premium. What kind of ROE would we generate even if there is a premium, what would be the minimum threshold of ROE you would be to give someone?

KV Kasturi: In this business, what we normally look at is since it is a long-term nature, normally if you look at the basis almost the return on the IRR with losses we normally look at it, somewhere around 14-15% what we look at it. It all varies, it depends on where the location and age of the asset, all those things we normally look at it. So our ballpark number will be anywhere between 13%-15% or maybe 16% depending on the size and all those we look at it actually.

Moderator: Thank you. We will take the next question from the line of Mehul Savla from RippleWave Equity Advisors. Please go ahead.

Mehul Savla: Actually just had a question similar to the earlier one primarily on the REC. I was still not clear that this year what would be the potential revenue at lets say at Rs.1,000 floor price from RECs, will it be in the region of around Rs.30 crore?

S. Venkatachalam: Rs.30 crore yes, otherwise if it had been at Rs.1500 it would be Rs.45 crore roughly.

Mehul Savla: Any specific reason why there has been such a big jump in trading appetite volumes in REC?

S. Venkatachalam: Basically, a lot would be attributed to the enforcement by the central ministry. I can only tell you off the record as such that lot of enforcement, lot of pressure has been there from the central ministry, the new minister whichever state has been coming to them for certain subsidies and various thing, he says first, "have you met your obligation kind of?". So these really ensure that people stand in queue for these RECs and get their obligations fulfilled before taking any favors from the government. This is what we understand internally. So many years of non-enforcement which saw the trading at say 1% to 5% levels whereas from November onwards 50%-60% levels and March was 100%. Actually, speaking the buy bids were slightly in excess of the sell bids in April.

Mehul Savla: Because somewhere I was also seeing that on the IEX, it is not a big jump, but some trades have also happened at 1001, just a little above the floor price also?

S. Venkatachalam: That is what I heard, of course it is a very marginal improvement on that…

Mehul Savla: Correct, but significant change from what the environment was earlier.

KV Kasturi: Correct, but I really do not see it going above the floor price because there will be not so much of interest in trading above the floor price, people may not do that so much about this floor price. In fact, in the month of April we had around 22,000 something certificates, entire certificate got sold out. The momentum still continuing that because every month they are issuing certificates. It looks like it will be sold actually.

Moderator: Thank you. We will take the next question from the line of Rohith Potti, who is also an individual investor. Please go ahead.

Rohith Potti: I was wondering what has to happen on the auction front for the company to be interested in expanding through that mode, I understand the acquisition mode that you are following? But what has to happen on the auction front for you to participate in it?

S. Venkatachalam: A couple of things; since we explained the past performance was a little strained over the last few years and this is the first time that we are coming out of all this and therefore we may not be able to raise money that the required interest rates. So that is one big positive which has happened and now there are various people talking to us of lending money at single digit or even less. Now, that is one of the biggest factors. People are able to raise money something like 8.5% is what they have factored and they are able to do that. Secondly, looking at the overall capital cost and PLF I would still say they are pretty aggressive. So at least it should go beyond Rs.3 at 8.5% interest. Once we do let us say either few acquisitions or merger with somebody, I think we will be able to raise money in a much better way and that is when we will start looking at the auction route but at the present levels to me at least it does not make sense.

Rohith Potti: So, a couple of conference calls back, management had mentioned that Rs.3.5 is the price which they were comfortable with, but in this call you seem more open to Rs.3. Just want to understand, is it the threshold price that generates your interest or is it something else as well?

S. Venkatachalam: At Rs.3.4, Rs.3.5, we were looking at, there was Rs.3.46 auction which plays about a year back, few things which have happened since then, one is the ability of various investors like renew power and the others who have been able to raise the money at very low interest rate. Secondly, they are able to negotiate the capital cost well before the auction. So they were able to tie up the prices. Wind mills also were available with some of the OEMs also had been reducing capital cost. So these two factors are taken care of. Thirdly, the expected IRRs which were at 16%, 17% in the past have fallen to something like 10%, 11%. That is what the international investors also, they are not looking at 16% anymore. So that is another expectation also much higher even in a couple of investor calls back which you are referring to.

