

Transcript

Conference Call of Orient Green Power Limited

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Question and Answer Session

Moderator: Good afternoon, ladies and gentlemen. I am Momitha, moderator for the conference call. Welcome to Orient Green Power Company Limited 9M FY15 earnings Conference Call. We have the senior management team with us today. I would now like to hand over the floor to Mr. Mayank Vaswani of CDR India.

Mayank Vaswani: Thank you, Momitha. Good afternoon everyone. I welcome all of you to the OGPL concall to discuss the performance for the quarter and nine months ended December 31, 2014. We have with us today the senior management team comprising Mr. S. Venkatachalam, Managing Director; Mr. J. Sivakumar, CFO; and Mr. S. Srinivasan, Managing Director of Shriram Ventures Limited

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were e-mailed to all of you earlier and have also been posted on our corporate website.

I would now like to hand over the floor to Mr. Venkatachalam to share his views on the performance for the quarter. Over to you, sir

S. Venkatachalam: Good afternoon everybody and thanks for taking your time out to join our call. Let me begin by wishing all of you a very happy and prosperous 2015. I trust that all of you would have received the quarterly performance document circulated by us earlier. As always, I will start the discussion by highlighting the performance for the year up to first nine months, following which Sivakumar will take us through the company's financial performance for the quarter and for the nine months.

Since the business is seasonal in nature, we urge you to assess the performance on an annual basis rather than on a quarter-on-quarter basis. The peak season for the business falls in Q1 and Q2, which is when the wind season is best in the country. It is off-season during the part of Q3 and Q4 and hence our revenues for the year tend to be front-loaded towards the first half of the year

It has been our clear and stated endeavor to focus our efforts on improving the operational profile of both business verticals to narrow the gap between performance and potential. Initial signs of our efforts have been encouraging. Increased capacities supported by better tariffs and improved performance efficiencies contributed in maintaining a top line momentum, The combination of the same resulted in growing our revenues by about 11% for the quarter. On a nine-month basis, we have clocked a

growth rate of 30% to report revenues of Rs. 402 crore as against Rs.310 crore in the same period last year.

The operational EBITDA for the period also improved significantly, as higher revenue generation in conjunction with better efficiencies, resulted in a 29% growth in EBITDA, which stood at Rs. 229 crore for the nine months as against Rs. 179 crore delivered during the corresponding period last year. However, barring one-time expenses of about Rs. 21 crore, the operational EBITDA should actually have been Rs. 250 crore.

Now coming to our wind business, the performance continues to remain strong on the back of increased capacities and better availability of grid during the year so far. Total operating capacity for the wind business was 422 Mw as of December 2014, as against 405 Mw during December 2013. Further, only part of the incremental capacity was available in full during the 2013 wind season. The annualized PLF during nine-month FY15 stood at 20% as against 18% during the previous year. The number of units, i.e. the gross units generated, stood at 548 million as against 444 million during the same period of the previous year FY14.

As far as Tamil Nadu is concerned, the grid availability improvement follows commissioning of the 400 kV line and substation, together with various measures which have been undertaken by the state utility towards improvement in the evacuation situation. Performance of the business would have been even better, had it not been for the relatively shorter wind season this year as compared to the previous year. TNERC has also hiked the power tariff, by about 15% with effect from 12th December 2014 for all categories of customers and this will help us in the coming season.

our Biomass businesses delivered improved performance following the upward revision in tariff across all our plants located in Rajasthan. Our total operational capacity in the biomass business as of December 2014 stood at 78 Mw, as against 69 Mw during December 2013. As mentioned earlier, all our plants in Rajasthan enjoyed a higher tariff of approximately 10% during the year, following the approval of tariff hike by the RERC.

