

“Gujarat Industries Power Company Limited Q2 FY23 Earnings Conference Call”

November 3, 2022



**GUJARAT INDUSTRIES
POWER COMPANY LTD.**



MANAGEMENT: **MR. K K BHATT – GENERAL MANAGER (FINANCE) & CHIEF
FINANCIAL OFFICER**
**MR. SHALIN PATEL – COMPANY SECRETARY & COMPLIANCE
OFFICER**

MODERATOR: **MR. ANSHUMAN ASHIT – ICICI SECURITIES**





Anshuman Ashit: Good day everyone. On behalf of ICICI Securities, I welcome you all to the Q2 FY23 post results conference call of Gujarat Industries Power Company Limited. Today, we are pleased to host the senior management of the company represented by Mr. K K Bhatt - General Manager and Chief Financial Officer and Mr. Shalin Patel - Company Secretary and Compliance Officer and other senior officials from the management. As directed by the management, we will directly open the lines for the Q&A session.

Krishna Kumar: I have two questions. One is that your PMS has been coming down over the years for both the Surat lignite plants and this quarter also pretty low. Is there any specific reason why it is consistently going down? Especially this year, most of the other thermal companies are doing better. And is there any stoppage of buying power from your customers?

K K Bhatt: Basically, power sector quarter 2, we have taken this time 2 shutdowns - SLPP unit 1 for economizer beam replacement because it was sagging and the unit was not going to full load. That was the reason that we had to take like last year we did it for unit 2. Now, SLPP-2 unit 4 capital overhauling has been carried out for a period of 45 days because since the inception, capital overhauling was pending. These two reasons we are slightly having a lower commercial availability than what you are thinking of, but as per the PPA, commercial availability has to be counted and taken into account for the purpose of fixed cost recovery on a yearly basis. So, if the plants are running very well. We will be able to recover whatever is under recovery of fixed costs for the year. That's not an issue.

Krishna Kumar: And hopefully, your profitability will come back to the pre-Covid levels but still it hasn't come back to the pre-Covid levels.





K K Bhatt: Yes, definitely. This time what happened is 2 shutdowns have been taken into the same quarter which was not the general practice year-on-year basis. Generally, 1 shutdown may be there in 1 quarter. This time, both the units - unit 4 and unit 2 - are in the quarter 2 only Beam Replacement exercise and capital over hauling carried out in the Q2. That was the reason for low profit. But hopefully we will recover.

Krishna Kumar: My next question is regarding the dividend. Dividend has been constant for many years, even actually going down. At some point of time, we got Rs. 2.9 per share. Now we are getting only Rs. 2.7. Despite all these additions of capacity, still the dividend is going down. Even the public sector units, they follow the DIPAM policy - 30% of the profit or 5% of net worth - even that is not being followed. Any chance for revision in the dividend policy?

K K Bhatt: Dividend is being declared by the Board of Directors looking at the future expansions and projects which are coming, lined up, and how the cash flow is moving - all these things are taken into consideration. Last year, the new project - Khavda project - was at the initial stage. That was the reason slightly dividend was pushed back, but there is nothing like that it can't be increased. We will look into it how the profitability and we may go back to the same level also, not an issue.

Anshuman Ashit: Sir, I wanted to know what is the plan with our gas plants because it has not been operational since the past several years. Is there any discussion with the offtakers regarding this? Or is there internally any plan?

K K Bhatt: The plant was running up till October-November 2021. Since November 2021 because of the gas prices gone up in the international market and the availability of APM gas totally went zero because of the Tauktae effect. We had no choice but to close down the unit. We are waiting for the opportunity in the coming days with the stability of the gas prices. Once it is there, we can again bring back the machines





to operation for our promoters and other participating units with a reasonable price level once it touches....

Anshuman Ashit: Secondly, on our renewable projects, there was one 75-megawatt project that in the last call you had mentioned that you would be awarding. Could you please tell us the status of the same?