Moderator: Thank you. We will take the next question from the line of KP Singh from UTCI. Please go ahead.

KP Singh: Sir, firstly how much capacity of biomass remaining in Company's books as on 31st March 2018, whether these are operational or non-operational? Secondly is what is the average load factor of the year 2018 and why it was less compared to PLF which is 25%?

S. Venkatachalam: One is coming to the biomass there is nothing left in our books is concerned and out of the 98 MW which have now moved to SVL and then subsequently we sold about one is 20 MW at Kolhapur and we have already received the advances for another 20 MW subsequent to that. But it is no longer in our OGPL books, so it is out of our OGPL books, it has gone to the promoter holding company called SVL Limited,

KV Kasturi: And we will be effected operating around 45-50 MW only, comprising of around four to five plants across India and this plants would be operating at PLF of almost around 60-70% PLF level and in North especially there are two plants which are located in Rajasthan where last year we operated at around 60-65% and this year we intend to increase it to almost around 70% level. In south there are two plants there; the south plants are operating at around 40%-50% capacity level but we intend to increase it to 50-60% level in the current year. So, this is how the biomass will look in the future.

KP Singh: What is the program of repowering of wind turbine which are more than 15-years old?

S. Venkatachalam: Basically, the repowering, very little has been done in the country, little bit has been attempted by Gamesa for a particular wind farm in Tamil Nadu. Repowering has many factors; the old machines were all of the 250-300 kW class or some of the machines are at 500 kW class. Those were also at 15%-16% kind of PLF in the wind sites available in Tamil Nadu. Now, when you repower them, they will be at 2 MW class, etc., which is the current class of machine. They will also be in excess of 35% PLF in those particular sties. Second thing is when you repower, earlier we had machines at a particular spacing, now there is spacing of machines is based on 5D and 7D which is 5x a diameter of the blade, earlier blades were something like 26 meters or 30 meters kind of blades, so 5D would mean about 150 meters spacing you can take the next wind mill, whereas the blades today are at 100 meters blade diameters which would mean the next machine would be about half a kilometer away. So only if you have continuous parcels of land, if you have full wind farm available with you, you can do this 5D, 7D thing. Otherwise, you will have to do away with the wind mill in between and locate the next wind mill only half a kilometer away as against 150 meters which is there in the past, plus the higher availability of wind will have to be evacuated to the national grid only because Tamil Nadu alone which is where most of the machines available for repowering are located, Tamil Nadu will not be able to take in more amount of wind power which you have seen in the past, which will have to be weed to the entire national grid. Thirdly, still there is no clear repowering policy as to what tariff. Initially they are saying you will get the tariff which were there 20-years back and so on and so forth which obviously is not a correct way to look at repowering because you will be spending the similar capital cost, you will be spending let's say Rs.5.5-Rs.6 crore in terms of capital cost and you will need at least decent rate, and you cannot operate on the rates which were prevalent let us say 20-years back Rs.1.5 rate kind of thing. The entire industry is waiting for these things to happen because still another three, four years before the repowering machines actually comes into play because machines are let us say late 90s machines will slowly come for the early 2000s machines will come for repowering now.

KP Singh: Have we completed the overhauling work of their old turbines in this lean season?

S. Venkatachalam: Yes, we do all that, in fact, we have a regular maintenance schedule, we completely during the lean season we take up all the machines for maintenance and even if there are any gear boxes or generators to be replaced, we do the entire maintenance work during that time, we have got an expert team who does this.

KP Singh: After the overhauling of the machines, the capacity utilization should also increase, so OGPL should come in positive note right?