While the performance of plants situated in Rajasthan improved, the performance in Tamil Nadu remained mixed with two of the units recommencing operations at a more attractive tariff structure, while performance of the other two units remained subdued, mainly due to availability of feedstock in the monsoon session. However, all the four units continued to get REC benefits during the quarter and in the year. Biomass business performance was further boosted by commencement of one of our units in Madhya Pradesh subsequent to the availability of feedstock at a very attractive rate. We are also glad to announce here that a 20 Mw biomass cogen plant has been commissioned in Kolhapur last week.

Now moving on to RECs, the contribution to the overall business continues to remain sub-optimal with all trading on the exchange being undertaken at a floor price given the lack of enforcement of the renewable power obligation by majority of the states. However, there has been an overall improvement in trading volumes and clearing ratios since the beginning of the calendar year 2015. Our share in the trading -- in the exchange represented 4.7% of the overall volume during the last six months. And as of now, we have an unsold inventory of about 4.7 lakh certificates as on December 2014

While REC trading had remained subdued in the last few quarters, we are also witnessing the government's efforts towards enforcing greater compliance with the norm. The JERC, the Joint Electricity Regulatory Commission for Goa and Union Territories, for instance, in its order had asked the distribution companies to comply with their RPO and submit a report on their compliance. Further, in an attempt to offer fillip to the overall mechanism, CERC in its recent amendment of REC regulations has decided to extend the validity of the REC to a period of three years.

The government is working on certain stringent measures to ensure the enforcement of RPOs.

A quick word on the regulatory environment before I hand over to our CFO, Sivakumar. There has been a fair amount of revival in the sentiment towards the sector, following the government's efforts towards promoting the renewable energy sector to lower the country's dependence on conventional fuel for meeting majority of its energy requirement.

The government is planning on introducing a Renewable Energy Act to streamline power generation, transmission and tariff and help attract more investment towards the sector. Also, it is working towards introducing a Renewable Generation Obligation, wherein companies which are setting up new projects would be required to have a component of about 10% of generation from renewable sources. Further, the TNERC has increased the power tariff in the state by about 15% effective December 12, 2014 and it is applicable to all categories of customers

Also Maharashtra has announced an increase in its cogen tariff to a level of 6.27 per unit, which would be applicable for our newly commissioned 20 Mw cogen plant in the state. Lastly, I would say that while a combination of company-led growth initiatives in the form of scaling up capacities, focus on improving efficiencies and steps towards rationalizing finance costs has helped the company, the positive underlying bias from regulators and the expected reduction in interest rates and improved availability of funds would certainly benefit the sector.

And with that, I conclude my opening remarks and hand over the floor to Sivakumar who will take you through the financials.

J. Sivakumar: Thanks, Mr. Venkatachalam, and good afternoon to all. I'll briefly take you through the financial performance of the company. As mentioned by Mr. Venkatachalam earlier, we were able to sustain the momentum in revenue and operating profits during the period. This was largely on account of higher capacities and improved efficiencies, coupled with price increases across some geographies:

Revenue for the quarter stood at Rs. 83 crore as against Rs. 75 crore generated during Q3 of FY14, higher by 11%, while on nine-month basis, the revenue expanded by 30% and amounted to Rs. 402 crore as against Rs. 310 crore during the same period of the previous year. Enhanced performance on account of improved PLFs, better connectivity and higher tariffs and top line expansion was achieved in the current period despite the lower wind availability. Our focus on maintaining optimal efficiency resulted in delivering a strong operating EBITDA and the same expanded by almost 29% to stand at Rs. 229 crore as against Rs. 179 crore at the same period last year.

