"Orient Green Power Company Limited Q1 Financial Year 2015 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Orient Green Power Q1 FY 2015 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prakash Goel of ICICI Securities. Thank you and over to you Mr. Goel!

Prakash Goel: Thank you. Good afternoon Ladies and gentlemen. We have the management of Orient Green Power represented by Mr. T. Sivaraman, Vice Chairman, Mr. S. Venkatachalam – Managing Director, Mr. J. Sivakumar, CFO of the Company and Mr. S. Srinivasan – Managing Director, Shriram Industrial Holdings. We would like to thank the management of Orient Green Power for giving us this opportunity. The format of this call is that we would have opening remarks from the management and then will open the floor for question and answer. Thank you Sir and over to you!

S. Venkatachalam: Thank you and Good afternoon to all of you. I must thank all of you for taking time out to join our call. We are really pleased to be on this platform to appraise on the performance of the Company and look forward to your questions and feedback on our performance. To get started, I would briefly take you through some of the recent highlights of the quarter following which our CFO, Sivakumar will cover the financial performance in detail.

The quarter actually began on a positive note with decisive election verdict and there were expectations for growth entry policies and much needed reforms from the new government. The renewable energy industry is also expecting a lot from the new government and given the recent announcements made by the government the belief seems vindicated. While the efforts would start yielding favourable results gradually the intent behind the actions has resulted in boosting the sentiment for the renewable energy industry in particular.

The industry has weathered the very challenging environment during the past few years and its on the cusp of promising growth prospects with support from the government and promise of much needed and deserved reliefs to the infrastructure sector in general and renewable energy industry in particular.

Now coming to OGPL's performance, as expected the higher capacity has provided the push resulting in growth in the operational performance during the quarter. This is also helped by improved tariffs across both businesses that is the wind and the biomass businesses.

Now the revenue for the quarter was up by 20% and the operational leverage has meant that operational EBITDA expanded by about 24% compared to last year. In the wind business there has been an overall improvement in the sales on account of both increased tariffs and capacities. There has been some impact of a delay in the onset of wind season by over three weeks and it has impacted the overall performance of the business marginally in the first quarter.

The deferment in the wind season resulted in slight moderation of PLF for our plants situated in Tamil Nadu; however, this was mitigated to some extent by due to the improved sales realization on the state. Also wind availability as well as grid availability has shown marked improvement from June 2014 onwards and in fact in the month of July the PLFs have improved significantly in Tamil Nadu and for the first 25 days of July the PLF in Tamil Nadu has improved to about 36% as compared to 29% for the same period in the previous year. Actually the situation is expected to advance further as the commissioning of the 400 KV substations at Kayathar, Tamil Nadu has been completed and the evacuation bottlenecks should be removed in the coming month in the State of Tamil Nadu.

Now as regards Andhra and Gujarat while this is the first full year for the new capacities in these states this seemed that the wind availability and machine performance have been very encouraging and certainly augers well for the overall performance of the wind business. Performance of our Biomass business has improved significantly during the quarter on a year-on-year basis mainly aided by tariff revisions across our plants located in Rajasthan coupled with our strategy of shifting some of our units in Tamil Nadu into a group captive model.

Now the average realization for the quarter stood at Rs.6.82 paise as against Rs.6.28 paise per unit, during the Q1 of FY 2014. After June 2014 we have also restarted the long suspended unit at Hanumangarh that is in Rajasthan after signing of PPA with the State Utility at Rs.6.2 paise per unit.

Another positive during the quarter has been the stringent action on part of several state regulators towards defaulting parties thereby signaling the intent on the part of the regulators towards ensuring the sanctity of the agreement. Now state regulators from Punjab, Uttarakhand, Maharashtra and Goa have began exerting power on compliance of RT on the obligated entities. Further regulators impose fines on distribution companies in Northern Uttarakhand and the Union Territory of Dadra and Nagar Haveli in Western India, providing the government run utilities to buy credits to meet their obligations. While the first quarter continued to be muted in terms of trading of RECs it is widely believed that the various concerted actions on part of the regulators would translate into better trading performance during the second half of the year.

