Q3 2012 Earnings Call - Orient Green Power Dt-17 Feb'12

Operator

Good morning, ladies and gentlemen. I am Sherley, moderator for this conference. Welcome to the Conference Call of Orient Green Power Limited. We have with us today, the senior management team. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. Please note, this conference is recorded. I would now like to hand over the floor to Mr. Mayank Vaswani of Citigate Dewe Rogerson.

Mayank Vaswani

Thank you. Good morning everyone. I welcome all of you to the OGPL conference call. We will be discussing the key operating and financial highlights for the third quarter and nine months ended December 31, 2011.

I have with me today Mr. P. Krishnakumar, Managing Director; Mr. S. Srinivasan, Member of the Board; and Mr. J. Shivkumar, Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. Please refer to our investor presentation for a disclaimer on these risks and uncertainties. Documents relating to our financial performance were emailed to all of you earlier. These documents have also been posted on our corporate website.

I would now like to invite Mr. Krishnakumar to share his views on the performance for the quarter. Over to you, sir.

P. Krishnakumar, Managing Director

Good morning everyone. Thank you for joining our earnings call.

I'll briefly take you through the financial and operational highlights, and then Mr. Shivkumar will cover the numbers in greater detail. I trust you have all received investor communication that was handout yesterday. As always I'll focus on the numbers for the year ending December 2011. We advise our investors to assess numbers for a longer period of time due to seasonal variations in our business. Measuring performance on the quarterly basis is not appropriate yardstick.

For the first nine months FY 2012, we reported a total income of 179 crores. This represents the growth of 9% of our income from operations of 166 crores in nine months ending FY11. Total income of 179 crores includes, 100 crores from sales of the wind power and 69 crores from sale of biomass power.

Other income of 10 crores represents revenues from CDM and REC which we have sold during the quarter. On a year-on-year basis, EBITDA have increased marginally to 88.5 crores in nine months FY12 from 86 crores in the same period last year.

The EBITDA -- loss before tax loss 34 crores for nine month FY12, against the PBT of 18 crore in the same period in FY11. These was largely due to substantial increase in interest of depreciation cost following the steady increase in operating capacity.

Loss of -- PAT stood at 23 crores in nine months FY12, against PAT of 9 crores during the same period last year. Well our numbers do indicate pressure faced by the business during the quarter, let me discuss some key aspects of our performance.

We are pleased to have growth total income during the period considering the various challenges encountered by our plants across the country. Heavy rains in Rajasthan, with the -- level in the past several decades impacted the quality of feedstock and led to frequent shutdowns of biomass plants in North India.

In South India, we shutdown all three of our SPVs for a period of 3 weeks in keeping with the regulatory requirements to enable switchover from sales to Electricity Board through PPA to third parties. This four shutdown led to decline in units generated from biomass. Lastly, unfavorable weather conditions led to poor availability of wind which was substantially below long-term averages.

Our average PLF for Q3 FY12 is a clear indicator of the poor wind availability. Also based on changes in the intra-state open access tools of state utility from Q2 of this year, our biomass power plant in the South were instructed to supply power only to Tamil Nadu Electricity Board at PPA prices. So this meant that we could sell power -- at a merchant tariff rates that were prevailing for most of the past one year presenting in a dip in average realization on a year-on-year basis.

However, our operating capacity in wind power increased from 179.5 megawatt as of December '10 to 273 megawatts as of December '11. This increase in capacity resulted in increase in units generated despite drop in PLF due to low wind availability and grip back downs.

Also most of these assets were added post wind season, and will be fully operational in the coming season. The average realization for the period was higher by nearly 5%. Together, this led to an increase of 18% increase in sales from wind power, that is from 84.6 crores in the nine months ending FY11, to nearly 100 crores nine months ending FY12.

In biomass business, with enhanced capacities, exported units grow by 22% over last year to reach 138.19 million units. However, revenues are lower 1.6% from 70.6 crores in nine month of FY11, to 69.5 crores in the first nine months of the current fiscal. This has been primarily due to lower realization in Tamil Nadu plants since July 11, was with the of intrastate open access. Our biomass capacity stands at 60.5 megawatt as of end December 11, is just a 40.5 megawatt as of December 10.