Barring one-time expense and provision, the operating EBITDA for nine months would have actually been more than Rs. 250 crore. Depreciation for the quarter stood at Rs. 42 crore as against Rs. 38 crore, mainly on account of expansion of capacity during the last year. While on a nine-month basis, the same stood at Rs. 127 crore versus Rs. 101 crore during the same period of last year. We are in the process of evaluating the impact arising out of amendments in the Companies Act relating to depreciation of fixed assets and after duly considering the relevant circulars issued by the Ministry of Corporate Affairs, any adjustments, if any, would be dealt with at the end of the financial year

Interest expense for the quarter stood at Rs. 71 crore, as against Rs. 76 crore during the same period of last year, lower by about 6%. While on a nine-month basis, interest outgo amounted to Rs. 219 crore versus Rs. 194 crore, an increase of 13%. The lower interest outgo for Q3 was on account of the impact of repayments and the higher interest expense for the nine-month period was primarily on account of higher borrowings undertaken in the past to scale up capacities across both businesses. A trend of reduction in interest is expected to continue in the coming quarters following steady repayments.

We are also taking necessary measures towards lowering our debt expense and for staggering the debt repayments over a longer period. We have been successful in smoothening out our cash flow with regard to some of our loans and are in the process of completing this exercise for the larger loans as well. Loss after tax for the nine-month period stood at Rs. 122 crore as against Rs. 95 crore in the same period of last year.

To reiterate what Mr. Venkatachalam had earlier said, we believe that we are well positioned to tap the business opportunities likely to arise following the measures taken by us, as well as the coordinated efforts of fiscal and monetary policies aimed towards reviving the country's growth and investment climate.

With that, I come to the end of my presentation. And we would now open the floor to question and answer session.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. our first question from, Mr. Sudhakar Prabhu from Span Capital.

Sudhakar Prabhu: I had couple of questions. My first question would be on your expansion. If you could help us in understanding what is the progress on various expansions you had announced? I understand that the Kolhapur plant is already ready so some update on the wind projects?

J. Sivakumar: As we mentioned earlier in the opening remarks, the Kolhapur plant went on stream couple of days back and this is a 20 Mw plant and this should be supplying to the utility. It shall supply surplus power with an attractive tariff which we mentioned is 6.27, so with that the biomass expansion is completed. We do not have any further projects in the pipeline for biomass. So the total capacity is 106 Mw.

Coming to the wind expansion; we have another 3.6 Mw which is about to be commissioned before March. So that will take us to a level of about 425 Mw in the wind business and we have further expansion plan for 57.5 Mw which is spread across Andhra Pradesh and Madhya Pradesh. Andhra Pradesh it will be 43.5 Mw and 14 Mw will be in Madhya Pradesh. In Andhra Pradesh, the entire infrastructure and the

transmission lines are in place for the entire 95 Mw or so out of which almost 50Mw is now completed. So for the balance 43.5 Mw, we need to only buy the machines and erect them and in Madhya Pradesh, 14 Mw of course will be a turnkey project. The financial closure is just about to happen. We expect both these projects to be on stream before March 2016..

S. Venkatachalam: Also adding to Sivakumar's comment,.in Andhra Pradesh the 43 Mw that we are putting on is on the same ridge which has the current capacity of another 43 Mw of new machines. This particular ridge has done very well as far as this current wind season is concerned and in fact during Q2, almost 62% PLF is what it gave during the second quarter during the wind season which far exceeded our expectations.

Sudhakar Prabhu: So for the coming wind season, FY16 only 425 Mw will be operational right for the wind part?

S. Venkatachalam: Yes, correct

Sudhakar Prabhu: So the new expansion which is 57 Mw that would be operational only in FY17?

S. Venkatachalam: That's right in fact most of it should be ready by December and would not be able to catch most of the FY15 wind season.

Sudhakar Prabhu: Sir you mentioned that Tamil Nadu has announced around 15% price hike. So what is the additional per unit benefit which we will have in the coming season?

J.Sivakumar: We have started signing up with the customers and the weighted average tariff in Tamil Nadu from wind would actually go up from a level of about Rs.5.80 to almost about Rs. 6.30 to Rs. 6.40. The new tariff will be in that range and for some customers, it would be upwards of Rs. 6.40 to Rs. 6.50 in that range.

Sudhakar Prabhu: Okay, do you expect any price hike in your other state also like Rajasthan and Andhra Pradesh.?