A quick word on the regulatory environment before I hand over the floor to Sivakumar the RERC that is Rajasthan Electricity Regulatory Commission announced revision in tariffs with effect from April 2014. The company was benefited from the same as three of our biomass plants have witnessed a tariff increase of about 10% - 12% on the existing tariff levels. This would help in improved viability and profitability of these units in the coming quarters. Also, the State of Tamil Nadu has lifted ban on interstate open access thereby permitting consumers and generators in the state to procure and sell power from into outside States especially in biomass business.

Although the merchant tariffs rate for two of the units in Tamil Nadu remained high in the first quarter they would moderate downwards with the onset of the wind season. The move towards interstate sales from these two units would mitigate the adverse impact of the widely fluctuating tariffs during the wind season and thereafter. Further the state of Maharashtra has also announced increase in cogen tariff to a level of 6.27 per unit, which augers well for the upcoming 20 Megawatt cogen plant in that state.

In addition the Union Budget has announced the restoration of accelerated deprecation scheme which is likely to spur capacity addition of windmills. Further the reduction in customs duties on certain critical windmill components would make the prices of windmills more competitive as compared to the existing situation.

To conclude we are optimistic that the improvement in the operational performance of the company will start reflecting in the financials in the coming quarters as we have undertaken number of steps towards addressing some of the issues which have been inhibiting our growth and performance in the past. Further, with our robust wind and biomass assets portfolio and initiatives towards improving sourcing of fuels coupled with the recent announcement by the government in creating a more conducive growth environment for the sector, we believe we are well placed to capitalize on the initiatives undertaken by the company in the past.

With that I conclude my opening remarks and handover the floor to Mr. Sivakumar who will take us through the financials.

J. Sivakumar: Thank you Mr. Venkatachalam and good afternoon to all. I will briefly take you through the financial performance of the Company. While certain short and medium term concerns and challenges continue to plague the industry, the quarter did witness positive upticks and measures which favourably impacted the performance of the Company.

The Company's performance for the quarter is to be viewed in the context of the challenging operating environment.. Revenues during the quarter stood at about 147 Crores as against 123 Crores during the corresponding period of last year, which represents the growth of over 20%. Of the total revenues, wind business contributed 100 Crores and biomass business contributed 47 Crores.

The growth in wind energy revenue was despite muted and delayed wind availability in Tamil Nadu during the quarter. The expansion in revenues was primarily driven by increased capacity, better availability of wind in Andhra Pradesh and Gujarat and improved tariffs across both businesses.

The higher sales realization of wind business somewhat compensated for the lower PLFs for wind assets located in the state of Tamil Nadu. Further, our efforts directed towards effective maintenance of the machines and better availability of the wind in other states positively impacted the performance.

Performance of the biomass business was positively impacted following a Rajasthan Electricity Regulatory Commission's decision of revising the tariff upwards by about 10% to 12%. Three of our four plants situated in that state benefited from the revision of the tariff. Two units have been operational while the third recommenced its operation in the end of July 2014 under a new PPA signed with Rajasthan Discoms. Further two of the plants situated in Tamil Nadu continued to deliver steady performance following the decision of migrating towards good captive model. Tariffs in the biomass business in Tamil Nadu remained at a high level due to the offseason impact and may moderate downwards in the coming quarters in Tamil Nadu. This will of course be somewhat mitigated through more steady operation performance in the coming quarters.

Operational EBITDA for the quarter stood at around 90 Crores as against 73 Crores during the same period of last year. Operating margins stood at 61% as against 59% during the corresponding period of last year aided by better sales realization. Depreciation for the quarter stood at 42 Crores as against 28 Crores mainly because of the increase in the capacity across both the businesses.

Interest outgo for the quarter was 73 Crores as against 54 Crores during the corresponding period of last year. The higher interest expense was mainly due to increased borrowings for expansion purposes. Loss after tax was at Rs.26 Crores as against loss after tax of 9 Crores during the same period of last year. We continued to work on strategies towards rationalizing of debt and we are hopeful that the efforts will start yielding favourable outcomes in the near future.