Profitability of wind business was impacted by levy of O&M charges charges on sub-stations of TNEB. This was not there in the past quarters. Apart from that the biomass power vertical versus to the further pressure on profitability due to sharp increase in the fuel cost per unit. This ed to a decline in random EBITDA margins from 52% for FY11 nine months to 49.5% in the FY12 nine months.

However there had been some positive developments in this quarter as well. We are pleased to announce that during the quarter, OGPL saw the first accrual of income from REC mechanism. REC revenues were accrued in Q3 FY12 for two biomass plants, and in some of our new wind projects.

We have accrued about 13,000 REC 2250 REC in wind in Q3 FY12. In January 12 we sold 6,758 RECs at 3,050 per REC which is a healthy daily session and it is near the cap price of Rs.3,300.

As of date we have about 40 megawatts of wind assets and 52.5 megawatts of biomass asset registered in our REC. We expect to increase this substantially at majority of our new capacity additions will be registered with REC. Since RPO regulations have been notified, as notified by most States, we expect strong REC demand in the coming months. We also expect to see State regulatory commissions to be highly stringent on implementation of the REC guidelines despite the expectations of resistance from the SEBs. This is showing up in the exchanges as well. The REC prices forming up in the recent earnings sessions and have shown improvements in the last couple of trading session, with the peak of Rs.3050 per REC realized in January 12 trading session with the anticipated decrease in volumes, this trend is likely to continue.

It is also heartening to note that some of the state utilities are already registered with the IEX for servicing RECs. We also have made continuous improvements in enhancing our operating capacities. As of December 11, we have 333 megawatts of operating assets, this constitutes 273 megawatts of operating wind assets and 60 megawatts of biomass assets. During the quarter we added 32 megawatts of operating capacity. This included 22 megawatts of wind assets in Tamil Nadu. Additionally we added that 10 megawatts of biomass assets in Rajasthan with the commissioning of Hanumangarh plant in October end, 2011.

We also have a strong pipeline of capacity additions for the next few quarters. We aim to add another 70 megawatts to 80 megawatts of wind capacity in Q4. This will be largely in Tamil Nadu but also includes 10 megawatts in Sri Lanka. Beyond that we've commenced site activities in our projects at other Gujarat totaling to 100.8 megawatts which we aim to install by Q1 of FY3 in time of the wind season commencing May middle. So our current wind capacity of 272 megawatts as of December 11, should reach around 350 megawatts by March 12 and we'll close it around 450 megawatts by the wind season in May 12.

In terms of capacity installed in biomass segment, we installed a 10 megawatt plant at Hanumangarh which became fully operational in December, in October 11. Our Narsinghpur and PSR Green projects totaling to 17.5 megawatts were delayed due to regulatory clearances and connectivity issues. These are expected to be operational by end of Q4 or early Q1 FY13.

Our DY Patil Cogen plant, with a 20 megawatt capacity and an 8 megawatt capacity plant in Kishanganj in Rajasthan will be commissioned by Q1 of FY13. Although, some of these projects are delayed due to grid connectivity issues, and outgoing monsoon season, we are confident that these issues will be resolved as we move forward in commissioning additional capacities. So with the capacities just outlined, our biomass capacity of 60.5 megawatt as of December 2011, to decrease to 106 megawatts by end of June 2012.

Coming to the Regulatory Environment in Tamil Nadu, the tariff for biomass power is expected to be increase by the State Electricity Regulatory Commission, as the control period has expired in March 11, this has been due for almost over a year and we expect that to be finalize by June 12, industry has start revision retrospectively and the TNERC is expected to consider the same favorably.

The process of revision of general tariffs in Tamil Nadu is in advanced stages with the public hearing held in odd places, and the expectation is that same will be announced very shortly, this still positively impact the merchant tariffs that is prevailing in Tamil Nadu. There has been a tariff revisit in Rajasthan in November 11, and tariff has been hiked by Rs.0.65 per unit one of our biomass project located in Chippabarod, Rajasthan.

The Andhra Pradesh Electricity Regulatory Commission is also expected to consider the issue of tariff revision and notification on the revision will be release shortly.