J. Sivakumar: Andhra Pradesh and Gujarat in wind will not happen. Yes in Andhra Pradesh there is a possibility that the feed-in- tariff could go up where there is a petition already pending for re-fixing the wind tariff for the new project which will come up. So by the time our project comes up, we will have to wait and see how much it will go up from the present level of Rs. 4.70, but 43.5Mw which is coming up would be eligible for a new tariff as and when it is announced before we commission. That is one thing which we do not know, may be it could be as there is speculation possibly it could be upwards of Rs. 5 and that is what is being talked about but we will have to wait and see at what level they will fix it. In Gujarat, it will be continuing at Rs. 4.15 only for wind business for 26 Mw that is the feed in tariff for 15 years. Now coming to Rajasthan, for the biomass, yes it will be subject to annual review. That is what has been mandated by CERC to all the ERC's and the utilities. They will have to look at the variable component of the cost on an annual basis. That is how the tariff increase came up in Rajasthan in April 2014.

S. Venkatachalam: The hearing at RERC is slated for the end of this month wherein they are looking at further increases and the fuel prices also which they look at is much

higher than what was assumed last year. Apart from this, the MPERC also has a hearing which is pending wherein the tariff increase of at least 50 paise or more is expected. Hopefully in Telangana also because there has been a little bit of delay due to the split in the two states, so it is taking a little bit of time but from a level of Rs. 5.38 which we had a tariff in Telangana plant they are expecting Rs. 6.02 plus about 50 paise which is an incentive beyond a certain PLF point. These are the numbers that we are looking at.

Sudhakar Prabhu: Right and sir my another question if you could give us some sense on what kind of volume growth can we expect in FY16 and 17 now that you have 425 Mw of wind ready and around 100 Mw of biomass ready. How should we look at projecting the volume and revenue part?

J. Sivakumar: In 2016, volume increase would will be more a factor of the grid availability in Tamilnadu which will push the wind volumes. Basically, we still lost volumes this year. In the current year also, we lost broadly close to about Rs.30 to Rs. 35 crore of generation we had lost in the current season although it was much lower than the previous year. This year, we are looking at better volumes which of course we expect that optimally we should have what is the stated PLF of 25% plus in Tamil Nadu which we should be able to achieve with grid availability this year. Coming to Andhra Pradesh and Gujarat which had already been performing optimally; may not be too much of increase in both the states but they have been delivering optimally this year itself. Biomass, yes it will now depend on the new plants. 20 Mw is going to certainly give us good traction in terms of the volume growth in terms of the PLF as it will boil down to the fuel availability which is what we are now trying to accumulate across the plants as well as the other Northern plants where the season has started at this time. So we do expect good growth in biomass across the northern plants compared to the previous year in terms of better PLF due to the plan in getting the fuel in advance this year which we could not do last year because of working capital constraints. So certainly we expect the prospects to be better in terms of availability of fuel in the coming year.

Sudhakar Prabhu: Right. So overall we should adjust top line growth largely from this Rs. 35 crore recovery from your TamilNadu plant and at least we should end profitable next year?

J. Sivakumar: The PLF improvement in Tamil Nadu as well as the price increase . will give us much more top line and bottom line in the coming year.

Sudhakar Prabhu: Lastly sir in terms of interest, you had mentioned earlier, that you have been in negotiation with various banks for interest rate reduction, any progress on that?

J. Sivakumar: Interest rate reduction has happened in a not very encouraging manner but what we have managed to do is at least stagger the repayments since the renewable projects need a longer tenure. So some of the smaller loans have already got staggered over a longer period from 8 to 12 years and hence, additional tenure has been provided ranging from over 4 to 5 years over the existing tenure. So that will ease out the cash flow situation and with regard to interest rate reduction, in the larger loan now, at least majority of the banks have already given the sanction for the interest rate reduction as well as the funding for the balance 57 Mw that we are planning and we await all the approvals in place from all the banks. There are about four other banks which are in the pipeline. We should see a reduction in the interest rate irrespective of whether RBI

brings down the rates or not. Because of the completion of the project in the new wind project, we should see reduction in interest rate from the Q1 of next year.