We have been successful in obtaining favorable repayment terms from some of our existing lenders on a few loans and expect to make headway on some of the larger loans very soon. This, coupled with the more favourable terms of financing for infrastructure business announced by Reserve Bank of India recently, would enable us to optimize the cost of borrowing as well as to have smoother cash flows in the coming quarters.

Further, we expect a positive impact on the bottomline due to the new capacities delivering in the coming wind season. We should see operations to improve in the coming quarters as a result of the increased capacity.

To conclude, we are hopeful that improved sentiments towards the sector following the recent announcements made and measures taken by the government will translate into improving the actual situation on the ground in terms of stable and consistent policy environment, better infrastructure facilities and enforcement of RPO. There has been progress on several fronts in Q1 and we are hopeful that more progress in same direction will help us to improve our performance in the coming quarters.

With this, we conclude our opening remarks on the performance of the company. We now leave the floor open for questions. Thank you.

Moderator: Thank you very much Sir. We will now begin the question answer session. The first question is from the line of Vishal Periwala from Batliwala and Karani Securities. Please go ahead.

Vishal Periwala: Thanks for taking my questions. Sir, couple of questions from my side; first on generation based incentive the notification has been issued by Government of India but have we started receiving money under that?

S. Venkatachalam: Yes we had indeed started receiving on our old projects, which are eligible for GBI. Money have started coming in and we are also registered for all the new eligible wind projects in the expansion plan scheme also and we expect to realize generation based incentives for the new projects also in the coming quarters.

Vishal Periwala: Just correct me if I am wrong. This incentive came in from FY 2013 so for the gap of like one two years or whatever the capacity is commissioned we would not get that incentive right?

S. Venkatachalam: Yes what has happened is we have only one small project in the existing wind business, a 4 megawatt plant which was eligible for GBI. We would not be getting for the 4 Megawatt for 2012-2013, from 2013-2014 onwards we will be getting on that project. Further for the new expansion project almost about 70 Megawatt is now registered after 2013 and we went into generation in April to September 2013, so we are eligible right from day one for these new projects..

Vishal Periwala: Second on the industry part, government has announced lot of excise duty benefit on various ancillaries used in a wind project, now how it will lower project cost vis-à-vis what it was earlier if you can just share or give some clarity?

S. Venkatachalam: Overall from the reduction in customs duty we see an impact of about 10 to 15 lakhs per megawatt as we see it now.

Vishal Periwala: Probably I mean like so it is not much or like because wind capacity cost something like may be 6-7 Crores per Megawatt?

S. Venkatachalam: That is right. It is about 6-7 Crores per megawatt but it has at least started in the right direction. It may not amount to very much to start with but it is at least a positive move, which gives a boost to the industry and signals the intention of the government.

Vishal Periwala: Last one, on your biomass I just missed on that you mentioned on your Hanumangarh PPA can you just clarify on that like what is the status?

S. Venkatachalam: In fact the Hanumangarh PPA was signed with the Rajasthan Government at Rs.6.02 paise which was the tariff declared by RERC just a few days back, now the Hanumangarh plant has started operation about a week back now.

Vishal Periwala: So that is up in running and we are earning?

S. Venkatachalam: Up and running, absolutely.

Vishal Periwala: I will come back in the queue if I have further questions. Thanks.

Moderator: Thank you very much Sir. The next question is from the line of Sachin Trivedi from UTI Mutual Fund. Please go ahead.

Sachin Trivedi: Thanks for taking my question. Sir is it possible to get the EBITDA, depreciation and interest cost separately for the wind and the biomass business? Just a rough cut number if it is possible?

S. Venkatachalam: It is about 8Crores of operational EBITDA in the biomass business.

Sachin Trivedi: How about the depreciation and interest?

S. Venkatachalam: We will just come back to you on the question. You can put your next question.

Sachin Trivedi: The other thing that you mentioned about that you have entered into a group captive arrangement in Tamil Nadu for your biomass business. So can you give some more details about it what are the realizations? What kind of understanding you have in this group?

S. Venkatachalam: The realization from group captive especially in biomass during the non wind season is pretty good actually during April – May we get realizations close to about Rs.7.5 to Rs.8 per unit and during the wind season it does dip and picks up back again after the end of the wind season.