K K Bhatt: The 75 megawatt we are thinking to have the solar station at our mining reclaimed land to cater the requirement of promoters. Since it is being treated as a captive, we are waiting for certain approvals from the GUVNL and GoG. it is most likely to be in place within a short period and we will be coming out with the tendering process and everything to put up this station.

Niraj Vijay Kamtekar: Bhatt saab, just now you mentioned that lignite production is less due to shutdown in the Q2. Is there still a shutdown in Q3 or any type of work is pending or all the four plants are functioning properly and production is happening properly? Or else in the Q3 concall, will it again be informed that this time also some plant was shut down and hence lower production?

K K Bhatt: Your question is valid, Niraj-ji. Your question is absolutely correct. As of now, there is no shutdown. Plants are running just perfectly and with full load, there is no issue. Everything is going on very well. Barring unforeseen circumstances, we are hopeful that we will run the plant successfully in the next 6 months.

Niraj Vijay Kamtekar: The shutdown that happened, maintenance that happened, CAPEX that happened - maintenance CAPEX or otherwise - do these things help with improving the life or longevity of the plants or the money has been spent just to keep the plants being operational?

K K Bhatt: There are two things here. In the SLPP-1, the unit-1, the economizer beam that we have replaced, that is the requirement because the beam





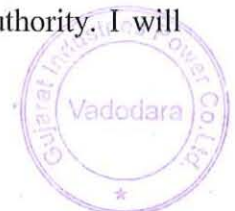
was getting bent which was going to impact the generation level. Machine was not able to run at full load. That was the reason we had to change those beams after procuring them from BHEL. We replaced those and after that, the machine is running at full load.

Niraj Vijay Kamtekar: When all the plants run properly with lignite, generally 800+ million units of the power is generated. Will we achieve the same level of power generation if the plants function normally in Q3. If not in Q3, then in Q4 will we achieve that level?

K K Bhatt: My point is that all plants as of now are running properly at full load and there is no issue. We will be able to generate for the next 6 months at full load. So, we are not seeing any issue. We will reach the profitability at the end of the year at a very reasonable and good level.

Niraj Vijay Kamtekar: Can you please update us regarding the Khavda project? Because there was a press release in the meanwhile that some orders are placed with the KEC International. If you can please share with us some details regarding that?

K K Bhatt: Our role in the Khavda project is that of a park developer. First, we are supposed to develop the park. So, we are concentrating on the park development activity. For that, we have called in for a tender that is a big one in a timely manner for the pooling substation which is very critical. So, power evacuation from the Khavda park for Phase-1 would be possible well within the timeline as stipulated by the government. The other small tenders which are there, they are all in the pipeline. They all will be in place by December end mostly. So, after December/January, all the park-related activity after tendering will go on parallelly. And the activity related to the plant, once the park reaches a specific level of development, then we will go with the project wherein how much capacity we will be adding at our park, any other location, that is still under discussion with the authority. I will





update you once it is finalized. But anyhow, we are very confident to put up capacity in our park more than 50% on our own.

Niraj Vijay Kamtekar: Sir, out of the 2,375 megawatt that is either allotted or awarded to you, if we are going to develop 50% of it and another 50% some other developer and the full park GIPCL will develop, the CAPEX required for the park will be spent by GIPCL and we will get fixed return and after we will get altogether 1100 megawatt or 200-200-200 will happen in 5 years?

K K Bhatt: The park has to be developed also in a phased manner. And the capacity also will be developed in 4 phases of 600, 600, 600, and 575 as per the approval received from MNRE. We will develop the park also in 2 phases. In Phase-1, it will be for the Phase-1 and Phase-2 projects. And in Phase-2, it will be for the Phase-3 and Phase-4 projects. So, everything will happen in a phased manner over a period of 5-6 years.

Niraj Vijay Kamtekar: To maintain our cash flow, the first CAPEX that is being undertaken, this is only related to the park development. As of now, energy or this solar panel or anything else, that order has not been placed. As of now, only and only park development is happening. After the park development work is over, we will undertake the other order in a phased manner. Am I right, sir?

K K Bhatt: Yes, absolutely correct.