Sudhakar Prabhu: Sure. Sir one last question is last call you had mentioned that you require another 150 crore of equity for this further expansion and you are talking about some project level equity, infusion and all so what is the latest on that?

J. Sivakumar: We are working out options and shortly we will come to the share holders and obtain approvals as and when the things are finalized.

Sudhakar Prabhu: Right. and lastly sir,. you mentioned that this quarter....these nine months you had exceptional item of around Rs. 21 crore what was that?

J. Sivakumar: Primarily there are a couple of projects which are not taking off. Like for example we had a license in Sri Lanka, small hydro license and one license for biomass in Tamil Nadu. So while we have decided not to move any more in biomass and hydro also, what we have done is although while our efforts are on to divest stake as well as monetize whatever is available in assets, we have prudently kept provision so that accounts are reflected in a correct manner with regard to these projects. Almost Rs. 15 to Rs. 16 crore pertains to these three projects wherein we are not going ahead with the project implementation because of our stated objective of not going ahead with anymore biomass projects. These are the major component of the exceptional items which are more non-cash in nature and there could be a reversal of such provision once we monetize it. Then the second major amount which we have kept as a provision prudently is; we are in litigation with the Rajasthan Electricity Board for incentivized tariff which we are eligible for in one of units which is about 17 paisa and this had been accrued in the past years based on the claims. But, now the case is still going on, Pending that, we have kept a provision of about Rs. 1.9 crore which is provision against non-receivable from the utility while we wait for the verdict. If the verdict is in our favor, we will get it back.

Sudhakar Prabhu: Thank you for answering all my questions.

Moderator: Our next question from Devam Modi from Equirus Securities, please go ahead sir.

Devam Modi: Sir you mentioned that basically the interest rates are going to go down from first quarter of next year. Sir I mean what will be the amount by which it can go down? I mean what is the current cost? By how many basis points can it go down?

J. Sivakumar: The large loan in the wind business is close to about. Rs. 800 crore till date. There is an ECB component where about Rs. 250 crore has been availed. There, we will not be eligible for reduction because that is fully hedged product. Other than that, the rupee component we are seeking a reduction of about 1%. Half the banks have already approved that but till the consortium fully gives approval, we cannot go ahead and get it implemented. If all the banks agree to it, it could result in not less than 1% of the Rs. 800 crore which could be the reduction. We have asked for 2%, but we will have to wait and see ultimately what the consortium decides and we expect this decision to come out may be in the consortium by this month end or March.

Devam Modi: So there is 1% of Rs. 800 crore or 1% of Rs. 550 crore? I mean 250 crore is a part of 800 crore or....?

J. Sivakumar: Rs. 800 crore is only rupee loan, ECB component. Rs. 250 crore is over and above.

Devam Modi: Ok and sir the remaining another Rs. 500 and Rs. 600 crore of debt which is there any other reduction possibility over there?

J. Sivakumar: There is possibility but so far we have not been able to get the reduction the way we expected but possibly we expect at least while our efforts are on for re-financing some of them with a lower rate but possibly we will wait for the banks to pass on any reduction there till our efforts bear fruit. The efforts are still on to get a reduction in interest rate which is still pending.

Devam Modi: Sir what was the final project cost of the Kolhapur plant and what kind of EBITDA, full year EBITDA can we expect over there?

S. Venkatachalam: Final project cost is about Rs. 130 crore which also includes the transmission line of about Rs,10 to Rs. 11 crore which will be fully refunded by the MSETCL . after the commissioning and once we file in the application for the refund of 10 crore to 11 crore from them. Overall cost is about Rs. 120 crore on a 20 Mw capacity plant.