Sachin Trivedi: So realization is the market rate that we will get?

S. Venkatachalam: That is right. The market rate and then there are various costs in terms of transmission and the wheeling charges, which have to be paid out of that.

Sachin Trivedi: So what will be the net realization for us?

S. Venkatachalam: So the transmission and all that comes to almost 0.80 paise to 0.90 paise overall.

Sachin Trivedi: This is applicable for entire Tamil Nadu capacity?

S. Venkatachalam: So it is applicable to two of our units in Tamil Nadu are in group captive. Another one, we are now exploring the possibility of going to interstate sale and we are almost through with that and we are looking at interstate sale and just working out the formalities that are required for that.

Sachin Trivedi: The eventual plan is to the entire capacity in Tamil Nadu you want to tie up under this group captive model. How will you put that?

S. Venkatachalam: The eventual plan was see basically with two under group captive, we were looking at moving the third one also to group captive but in the meanwhile this notification has come from the Tamil Nadu government that we can do an interstate sale so we may go back to group captive only if its workable at some other point in time, but right now we will look at the interstate sale which is to two of our neighbouring states that is Kerala and Andhra that have a lot of power shortage where there tariffs are likely to be much better.

Sachin Trivedi: So net we are looking at realization of six plus in case of Tamil Nadu?

S. Venkatachalam: That is right, and upwards of Rs. 6 on an average for the year.

Sachin Trivedi: Sir anymore with in terms of fuel cost what should be we taking because that is the difficult to track so how will you put the fuel cost in Biomass?

S. Venkatachalam: Apart from that Rs.6 there is also an REC element, which is available for all the Tamil Nadu units but the fuel cost it varies between Rs.4 to Rs.5 across various units in Tamil Nadu per unit of I mean electricity which is exported, so that is the kind of fuel cost that we are looking at.

J. Sivakumar: In Rajasthan Plants, fuel cost would be lower than the Tamil Nadu plants because historically the rates have been lower and the availability is also during the season which is at a lower rate, so there it will be lower in terms of fuel cost.

S. Venkatachalam: It is almost like Rs.2.5 to Rs.3 per unit for Rajasthan plants and coupled with a better realization and the new tariffs that have been announced.

Sachin Trivedi: Sir somewhere in the presentation I was looking the O&M cost has come down of these plants so any specific reason and where?

S. Venkatachalam: In some cases, the operational efficiencies are also providing the impact of the fuel cost, I mean the O&M cost wherein we have taken steps to reduce the auxillary consumption in some cases as well as to cutdown on the overheads, wherever especially in the case of one of the non operating plants and the second is in the operating plants, we were trying to optimize on the output and also cutdown on the auxillary consumption, which has also resulted in lower fuel cost. I mean O&M cost. These are the primarily two reasons why the O&M cost have lower in this quarter.

Sachin Trivedi: So say eventually the thing settles down where will you or put the O&M cost to be per unit in the Biomass?

S. Venkatachalam: See per unit typically it ranges if really the output is good you know, the PLF is good, the typical O&M cost would be about 0.50 paise to 0.60 paise per unit, it would not be more than this and in the case of moderate PLF unit it will not be more than about 0.70paise unit totally.

Sachin Trivedi: So there is a larger scope for us to cut down on the O&M cost also?

S. Venkatachalam: There is we have already seen some correction. There is some more scope which is there may be not be beyond certain level but fuel yes, we are working on various initiatives which will have more larger impact on the bottomline than the O&M cost so that is where we are working on now to optimize the fuel cost across all the units.

Sachin Trivedi: Lastly Sir two questions, on the current debt level and repayment schedule in the next two years?