The TNERC has cleared REC eligibility for export of power under group captive model and this will positively impact ourprojects in Q3. There are also expectations that the generation based incentive for our wind which expires in March 2012 will be extended.
Lastly the REC mechanism have shown improvements in volumes and pricing in January 2012 and trading in 2012 is eagerly awaited, February 2012 is eagerly awaited. We are focused on improving our profitability in business through a number of key initiatives. We are accelerating REC registration process for our assets in wind and biomass to optimize revenue stream.

We are evaluating our tariff power off take arrangements to ensure revenue optimisation between the supply of power to group captives, third parties and PPAs depending the location and the schemes available. We are in unique position to offer blended power with the wind and biomass to sell at clients. Our plans in Tamil Nadu which we was shutdown for three weeks to enable switchover from utility PPA to merchant sales have already resumed power generation under reporting better realizations since December 11, indicating an improved outlook.

Our Hanumangarh plant 10 megawatt is currently supplying power through power exchange which is reduced tariffs. We are exploring bilateral arrangements to drive improves in realization. We expect the same will be concluded before end of March 2012. This plant has stabilized well and is operating at 85% plus PLF in the fourth month of its operation which typically takes around six months to stabilize.

We expect that all our up coming assets and wind business will demonstrate PLFs in the range of 29% to 34%, this will be a market improvement from the initial 180 megawatt of wind capacity which comprises of second hand assets under operating at. On the cost front, we have commence initiatives to source fuel and bulk for our biomass plants to improve both specific fuel cost as well as consumption. We are also working on measures to improve the cost of borrowing through securitisation and ECB options, and this will help ease our borrowing cost.

In addition to this, we expect the benefits from improved scale and deficiencies as well as eminent tariff hikes which will result improved performance in the coming quarters. So we are focused on both growth and steady improvements in profitability.

It has been a challenging nine months for the company but we are confident in our business and our ability to create value.

With this I hand over the floor to Mr. Shivkumar, to take us through the financial. Thank you.

J. Sivakumar, Chief Financial Officer

Thank you Mr. Krishnakumar. And good morning to everyone. I shall briefly take you through the financial performance for the quarter in the nine months period ended December 2011. Our net sales for the half year stood at -for the nine months period stood at 169 crores up 9% from 155 crores in the corresponding period of last year. Other operating income was 9.7 crores in nine months period as compared to 11.3 crores in same period of last year. The benefit which we receive from CDM and other CDM incentives are included as part for other operating income.

Our nine months period end of 2011 December 2012 our other income was higher by 102% at 21.3 mainly due to income from investible surplus funds that we had from the IPO which were yet to be deployed in the projects. Revenues from wind power increased by 18% to 99.6 crores in the nine months period. This was driven by an increase of 11% unit generated at 228.3 million units for the nine months period as compared to 205.8 million units for the same period of last year. Whether you saw an improved pricing environment this year, the average regulation for wind energy during the nine months period of end of December 2011 has been at 4.16 compared to 3.97 in the same period of last year.

In biomass business, we expect better realisation scenario to drive top line going forward, as we exit PPAs with SEBs and sell to third parties at merchandised rates. However PLS were impacted due to poor availability of wind an annualized PLF 16.04% in nine months period was well below the annualized PLFof 16.98 in the same period of last year.

The annualized PLF for nine -- Q3 alone was only at 5.6% and kept us from realizing the potential from increased operating capacity. On the biomass side, solar power decline tool, 69.5 crores in the nine months period as compared to 70.6 crore in the nine month period ended December, 2010.

Units exported increased to 138.2 million in the nine month period, up from 113.8 million units in the same period of last year driven by increase in capacities and improvements in PLF in the north plans over the last year. Over the decline in average realization from 5.21 in nine month period to 4.96 in the nine month period of the current year, mitigated the last quarter we increased power generation resulting in a flattish revenues.

As Mr. Krishnakumar mentioned, realizations are impacted by mandatory supply to grid by our plants in Tamil Nadu. We have now moved away from PPA to third party sales in the later half of Q3 in respect of three year per units and this should improve realization in Q4 onwards. EBITDA for the nine month period was at 88.5 crores and was marginally higher than EBITDA of 86.7 crores in the nine month period of the last fiscal. The EBITDA margins stood at 49.5% down from 52% due to increase in fuel cost in the biomass side, higher O&M cost by the levied by authority in wind and moderation dealers.