Devam Modi: Right sir, what kind of full year EBITDA would we expect over here?

J. Sivakumar: We expect that plant will not be operational for the full year. It will be operational for about say 240 days in the year because of the seasonal impact.We are trying to get in the fuel for the entire eight months. We can expect the optimum PLF of anywhere between 75% to 80% there and with the tariff rate of about Rs. 6.27; here the EBITDA percentages should be much higher because the fuel component will have some free supplies of fuel and hence, the fuel cost will be at a much concessional rate. So, here the EBITDA percentage per se if you see compared to other units it will be much higher. It can go up to almost about 40% to 45% based on the fuel cost which will be much lower than other units where we have to buy the fuel at market rate. Here for the season it will be available at a much lower rate.

S. Venkatachalam: Just to add to this, this particular unit is on a BOOT agreement with a sugar mill. During the season, we supply steam and power to the sugar mill and in turn they give us bagasse at a very concessional cost. So and then the rest of the season there will be some amount of bagasse which will be available for the remaining four months and the rest of it we will have to procure for about three months or so.

Devam Modi: Sure sir what is the update on the Croatia asset sale right now?

J. Sivakumar:We have got the loan staggered by an additional five years from the bank. So as such the plant is running on its own and no more support is required from the parent company. So we should be turning around from the next year in terms of operational results. Since the interest rate has been slightly reduced while re-fixing the loan tenor and the cash flows will be far better there, we will be running it as a going concern with a 51% stake.

Devam Modi: You will not be looking at sort of selling the asset or downsizing it? You will be keeping the asset because you think the cash flow will be positive from now onwards?

J. Sivakumar: We expect the cash flows to be accretive and positive for the group as a whole from this financial year 15-16 onwards. So we are not going to be desperate to hive off our stake there.

Devam Modi: One positive thing we note is that the specific fuel consumption in the biomass plant has improved so any particular measures you have taken I mean what exactly has gone on that has led to this improvement year on year as well as nine months because both ways it has improved.

S. Venkatachalam: Basically couple of things. One is the overall operations efficiency improvement is one of the measure; I mean we have done across all biomass units. Secondly, we have also been able to procure quite a bit of the fuel during the season which is when we get it at its best kind of quality in terms of calorific value, in terms of moisture content and so on. In the south also, we have been able to contact a number of people to come and supply at our doorstep that is chipped coconut fronds and various other fuels that we have tied up; so both the combination of the more efficient procurement as well as the operational efficiency improvement is helping..

Devam Modi: Sir basically as an impact of that what has happened is that the rupee per kg fuel cost has shot up. So what is the outlook on that? I mean going ahead do we expect some moderation over here or we basically expect fuel cost to remain in the present range....?

S. Venkatachalam: Basically, it has gone up by small amount in terms of the rupees per Kwh if you see it has gone up from a level of something like about 20 to 30 paisa overall it has gone up but having said that the improvement in PLF is going to be the real factor that governs the overall performance in terms of both the SFC as well as the overall efficiency of fuel utilization. Now if you are able to improve the levels of PLF across all plants from the current levels to about 60% to 70% level, in fact overall biomass itself will be on PBT positive.

Devam Modi: Given that now you are having an average realization numbers of Rs. 6.2,- Rs. 6.3 in terms of tariff across the plants, will it be possible to manage this because it has proven very difficult in the past.

S. Venkatachalam: Yeah basically in the past as Mr. Sivakumar mentioned one is the procurement of fuel during the season. We have not been able to give it adequate cash flows during the real mustard season like say in Rajasthan which we could do only partially last year. This year, we plan to fund it completely so that the Rajasthan plants are at least taken care of. Also in Narsinghpur plant in Madhya Pradesh, we are getting bagasse at very attractive rates about Rs.1,500 per ton. Similarly in the south also, fuel availability is again a function of how much amount of fund flow we are able to put in and once the initial fund is infused; it is only a cycle that it starts maintaining. So in effect if you really see the calculations for each of these biomass units they can be PBT positive at about 65% to 70% PLF which in the past we have not been able to maintain.