Niraj Vijay Kamtekar: As an investor, I have a request that whenever there is a big shutdown which is going to majorly affect the results, there be a small press release so that there is no negative surprise for us. No doubt we accept that shutdown happens in every company for maintenance or other reason, but after the results are announced, there is a negative surprise for us that we were expecting something else but some other





thing comes out. And in our GIPCL's case, it has happened many more times in the past 2-3 years.

K K Bhatt: We have noted and we will take care in the future.

Vipul Shah: Considering these 2 shutdowns in 1 quarter, how much capacity was idled during this quarter, sir?

K K Bhatt: 125 plus 125, 50% capacity of SLPP. Out of the 500, 250 megawatt was out of generation because of the shutdown. But the shutdown was not for the entire quarter, let me tell you. The unit was out for around 50 days. Unit 1 and Unit 4 were out for around 45 days.

Vipul Shah: Considering this, what is your guidance for the generation for the entire year? How many million units vis-a-vis what was that figure for full last year?

K K Bhatt: We are targeting to achieve the commercial availability of 75% and 80% which is as per PPA for getting the full fixed cost. Our target is to reach to that level. Most probably, we will reach to that target. It is our endeavor to run the machines in that manner. At least, we will be able to achieve the full fixed cost by running 80% in SLPP-2 and 75% in SLPP-1.

Vipul Shah: So, in spite of having this shutdown for 45 and 50 days, you are confident that you will be able to recover the full fixed cost for the entire year?

K K Bhatt: We are targeting to achieve that. Most probably, we will reach that level. Right now, we are targeting, but we have to see at the end of the 3rd quarter and mid of the 4th quarter where we are and how we have to achieve.





Vipul Shah: Sir, regarding the Khavda project, what will be the CAPEX for development of the park and what will be the return we will be getting on those investments?

K K Bhatt: Total per se CAPEX is somewhere around Rs. 1,100 crores wherein we are going to get 30% subsidy from MNRE and the rest in that we are putting debt and equity. So, the return from the park per se would be around 13% to 14%.

Vipul Shah: Rs. 1,100 crores is, you say, only the park? There will be no units?

K K Bhatt: No, it is only the park.

Vipul Shah: So, this 14% return which you talked about will be after subtracting the subsidy figure or it will be on the entire Rs. 1,100 crores?

K K Bhatt: No, after removing the subsidy figure, equity portion what we are going to put in, on that, we are going to get around 13%.

Vipul Shah: So, like other developers, we will be also putting some capacity there? How much capacity we are going to put in the park and during which time frame?

K K Bhatt: Basically, it will be in four phases, 600, 600, 600, and 575 would be the capacity addition at the park in 4 phases wherein we are targeting around more than 50% capacity to be added in our own park by our own. This is our fundamental thought process right now.

Vipul Shah: More than 50% will be put in on our own, right?

K K Bhatt: Yes.

Vipul Shah: But can you give a tentative schedule of the capacity addition at the park?





- K K Bhatt:** Scheduled timeline for the capacity addition at the park is next 5 years, 50% by 2024 and balance 50% in the next 2 years. So, in the next 4-5 years, capacity will be added in a phased manner.
- Vipul Shah:** All will be solar, sir?
- K K Bhatt:** Yes, all will be solar.
- Vipul Shah:** And what will be our per megawatt cost at Khavda?
- K K Bhatt:** Per megawatt cost at Khavda is right now Rs. 5.6 crores to Rs. 5.8 crores per MW including everything.
- Vipul Shah:** I don't think our balance sheet can support all these investments. So, what is your funding plan for this Khavda project, sir?
- K K Bhatt:** Yes. We will be funding those projects in a phased manner by 70:30 debt-equity.
- Vipul Shah:** But for your own equity, you will have to raise the debt, right?
- K K Bhatt:** No, we have to raise the debt from the market and balance 30% equity, we have to infuse over a period of 4 to 5 years. That much of the cash flow is there with the company to add on the equity portion for the project. That's not an issue.
- Vipul Shah:** Lastly, our 2 units which are operational, they both are lignite based, right?
- K K Bhatt:** Yes.
- Vipul Shah:** Are we adding any thermal capacity in the near future or we are not going to add any thermal capacity?
- K K Bhatt:** Right now, there is no future thinking for adding the thermal capacity. But it depends how the dynamics are going on. As per the requirement,





it may be possible. We may add on in the next 2-3 years as per the requirement if possible.