S. Venkatachalam: The current debt levels , in external loans we have close to about 1795 Crores almost 1800 Crore is the level and as on June 2014 and we have various repayment schedules on various loans, so the large portion of the loan which is about 1200 Crore out of the 1800 Crores is over a 11.5 years period out of which about 2 – 2.5 years is already over and now the nine years are left for the repayment of that loan and in the case of about 200 Crores of loan, we have a repayment schedule, which ranges between about 8 and 12 years and the rest 400 Crores are ranging between about 4 years to about 8 years from now. So we are trying to now look at the ones which are maturing in the next four to five years to see if we can get a staggered repayment schedule from banks in fact for three of the loans, two in biomass and one in wind, we have already got favourble terms from the banks through a staggered repayment schedule and we are attempting to replicate it across other loans also over the course of next couple of quarters.

Sachin Trivedi: Sir just one last question in terms of wind is there any secondary market and is it possible to share some data point in case of which if you want to trace certain asset is it possible?

S. Venkatachalam: Trading of the power, you are saying?

Sachin Trivedi: The assets?

S. Venkatachalam: No I do not think.

Sachin Trivedi: We are not looking.

S. Venkatachalam: We are not into that.

Sachin Trivedi: Thank you.

S. Venkatachalam: Mr. Sachin your first query about the breakup. I mean earlier you asked the breakup. EBITDA for biomass business was 8 Crores and wind was about 82 Crores. Wind units have contributed 82 Crores of EBITDA. Depreciation in the biomass units was about 10 Crores and Rs.32 Crores in wind and interest 18 Crores was in biomass business and wind was about 55 Crores. That is the breakup.

Sachin Trivedi: Thank you very much for taking my question.

Moderator: Thank you very much Sir. The next question is from the line of Vivek Sharma. Please go ahead.

Vivek Sharma: Thank you for taking my question. Sir first question is on the PLF although our PLF have been lower this quarter Y-o-Y for both wind and biomass but I believe that in your presentation it states that the wind season have started and July PLF has been good so what is your outlook on yearend PLF, would it be better than last year overall and what would be the contribution of the newer wind plants? I presume that they would be operating in better PLF so what is the outlook regarding PLF for both wind and biomass?

S. Venkatachalam: Overall as we said I mean onset of the wind season like the monsoon has been delayed in all parts of the country. Similarly, the wind season also gets pushed along in a similar pattern so the wind season itself got delayed by about three weeks, which came in round about June second week and really did not get to see much in the first quarter. However, we also hope that the wind season will extent, which started late so we also expect it to be normal and it would also extend I mean the other end of it will also extend a bit. Of course that is left to anybody's guess but as we say that see there are two things, which have happened one is the grid back down in Tamil Nadu which we used to have to a large extent in the previous years especially last year, however, this year, there has been a fair amount of work, together with the Tamil Nadu Electricity Authorities and they have been very supportive in terms of giving us much lower grid back downs in this year, in fact they have shut down some thermal power units etc., so that to accommodate more wind. Secondly we have got a bigger better proportion of newer machines which will also push up the PLF as compared to last year's so these are two things. Also this is the first year of Andhra and Gujarat, now we find wind regime and Andhra is pretty good actually in fact, last few weeks that we have been observing the wind patterns in Andhra and some days we are getting close to 100% PLF in some of those machines. So that is very positive for us actually.

Vivek Sharma: So would it be safe to assume that the PLF this year could be higher than last year?

S. Venkatachalam: Definitely, much, much higher than last year, no doubt.

Vivek Sharma: Sir for biomass what would be the outlook on PLF?

S. Venkatachalam: Biomass, basically we did get a little hit on the PLF because of couple of our units in fact we have started only in January of this year and therefore we missed out on the season and even in Sanjog (Rajasthan), we missed out on the season to because of the delay in signing of the PPA with Rajasthan, so three of those units did suffer a bit with the PLF. Even one unit in Tamil Nadu, we had to shift from the group captive model because once the wind had started and with the R&C measures being lifted in Tamil Nadu, we are shifting it to a different model as I had explained just now. Now with all this, also the PLF does drop a bit during the rainy season which is typical of the biomass sector but once the rainy season is through we see in fact almost all the plants run in with much improved PLFs and close to about 75% - 80%. So overall the PLFs of the biomass units will be definitely much better than that of last year.