Devam Modi: Sure sir, that's it from my side.

Moderator: Thank you sir. Sir we have a next question from Mr. Girish Jain from KJMC Capital.

Girish Jain: Thank you for taking my question. I think the first question was on the debt and the interest which I think has already been covered. The other question was if you can give a break up of how much of the power is sold to the grid or captive, consumption and merchant power? What is the average tariff among the three?

J. Sivakumar: In Biomass if you see, biomass is basically a mix of merchant as well as group captive and utility space. So in two of the Rajasthan plants, Madhya Pradesh plant and Maharashtra and Telangana that is total capacity of about 54 Mw would be sale to utility basically and in Tamil Nadu 32 Mw would be sold to group captive and merchant., Then there is a small 2 Mw biogas plant which is again sale to the utility. So broadly one can say almost 60% of biomass would be utility sales and about 40% would be to third parties and group captive sales. Coming to wind, in entire Tamil Nadu, we have close to about 330 Mw which is total of about 75% to 80% of the overall wind capacity - to the group captive. Then Andhra Pradesh, Madhya Pradesh and Gujarat of about 135MW would be on sale to utility. That broadly will be the total breakup of wind and biomass sale to utility and to third parties. The tariffs in Tamil Nadu would range between about Rs. 5.75 and today to about Rs. 6.40. So today after the increase in the tariff in Tamil Nadu it is around Rs. 6.30 to Rs. 6.40 is tariff for group captive and Merchant plus REC.... we get 1.50. In the merchant...category, 2 biomass units are in merchant supply in Tamil Nadu. The tariff here is at around Rs. 8.25 paisa plus REC.

Girish Jain: Would that be during off season?

J. Sivakumar: It will be off season of course. Again it will somewhat come down in the wind season in Tamil Nadu. In Rajasthan, it ranges between about Rs.5.57 the lowest that we get from the utility going up to about 6.52 from the utility per unit. So for the 3 units which are there, tariff ranges between Rs. 5.57 to Rs. 6.52. In Telangana, it would be about Rs. 6.20 once we sign up for the PPA shortly and in Madhya Pradesh it is expected to be about Rs. 5.64 in biomass. In Maharashtra it is Rs, 6.27 for the 20 Mw which we commissioned now. And in the case of wind of course, Gujarat is fixed at Rs.4.15 plus GBI which will be 50 paisa. That will be only for 26 Mw. Of course the lower end of the tariff we have only about 26 MW which is about 4.15 plus 50 paisa GBI. Andhra Pradesh would be 4.70 plus GBI.

Girish Jain: Okay, one more question was on....there was some plan to raise some funds. Is there also a plan to dispose off or sell off of any non-core assets?

J. Sivakumar: We have identified certain non-performing assets especially land, etc, not been usable.....that we have already started the exercise this year, so that will be ongoing till we are able to monetize at the right prices. But that will definitely help in easing out the situation.

S. Venkatachalam: And also the Croatia asset of 10.5 Mw that we have, we are also on the lookout for buyers of the Croatia asset also.

Girish Jain: Thank you sir.

Moderator: the next question from Mr. Sanjeev Mohta from East India Securities Limited.

.Sanjeev Mohta: I had a query. We have been hearing a lot of statements from government that they are focusing or they are going to focus on renewable energy. So my question is what are the incentive or support system being talked about or as an industry what is your expectation from the government which will help the sector to turn very viable and attractive?