Vipul Shah: Our entire lignite requirement we are able to source captively, sir?

K K Bhatt: Yes, we have our own mines to cater the requirement of this 500 megawatts for the entire life of this station plus we will be adding life to this 500 megawatts by another 10 years through R&M wherein lignite is available at the location with the approval. So, the life of those particular power plants will be added more by 10 years than what it is right now.

Vipul Shah: So, what is the combined capacity of both the plants right now? How many megawatts, sir?

K K Bhatt: 500 megawatts.

Vipul Shah: And for that, how many million tonnes of lignite do we require annually?

K K Bhatt: Annually, it is around 36 to 38 lakh metric tons.

Vipul Shah: So, we don't do any outside sales for lignite.

K K Bhatt: No, we don't do.

Ramakrishna: This is regarding the Khavda project, I have a couple of questions. Since the time you have initiated this project and by now, there has been some spike in raw material cost and everything. So, has there been any cost escalation for this entire project? The second question is, for your own capacity at Khavda, who will be the EPC provider? Have those things been finalized?

K K Bhatt: Basically, two things are there. One is the park development activity wherein we are going to put in around Rs. 1,100 in the project cost and





park activity has already been started. So, as such, we don't foresee any cost escalation. Regarding park development, there is nothing to worry about the cost escalation. But second question about the cost escalation regarding the project wherein the cost of raw material has gone up, but since the projects which are going to come up at the park have to be bid through the GUVNL or SECI tender, the tendering process is likely to take place now. In that tendering process, the Project Developer will take care of what the price rises have been in the recent past. So, the tariff will be according to the price only. So, I don't think there would be any issue to any of the project developers including GIPCL.

Ramakrishna:

Another thing is, sometime back I think you were mentioning in terms of exploring the new business opportunities and you have put up a dedicated business cell also. Any update on that front?

K K Bhatt:

The business opportunities in future we are looking for is Green Hydrogen as well as the mixture of wind and solar at our Khavda unit at the end, i.e., at the Phase-4, we will look into it how we can blend these and how we can get the maximized output out of that. Our team is working on for how to channelize those RE generation into Green Hydrogen as per the Government of India's Ministry new notification. All these future green hydrogen and all these things are coming, for that, the Sale is working on. But for that, it requires 3-4 years down the line - working and everything - and we will be looking for at the Phase-4 wherein green hydrogen can be channelized as per the requirement to the different required units, i.e., fertilizer and any other units whosoever is in need of green hydrogen as per the Government of India policy. But everything will take time. We have to see how the things are moving.

Ramakrishna:

From FY25 onwards, assuming that 50% of Khavda project will be commissioned, what will be the incremental revenues from FY25





onwards that we can expect? And second thing is just trying to understand would you be needing to pay any royalty to the government for using lignite mines? Are you allowed to sell it for commercial purposes outside of your own captive purpose?

K K Bhatt:

Your last question is regarding the royalty which we are already paying to the government and that is a part of my tariff. That we are recovering through as a part of tariff through cost as a variable charge. We are not permitted to sell lignite to the outside commercial usage. We have to consume for the captive purpose of generation of power. Second question regarding Khavda, you have asked from 2025, what would be the revenue. Let me tell you, revenue depends on the tariff at which we are going to sign of PPAs with GUVNL or SECI. Once it is finalized, we will be able to tell you the future revenue, but by and large, as a thumb rule, you can take Rs. 2.75 to Rs. 2.80 per unit. Capacity: @ 50% multiplied by the number of units at 29% to 27% CUF. That much revenue will be added from 2025.

Anshuman Ashit:

Sir, can you please give us the EBITDA breakup for H1 - wind, thermal, renewable, and mining?