Vivek Sharma: Second question would be on your interest cost, they have been on the higher side, as you mentioned that you are looking for refinancing, so by how much quantum it can come down going forward and why it has been higher like QoQ and FY 2015 higher YoY, I understand that I mean capacity commissioning but has there been a rise in interest cost for you and what is your annual interest cost?

J. Sivakumar: Interest out of the 70-odd Crores in the first quarter, some of it is interest on non operating units, which are about to be commissioned with some of the windmills and one biomass 20 megawatt will be getting into generation in the next one or two months. So interest of all these units are also written off to the P&L account while there are no matching revenues. This is in terms of the accounting policy as per which if there is a delay in generation while the plant is otherwise ready, we are not capitalizing beyond a certain period of time. So that itself as about 8 to 10 Crores of interest, which maybe due to nonoperation of the plants or in respect of other plants not ready to be commissioned where interest is getting unwound. Yes, there has also been increase in rates of interest in the last couple of years. What we have done is in respect of three of the units, we have got the loans staggered and in the case of one of the loans, the rate of interest has also been brought down by about 1.5 percent by the bank. With regard to about 1200 Crores loan, the banks are considering to give us a staggered repayments for part of the loan as well as reduction in interest rates as this comprises the loan for the new wind assets basically. Here, since major part of the capacities are already commissioned, so the banks have agreed in principle to reduce the interest rates. It is under the consideration by the banks. We expect going forward next quarter we should have the interest rates reduced for this quantum. So a combination of these two factors should bring the overall rate of interest in terms of the ROI of the loans concerned as compared to the previous year.

Vivek Sharma: Just one clarification, you mentioned that you are not able to capitalize the interest on nonoperational assets as of now. What would be the reason for that?

J. Sivakumar: We have capitalized. What is happening is that in the case of delay in commissioning while the unit is otherwise ready for use, for example, in the case of biomass plants that are ready for generation, but there has been regulatory approvals have been delayed or there are right of way issues leading to delay in erection of transmission lines, we stop capitalizing at that point as a policy. Such interest during the last few quarters has got unwound to the P&L, but the assets would start generating in the next quarter or so. So we do capitalize interest, but once the machines are ready for use, we stop the capitalization and take it to the P&L.

Vivek Sharma: So, I assume these plants have PPAs. So would it be billed to the beneficiaries or how would you treat it? It would be a loss?

S. Venkatachalam: For the last couple of quarters whatever we put it in the P&L is a loss for the company. What is happening is in retrospect the tariffs, have also moved up significantly. So what will happen is that although, we have unwound part of the interest is for the P&L in the last couple of quarters, we are going to see better realization so like for example Andhra Pradesh also what happened was the interest was a little bit more because of the delay in getting government approvals. But what has happened is the tariff moved up. For example from 3.50 to 4.70, it has moved up. So definitely for the future, we are expecting that the tariffs would more than compensate the additional capital cost built in because of the delay in government approvals as well as some part of the interest which has already written off to the P&L, it will be compensated by better operational margins in the coming years because of the tariff movement. Like for example in Maharashtra biomass plant, we would have got the tariff of 5.81 last year, but now it has moved to 6.27. So, definitely, we are saying that even if there is delay in the commissioning of plant, we will expect the operational margins to be better than what was expected earlier.

Vivek Sharma: Just one more question on your REC market, right now although the REC trading has started right now most of it is being traded at say the floor price. Do you expect this to move towards or inch towards the cap prices or what is your outlook on REC realization going forward?

S. Venkatachalam: Actually overall, we expect it to remain at the floor prices for the next few trading even next year or so. Now basically what is more important is to realize and get more proportion of REC sold in the market so that is the first priority. So we are only looking at getting the floor prices?

Vivek Sharma: Is there an inventory glut in the system?

S. Venkatachalam: Sorry.

Vivek Sharma: Is there an inventory glut that are received in the system that is being traded at floor price or there is less demand? What is the reason?

S. Venkatachalam: It is basically the overall demand has not really picked up as Sivakumar had pointed out, the regulators have not been pushing it so much to the state utilities. Now in fact couple of weeks back, we had a meeting in the MNRE just to discuss this as to how the regulator should now really take charge and ensure compliance by various states. Also, in some of the states, they have already started imposing penalties on the utilities and also utilities are now looking at various other ways to ensure that they at least meet their compliances. So, we do see that overall in the next few trading sessions, we should be able to see some kind of gaining some traction.