On the biomass side, our specific fuel consumption was at 1.67 as in nine months period, compared to 1.76 in the same period of last year, however the fuel cost price have risen to Rs. 3.71 per unit of nine month period despite lower consumption due to increase in the cost of fuel. And the depreciation increase from 31.6 crore in nine months of last year to 45.5 crore in the nine months of the current year, to decrease capacities.

Interest in the nine month period was also significantly higher at 67.2 crore, interest cost has increased to additional borrowings deployed in enhance capacity as well as due to funding of trust rates. Adjusting for tax, minority interest there was a loss of the tax of 23.3 crore in the nine month period of 2012, that to a PAT of 9.2 crore.

Coming to the balance sheet network was at 1,242 crore, our total debt is around 1,100 crore and net equity ratio at present is 0.89:1 Fixed assets including capital work in progress was at 2,667 crore and cash balances including liquid investments were at 129 crore.

Our receivables were Rs. 82 crore as of December 31 2011 including 36 crore receivable from TNEB for a long period of time. Out of this outstanding amount of 36 crore we already received about 9 crore in February this year, and we expect the balance amounts to be realised within the next few months.

This brings me to the end of the opening remarks today. And we will open the floor for questions and answers. Thank you.

Questions And Answers

Operator

Thank you, sir. Ladies and gentlemen we will now begin the question and answer session. [Operator Instructions]. First question comes from Sitaraman Iyer from Marwadi Shares and Finance Limited.

Sitaraman Iyer

Thank you for the opportunity. Sir I wanted to know what is the reason the PLFs, I mean although Q3 is weak quarter why are we, why is it drop so drastically, like it almost 5.6% for the wind side?

P. Krishnakumar, Managing Director

During the month of October 2011, there had been a very sharp drop in wind availability compared to last year that have been the primary reason. Apart from that we also has minor losses due to grid not being available to evacuate power.

But primary reason had been during the Q3 it had been, wind non-availability.

Sitaraman Iyer

But is this one-off or I mean or is this the normal PLFs to expect in Q3 and Q4?

P. Krishnakumar, Managing Director

Normally, this is an extent since October end with the reasonable generation in October. This --is one-off.

Sitaraman Iyer

Okay. So what should be the normalize PLF we should expect during Q3 and Q4 for the wind side?

P. Krishnakumar, Managing Director

It should be broadly in line with what had been there last year. I think in the month of -- in the Q3 that's been around 10% or so. And Q4 also should be around that same level.

Sitaraman Iyer

But sir this is despite new capacity addition this is the new wind projects are expected to --better PLF than the older assets right?

P. Krishnakumar, Managing Director

Yeah, that's more because of the type of machines that have been installed, which carry enough winds at low speeds.

Sitaraman Iyer

Okay. And sir what is this levy on O&M charges by -- on the wind side?

P. Krishnakumar, Managing Director

They have brought in charges for the maintenance of substation that is being won by them, which was not the case earlier. Since they have been adding a lot of revenue gap, they have decide that in the month of July, August to levy the charges of maintenance on what substations being maintained by them. It comes to almost 1.5 crores or 1.4 crores per annum.

Sitaraman Iyer

So, this will be your recurring charges throughout from year on?

P. Krishnakumar, Managing Director

charges.

Sitaraman Iyer

And okay sir. And sir where is you REC sales being shown, is it part of either operating income or other income?

J. Sivakumar, Chief Financial Officer

Yeah, it is in the second line of top the other operating incomes, it is included in that.

Sitaraman Iyer

Okay.

J. Sivakumar, Chief Financial Officer

Approximately 2.1 crores in there.

Sitaraman Iyer

2.1 crore. Sir your in the biomass side, whatever be biomass I said which have been switched over from the PPS will they all illegible for RECs ?

P. Krishnakumar, Managing Director

Yeah. They are will be illegible for REC. Because we had with as an association, I had discussions with the TNEB and that execute the PPS under mutual consent. All these projects have been already registered with REC and have started earning certificates.

Sitaraman Iyer

Okay. And sir Q-on-Q capacity addition, is it correct that wind would be 22 and biomass would be 10?