S. Venkatachalam: Basically, it is not just the overhauling of machines which we do on a regular basis because that has been a consistent factor for us throughout. We have in excess of 98% machine availability in most of our sites. So the bigger contributor will be the grid availability which has gone up from 60% to 95% and then 98% is what we are looking at and a better wind availability this year.

KP Singh: As you said earlier, power demand peaks during evening time , so can you sell the extra units in evening time at higher rate?

S. Venkatachalam: We have certain agreements with certain customers for evening peak hour rates but in general we sell them at an overall weighted average rate but some of the states you can allocate power on 15-minute interval basis or an hourly interval basis with the evening peak power at a different rate. But there is not so much that we did not hear overall linking it to the HT tariff which Tamil Nadu has as far as the Tamil Nadu is concerned.

Moderator: Thank you. We will take the next question from the line of Manan Patel from Equirus Portfolio Management. Please go ahead.

Manan Patel: Sir, I had a couple of questions related to industry. While we have been reading reports that the auctions have been taking place, but is the execution of the wind power installation happening actually on the ground and can the market go to like 5 GW to 10 GW as the reports pointing out?

S. Venkatachalam: You have asked a very pertinent question. The execution both in solar and wind has been slow following the auctions after people have bid. Now people are tie-ing up the finances and of course some of it will happen, there will be a little bit of fall out also is what I expect, at least in solar it will be a total fall out as far as the Rs.2.44 auction in Badla in Rajasthan which happened. Wind, I do think a little bit of it will fall aside but obviously they cannot completely walk out because they raise money.

Manan Patel: So going forward, even if let us say we have 5 GW per annum market, so how will our company participate in that market and where do you see Orient Power going in three to five years down the line with the kind of capacity that you will be able to add or you are planning to add?

S. Venkatachalam: As I just talked about it in terms of one is we are looking at acquiring some stress assets which are available at a good price and with a good tariff also. Secondly, if and when we do a reverse merger that I have talked about, in a joint fashion we will be able to raise more money. Thirdly, we will wait for the market to stabilize in terms of pricing, and if we are able to raise the money at a decent rate and get at least 12%-13% IRR, we definitely participate in those kind of bids going forward.

Manan Patel: Sir, this probably grid evacuation is one of the biggest risk you all face. So is that infrastructure ready for the kind of capacities that is coming in for the evacuation to happen?

S. Venkatachalam: Yes, definitely there has been a lot of improvement from the government side in terms of evacuation, Tamil Nadu itself is a big example, in fact, last year Rajasthan also went into a little bit of grid back-downs, but even there, there has been a lot of improvement and I think most of the states are now geared up to take more and more in form or variable power into their grids. But one will have to see as you rightly ask, if we increase another 10 GW, 20 GW in the next couple of years, again, we will run into a little bit of problem of variable power coming into the grid but storage solutions increase power demand from electrification of more and more villages and the lifestyle changes in terms of more and more air-conditioners being used by the middle class itself. I think all these power demands will help increasing demand for power in general.

Moderator: Thank you. I would now like to hand the conference back to the management for any closing comments.

S. Venkatachalam: Yes, thank you once again to all the participants in the investor call. Overall, we are extremely happy and very proud to announce the kind of results that we have been seeing and the progress that we have made over the last three to four years with the record EBITDA of Rs.302 crore as far as wind is concerned and secondly, cash profit in the wind segment alone of Rs.104 crore which really got us excited about the times ahead. With these kind of results and better grid evacuation, we have already done a lot of work as far as the reduction in finance costs are concerned and these results we do see that further reduction in finance cost which will result in about Rs.25-30 crore reduction in interest itself. So with all these positives and going forward as I said, there will be better evacuation and better wind also in the coming years which could definitely add about Rs.20-30 crore in terms of the top line and the bottom line as well. So with all these positives, I look forward to a very good year, the Q1, the wind season has just started and I do believe that the winds are blowing very favorably towards us. Thank you so much.