Vivek Sharma: Are the penalties enough for them to for going for RECs or are they happy to pay the penalties?

S. Venkatachalam: On the penalty, basically so far, only two states have really imposed these penalties and therefore we are seeing some amount of trading starting with these two states. Now going forward if the other regulators also impose penalties. Some of the states are not factoring it into the average purchase price of power, so if they start factoring it in and if they start budgeting for it and with a lot of push from the regulators it should definitely gain traction. Penalty is also at the cap price. That is another thing that could definitely push it forward.

Vivek Sharma: Thank you. That was really helpful Sir. Thanks for taking my question. Best of luck for the future.

Moderator: Thank you. The next question is from the line of Prakash Goel. Please go ahead.

Prakash Goel: I would like to know about the profile of the trade receivables and what has been the average outstanding period of SEB and what is the sum outstanding for more than six months? Is there any disputed sum?

S. Venkatachalam: Trade receivables in the wind business in Tamil Nadu, it is typically a sale to the group captive consumers, which is a third party and typically the amount gets paid within about 15 to 20 days, i.e. 15 to 20 days after the raising of the bill. The longest credit period would be about 30 days possibly, not more than that in Tamil Nadu. In Gujarat and Andhra Pradesh where we are supplying to utilities, we are now seeing that the payment period has come down. In fact, Gujarat is about 30 days and Andhra Pradesh has also started paying us in 30 days except for the last month, there was a delay. We should be getting it in the next week or so. We are seeing that they are paying up within about 30 to 45 days. In the case of biomass in Rajasthan, typically, it ranges between 30 and 45 days is the credit period there.

In Rajasthan there are separate discoms and in Tamil Nadu entire thing is through merchant and is typically between 15 days and 30 days. That is the credit period for various businesses.

Prakash Goel: In specific disputed amount outstanding, which you would like to highlight more than six months?

J. Sivakumar: There is no disputed amount. There is an amount of outstanding from the Tamil Nadu Electricity Board to the extent of about 7 Crores to 8 Crores in the wind business wherein we had supplies to utility in the previous year. We have not supplied anything to the utility after that. This amount has started coming to us. So that should be liquidated. There is no disputed amount, which is there beyond six months.

Prakash Goel: That is all from my side. Thank you Sir. All the best.

Moderator: Thank you very much. The next question is from the line of Rajat Budhiraja from Banyan Capital. Please go ahead.

Rajat Budhiraja: Thanks for taking my question. I may be asking this question again because I missed the initial part of the call, but still want to ask it again. On page 11 of your slide, I can see that there is 90 megawatt of capacity, which is going to be operational in the near term. So apart from this 90, what are your capex plans for FY 2016 and FY 2017?

S. Venkatachalam: As of now these are the ones, which are under construction. Beyond that as of now there is no plan to put up the capacity, but we are definitely looking at more plans going forward in the coming years, but right now, we have only crystallized these plans for the 90 MW and we are working towards that.

Rajat Budhiraja: So, we will be carrying for the time being, so how do we see the debt going moving going forward?

S. Venkatachalam: There is definitely an improvement in the sentiments in the investment climate and the sentiment and also with more possible arrangements for easy availability of finance now. We are open to more expansion. Definitely, the company will look at further expansion with the right type of capital and availability of assets and despite that the measures that we are taking in terms of getting more favorable terms from the existing bankers with existing loans should be able to cover with optimum cash flows at the right cost from the existing cash flow themselves. Of course, any further expansion will only be positive for the company.

Rajat Budhiraja: So in terms of your debt based on your current capex plans, how it will move in by FY 2016 or FY 2015?

J. Sivakumar: What will happen is that there is repayment of almost about 250 Crores every year, 225 to 250 Crores, Once this expansion plan is completed by 2016, we expect debt to come down by level of about 250 Crores from the existing levels because there will be two years of repayment and marginal increase in the borrowings for the completion of the expansion.