P. Krishnakumar, Managing Director

For the Q3 yes. Correct. That's the actual.

Sitaraman Iyer

Okay. And sir you were talking about the retrospective increase in biomass tariffs from FY11, how much is the tariff expected and what would be I mean, the all the units that were generated from FY11 will all of them be eligible?

P. Krishnakumar, Managing Director

Yeah, we had a given a request through the association on the petition filed with the TNERC, the indications are they might consider, not in full perhaps but the typically they had been giving 5% year-on-year during the control period. So, the indication we have got is possibly they will give 5% as an interim from April 11 and then will remain the tariff as and when it is finalized by the regulatory commission but this is to be confirmed by them.

Sitaraman Iyer

Okay. And sir finally, just your biomass PLF have been consistently low, I mean, if I look at the last four quarters, it is never cost greater than 50, 55. So, is there a, is it a structural issue or I mean is it just because the fuel costs are high?

P. Krishnakumar, Managing Director

One plant alone we have stopped, because the fuel costs were very that is --plant for almost three months and in interim we also have shifted over to third party sales. And as well as the other plants are concerned, in Tamil Nadu, last year we mentioned that now three weeks, at least, we have closed the plants to switch over some the TNEB PPA to third party sale. So, that had been the primary reason.

But now, we did have challenges in our northern region plants due to heavy rains in Q2 and portion of Q3, which resulted in a high PLF and the way we were struggling a lot on PLF. If you look the PLF have moved out almost 58% as of FY12, I mean, nine months FY12 compared to 44% or thereabouts earlier and month of January it had been at around 62% and we are going towards around 72% in the current month. So certainly there has been significant improvements in that space.

Sitaraman Iyer

But on an average what should be the PLF assumption we should consider for the year and on a normalized basis?

P. Krishnakumar, Managing Director

Typically it is 80% since we have one project which is having still settled that is our Kotputli plant I would 75% to be --.

Sitaraman Iyer

Okay. Thank you, sir. If I'll have certain questions I will come back in the queue.

P. Krishnakumar, Managing Director

Yeah. Thank you.

Operator

-- Sachdev from Andhra Securities.

Analyst

Yeah my question have been answered, thanks.

Operator

Thank you. [Operator Instructions]. Next question comes from Mr. Rajiv Mehra from JM Financial.

Rajiv Mehra

Hello. Good morning, sir. Sir, just wanted to inquiry what was the total number of RECs which you sold in the last quarter?

P. Krishnakumar, Managing Director

6,768.

Rajiv Mehra

I am sorry sir.

P. Krishnakumar, Managing Director

6,700.

Rajiv Mehra

6,700. And sir in quarter four what is the amount which you are expecting.

P. Krishnakumar, Managing Director

Approximately around 20,000 to 30,000.

Rajiv Mehra

20,000 to 30,000. And.

P. Krishnakumar, Managing Director

Look primarily because those RECs will be generated.

Rajiv Mehra

Right.

P. Krishnakumar, Managing Director

Process that NLDC is slightly taking time, though we are expediting it. So the except number is when we will accrue income upto March 12.

Rajiv Mehra

Okay.

P. Krishnakumar, Managing Director

But some of it will not be available for sale within March 12, at least the March portion of it and maybe one or two plans of February also.

Rajiv Mehra

Okay. Sir if I could just ask you this by end of FY 13, what would be in terms of megawatts, how many plants would be ready for total REC?

J. Sivakumar, Chief Financial Officer

We have mentioned already, as of now 40 megawatts in wind been registered, another 80 will get registered in wind.

Rajiv Mehra

Okay.

J. Sivakumar, Chief Financial Officer

As of biomass 52.5 megawatts have been registered already, we will possibly add another 18 megawatts, 17.5 megawatts to it, or 17.5 if you take the Kishanganj project will be 25.5 megawatts.

Rajiv Mehra

Okay.

J. Sivakumar, Chief Financial Officer

Coming up in next two quarter with first two quarters of the next financial year also would be eligiblefor REC, which have coming up in Gujarat and Andhra Pradesh.

Rajiv Mehra

Right sir. Okay, thank you so much.

Operator

Next question come Mr. Ambar Taneja from Abacus Advisors.