S. Venkatachalam: Basically as far as the government is concerned, they are looking seriously at alternatives to the conventional fuels like coal etc., where they are having issues in terms of coal linkages and the coal pricing etc. In fact this particular weekend that is on 15th they are having a big meet called the RE investor, renewable energy invest, global investors meet which is being held at Delhi, to be inaugurated by the Prime Minister himself. Now they are going to give a lot of impetus to....one is the solar sector, the wind sector and the bio-energy sector....what they want to showcase and present to the world. Apart from that see the overall initiatives which the government has taken are, one is the biomass sector itself, the CERC norms which have come up in terms of the tariff fixation which will take into account the fuel pass through as well. In the wind sector also, they have launched the national wind energy mission which like the national solar mission, they are going to give it a lot of impetus. They have already given the accelerated depreciation and the GBI benefits. But they are actually thinking of targeting something like 10,000 Mw of wind per year when the country has not done anything in excess of 3,000 Mw in the last few years that the wind industry has been there in the country. But even if they do about 5,000 Mw – 6,000 Mw it will be a huge boost to the wind industry and it will set a lot of things rolling both in terms of economies of scale, in terms of the banks the way they view the industry as a whole. But I don't know, if there are any further incentives which are likely to come, but having said that, the REC is something which the government is seriously viewing. They are likely to impose lot of penalties in the coming parliament session. They are likely to pass a lot of measures which show that the RPO obligations are met overall by the utilities and the obligated entities. With that at least the stock of RECs which is in excess of Rs. 1,500 crore across the country, we expect that to come down at least. So that will improve cash flows. I mean improved cash flows is what most of the units, mainly our biomass unit really we are looking at.

Sanjeev Mohta: Any talks of granting infrastructure status to sector?

J. Sivakumar: It already comes under the broad category of infrastructure from the funding perspective as per RBI guidelines.etc. We are sub-classified under infrastructure and to that extent, the benefits of the longer term financing we are able to get for our new project. In fact for the new project which we are going in for, the banks are considering almost 15 years tenure for the loan. Earlier, they used to only consider 10 to 12 years now they have extended to about 15 years. I mean ideally it should be about 20 years; that's what we expect that ultimately wind projects should be able to get the tenure of about 20 years or so as for financing the projects. To that extent, renewable energy will fall under that category only for at least for the various schemes that RBI has announced for infrastructure funding.

Sanjeev Mohta: So currently you are enjoying softer rates?

J. Sivakumar: We have not been able to see reduction in rates than what was happening earlier; still that reduction is yet to be passed on. However, for the new projects as well as some of the ones which we have commissioned, we are seeing that the banks are ready to look at reduction in interest rates and we are going ahead with that.

S. Venkatachalam: Apart from that, for biomass, in fact, the MNRE is considering interest subvention which should definitely help reduce interest rates. The proposal is they have got something like Rs. 200 crore allocated, I mean it is not yet finalized but we are looking at interest of about 2% for about 30% of the loan that is what the proposal was which we sent across.

Sanjeev Mohta: Okay and recently I was also reading that PFC was talking that they will grant loans to renewable energy at a discount to their existing lending rates some 75 basis points. So do you think that will help you re-finance some of your loans?

J. Sivakumar: Yes REC also announced that for renewable energy we are exploring options with them also.

Sanjeev Mohta: Thank you.

Moderator: I now handover the floor to the management team of OGPL for closing comments.

S. Venkatachalam: Thank you very much to all of you and for the insightful questions and in terms of getting an overall insight into the performance of OGPL. Now just wanted to add one comment that in terms of the grid back down in Tamil Nadu, there has been a lot of progress overall currently as compared to the previous year that is 2013-2014 and we expect it to improve a lot more in the coming year because one is that overall, the line for the 400 KV line which is all the way from the southern part of Tamil Nadu to the northern part where the consuming centers are located - that will get activated in full. Secondly, a number of measures which the utility is taking in terms of not contracting power during that particular period when the wind is in full flow; And overall there are also talks of merging all the four states so that the overall denominator is much larger and the fluctuations in wind are distributed to the four southern states. Various initiatives are being mooted by the utility here and we are quite hopeful that this will see us through in the coming year in a much better way and once again thank you all for participating in the conference and look forward to meeting you some time. Thank you.