Rajat Budhiraja: Is it fair to say that you are already at the peak of your debt?

S. Venkatachalam: We are going to be borrowing some more debt, but of course what will happen is, we also have repayments, which are happening so it could peak to a level of about 2000 Crores, during the year but it will again come down to the level of about 1800 to 1900 Crores due to repayments.

Rajat Budhiraja: What is current number right now? I do not have it in font of me.

S. Venkatachalam: 1800 Crores, 1797 Crores is the external debt.

Rajat Budhiraja: Thanks a lot. That is it from my side.

Moderator: Thank you very much. The next question is from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: Just wanted to ask a few questions. We actually joined a little late on the call, but just wanted to check a few things in terms of industry level developments, which are happening. So just wanted to understand how is the grid availability expected to evolve from here? I mean it is already at around 79%. How much further would we expect that to go and at what levels can it be sustained over the next two to three year period or even a longer term period per se? Then the other main part would be on how is the must run status from the windmill part going to impact our business if it does come about how will it help us going ahead in the longer run?

S. Venkatachalam: Basically as far as the grid is concerned, last year, for a significant portion of the best part of the wind season, there was a grid availability which saw a grid drop of almost 40% on most of the days and this year we are averaging something like close to about 20% and the rainy season also started a bit late. Now going forward even during July-August etc., we see this improving to only a grid loss of about 15% or so in the coming years with the new lines also coming up with Kayathar line being completed in fact one part of it has already operational about 100 megawatts is flowing through it and during the next couple of months, we see about 1000 megawatts flowing through it, plus there is also another line which is the Salem Coimbatore bedside that line would also add to the grid stability overall and the evacuation of wind power. So, I would anticipate something like a 10% grid drop would be ultimate thing in the years to come, not in this year, but this would be the outlook is what I would look at.

Rajat Budhiraja: How will the must run status sort of change the situation for windmills?

S. Venkatachalam: The must run status has always been there for windmills or any renewable power. Now this issue was with APTEL and Madras High Court and then it has now come to the TNERC who will be giving a judgment soon and they will also be further enforcing with the state utility.

Rajat Budhiraja: Sir, we had already initiated some measures on contract farming for improving our biomass fuel side availability so when will those measures sort of in terms of the contract farming or plantation or something when will those start having an impact on our fuel side in the biomass venture?

S. Venkatachalam: Basically we have got lot of farmers interested in doing contract farming. It started off in a small way and then now more and more farmers are quite keen to take up contract farming because they see there is a lot of revenue for them in this because this crop gives them two crops in a year in which per acre which should give them a significant yield and maybe more than Rs.40000 per acre that will be their overall revenues. Now with that we anticipate by beginning of January we should meet about 20% of our biomass requirements for Tamil Nadu coming from this contract farming route. Then going forward we will only increase it to 30%, 40% and more.

Rajat Budhiraja: So you are saying from January 2015 you will start sourcing 20% of your fuel requirement in Tamil Nadu from contract farming?

S. Venkatachalam: That is right. In fact we have already started getting some, but those are very insignificant quantities but that is just the beginning, but we have already started seeing the basic benefits of contract farming and even the farmers have started seeing it.

Rajat Budhiraja: On the wind side we can understand that the PLFs were lower because of the delayed monsoon, but what were the reasons for the slightly lower PLF on the biomass side in this year?

S. Venkatachalam: I was just explaining that in a previous question. Some of the units, which had started a little late, in fact some of the units got commissioned in January and then one unit that is

Sanjog has only just restarted just a few days back, and also a little bit of issues with respect to the fuel tie ups in the southern units, but north we have been having good PLFs in the northern plants. Now in south also, once the rainy season is crossed and the rainy season gets over we will be able to get much better PLFs during the second half of the year.

Rajat Budhiraja: We really see that there is some change that is happening on the regulatory side.

Moderator: Thank you. As there are no further questions I would now like to hand the floor over to Mr. Goel for closing remarks. Over to you!

Prakash Goel: Thank you Sir. Thank you participants for joining in the call. This would be the end of the call. Thanks a lot Sir once again.

S. Venkatachalam: Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.