Ambar Taneja

Yes, hi. I had a few questions surrounding your capital position basically. You have given a small foot note in your balance sheet in the investor release, could you just clarify that this 641 crores which was LCEs basically for the expansion and the wind, when this will be added to your 1,100 crores debt?

J. Sivakumar, Chief Financial Officer

Okay. This has been a staggered manner because these are based on the discounting RECs keeping in mind the supplies made by the equipment suppliers

Ambar Taneja

Right.

J. Sivakumar, Chief Financial Officer

This would some of it is in this month, better than this month that is February we have 50 crores as get -- next month is about 5 crores to getting unwanted. And after that from June onwards up to December the balance 500 crores would get 500 odd crores. So actually it will get converted into term debt in the tablet manner over the next nine months, nine to ten months.

Ambar Taneja

Nine to ten months. So if I were to look out one year to December 31, 2012 your loan funds would be in the regions of 1,800 crores, is that right?

J. Sivakumar, Chief Financial Officer

1,600 to 1,700 crores, yes that's right.

Ambar Taneja

And what is the average cost of debt on this?

J. Sivakumar, Chief Financial Officer

Today the new debt that we've got for the wind assets, the new 300 megawatt wind assets is 13% and

Ambar Taneja

13% ?

J. Sivakumar, Chief Financial Officer

And we have that is for approximately about Rs.800 crores that will be which will of course as I mentioned it will be in a built up in a staggered manner. Than about 450 crores we have approvals for ECB External Commercial Borrowing which should the fully hedge cost for the external commercial borrowing should be at around 11% to 11.5 %. That will be when we start taking it drawn down next year. Then for the existing rupee loan either there is anywhere between about 13.5% to 15%.

Ambar Taneja

Okay. Alright. Now the second quarter is the PLF is your wind, I think now you've been a public company for five quarters. The existing PLF annualized are pretty disappointing, so I'm wondering how you are so confident that the new plants will deliver PLFs and basically double of what you have been delivering so far.

J. Sivakumar, Chief Financial Officer

The PLF of around 16% is primarily driven by the wind assets which we had occurred earlier. Use wind assets also around seven to twelve years we did. And these are all mostly small capacity machines, that's 250, 225, 600 kilowatt machines.

So to with the extent, we also were able to get a price of around 3.5 crores per megawatt. So in effect of the price was able to justify the PLF. The new assets are all new generation wind machines, these are having higher efficiency levels and higher capacities. Now most of it is 0.85 to 1.5 or even upto 2.1 as you go forward.

So to that extent, these machines are having a better ability to generate wind even at low wind speeds, wind velocities.

Ambar Taneja

The new wind assets of 22 megs, which had been commissioned during the quarter, I am assuming they use the new machine, right?

P. Krishnakumar, Managing Director

Yeah, yeah, these is all new machines, absolutely right.

Ambar Taneja

What was the annualized PLF for them versus an overall of 5.6?

J. Sivakumar, Chief Financial Officer

--post season, so we will have it only in the coming season, that's why May, mid-May and onwards.

Ambar Taneja

Okay. My last question is --

J. Sivakumar, Chief Financial Officer

Tail end season but these are the significant.

P. Krishnakumar, Managing Director

In couple of regions in Tamil Nadu will generate in the Q4 we expect possibly those regions could be better than Q3. So, in it's specific part of the region.

Ambar Taneja

Okay. Okay. My last question is just, I just want to get some comments from the management. I am a little worried about the fact that every quarter something or the other is put in as one-off, because sometimes there is rain, sometimes there is wind, sometimes there is this, sometimes there is that. And progressively if you look at your capital structure your ability to withstand any shocks is going down because by the end of December your going to almost have to 200 crores in annual interest payments, whereas these problems that are there, they might not go forever because they are after all external issues, like wind availability or biomass fuel cost going up, over which basically you don't have any control in a rising of food inflation.

I just want to know what is the management thinking about this, is there a plan to have a less stressful capital structure business the way I see it six, seven months down the line, I'm not saying things are going to go bad, I just think the capacity to deal with things going bad is going to go down. So, I just want to get some comments from the management on this?

P. Krishnakumar, Managing Director

Yeah. I actually appreciate your point. There are couple of issues; one as Sivakumar was referring, the interest cost had been going over the last one year by almost three percentage points and we are working towards reducing the interest cost by way of ECBs and also possibly better rates of the bank.

The second more important thing is on the biomass, where you directly referred about the fuel cost and also the ability to withstand there. Two things are in our favor. The number one, no three of our biomass plans in Tamil Nadu, which are with the grip at much lower tariff of around 4.29, 4.75 we've already exited.

In fact, we are getting a realisation of almost 4.75 on the basic power and even with the 1.5 as the minimum REC, this will give us net realisation of around 6.25. And if REC improves it will go up further.

The number two, we've also taken measures to reduce the fuel cost by way of bulk sourcing of fuel and also have been working on what we call as removal of the grown biomass through our machines at the much nominal cost. So these will certainly keep a control on our fuel cost. Though, I do not see a dramatic reduction in that. This will help.

Third is the new plants that are coming up, like the one we have done with Hanumangarh project, which is with REC. And also the projects that are coming up in PSR Green as well as Kishanganj and Narsinghpur. All this will be with REC. That means in the effect our realisation will be at least Rs.5.5 to Rs.6 at minimum level and can go up that much as 6.57. This is based on no tariff revision by the electricity boards. If there is a tariff revision by the electricity board, normally this margin tariff also move up in -. So we expect one revenue optimization in terms of basic power sell in the REC and the two by way of cost controls on the fuel side.

Ambar Taneja

Okay, okay. Alright. Well, I wish you good luck.

P. Krishnakumar, Managing Director

Thank you.

J. Sivakumar, Chief Financial Officer

Thank you.

Operator

[Operator Instructions]. Next is a follow-up question from Mr. Sitaraman from Marwardi Shares and Finance.

Sitaraman Iyer

What is the tariff utilization that you are getting in the Croatia and the Sri Lankan plants?

J. Sivakumar, Chief Financial Officer

Well Croatia has started operations. There we are getting about €0.09 unit. Sri Lanka is yet to commence operations, it was expected on the Q1 of next year. There, they will be about LKR21.

Sitaraman Iyer

--But what will be the margins as you will make in the tariff?

J. Sivakumar, Chief Financial Officer

Croatia we expect EBITDA margins, what has achieved in the last quarter, EBITDA had being because there been again the dealer was slightly lower than what was anticipated. It is around 85% EBITDA we have achieved there, it could go up to about potentially about 90%, an 89% to 90%.

Sitaraman Iyer

And sir what is the PLF that your expecting?

J. Sivakumar, Chief Financial Officer

PLF there would be in the range of about 28% to 29%, because there we don't have the off-season and -- season and off-season. Ao we should be having more or lessan uniform sort of PLF, not to the towards the first half of the year as certain in India.

Sitaraman Iyer

And sir, just 22 megawatt where the plants come up the biomass, 22 megawatt where has this plants being installed?

J. Sivakumar, Chief Financial Officer

10 megawatt some of in Hanumangarh in Rajasthan.

P. Krishnakumar, Managing Director

Now 22 megawatt is actually wind, and 10 megawatt biomass. 22 megawatt in Tamil Nadu, 10 megawatt biomass is in Rajasthan.

Sitaraman Iyer

Okay. And sir in terms of of your FY12 ending capacity split between wind and biomass and 13 split wind and biomass. How will it look?

J. Sivakumar, Chief Financial Officer

In terms of the 12 it will be a 50 megawatts of wind and around 60 megawatts of biomass that will be around 410 it might go up maybe 8 megawatt that one plan gets commissioned. In terms of FY13 add substances around 450 plus megawatt of wind and the 100 megawatts of, 106 megawatts of biomass, 556 megawatts.

Sitaraman Iyer

Okay, sir. Thank you.

J. Sivakumar, Chief Financial Officer

Thank you.

Operator

Thank you, sir. [Operator Instructions]. There are no further questions. Now I hand over the floor to Mr. P. Krishnakumar for closing comments.

P. Krishnakumar, Managing Director

We thank all investors who have joined in this call. And we simply look forward to engaging with you in the coming month to actually go forward. Thanks a lot.

Operator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant day.