K K Bhatt:

Earnings before interest and depreciation would be around Rs. 220 crores.

Anshuman Ashit:

Sir, could you give us the breakup between thermal and renewable?

K K Bhatt:

It's difficult to give you right now between thermal and renewable. It would be around Rs. 115 crores wind and solar. The rest is you can take thermal.

Anshuman Ashit:

Sir, the second question is on the CAPEX. What has been the CAPEX for H1 and what is our target for the full year?

K K Bhatt:

We have incurred CAPEX of around Rs. 100-120 crores for this Khavda park development activity. And it would be around Rs.100 /





100+ crores in the H2 only towards the park development activity. And for the rest projects activities, all CAPEX will be incurred in the next financial year only.

Anshuman Ashit: Sir, will this park be developed by the end of this year? Is there a particular timeline that you are targeting for the Phase-1 development of the park?

Management: As per the MNRE guidelines, we have to complete the park (phase I & II) before March 2024. So, we are completing all the infrastructure activity before that to get MNRE subsidy.

Anshuman Ashit: The user fee which we will be charging on the usage of the facilities of the park will come once the other developers are selected and that will be after the development of the park. Is that a correct understanding?

K K Bhatt: The UDC we will get once the project is allotted to project developer.

Anshuman Ashit: And that will happen only once the park development is complete?

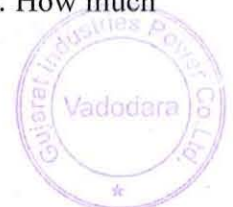
K K Bhatt: Yes, once the park gets ready.

Anshuman Ashit: And that is why FY24?

K K Bhatt: Yes.

Renjith Sivaram: I just wanted to get some idea of what are the renewables target that we are looking at for the next year and the year after that in terms of megawatt and what kind of CAPEX in FY23-24 we will be assigning for achieving these targets?

K K Bhatt: We are targeting capacity addition at Khavda location Phase-1 of 600 megawatt. Out of this 600 megawatt, we are targeting at least 50% capacity addition in the first phase, but it will be crystallized somewhere by the last quarter of the current financial year. How much





capacity we are adding and what is the timeline and how it is going to be, will be crystallised once project PPA executed. Generally, all the power stations in the RE - solar project - have an execution timeline of 15 to 18 months. So, you can take CAPEX will be increased in 15 to 18 months by GIPCL somewhere in the next financial year.

Renjith Sivaram: How much will be that amount?

K K Bhatt: You can take 550-560 lakh per megawatt cost. Total CAPEX for 300 MW would be Rs. 1,600 - 1,700 crores (approx.).

Renjith Sivaram: This full CAPEX will be through our own internal accrual?

K K Bhatt: No, 70:30 debt-equity will be there.

Renjith Sivaram: Because previously we used to have a high debt-equity ratio, so that's why I am asking.

K K Bhatt: No, nowhere debt-equity ratio was higher.

Renjith Sivaram: No, it was skewed more towards equity.

K K Bhatt: Yes, you are absolutely correct. Because at that time, we didn't have any future projects available. So, we put in more equity in the project, but right now, we have capacity addition thinking of around 50% in the Khavda. So, we will be putting every project through 70:30 mode only.

Renjith Sivaram: So, in the previous project also, can you restructure those and get more equity for funding these new....

K K Bhatt: Not required because we have enough cash generating every year by adding cash flow to the company, i.e., cash plus depreciation. So, we will be able to put in the equity in a phased manner for this project, not an issue.

Renjith Sivaram: Coal business, what is our target? Coal plant?





K K Bhatt: Lignite-based power plant's target is being achieved. we are running the plant very well. That is the target.

Renjith Sivaram: What is our targeted generation for this year and next year?

K K Bhatt: For lignite-based thermal station, Phase-1, we are targeting 75% and Phase-2 we are targeting 80%. So, any station which is generating more than 75% to 80% in lignite-based technology, it is one of the best pan India.

Renjith Sivaram: We are not facing any issue in terms of the current increase in prices of coal, lignite, and all?

K K Bhatt: we are having our own lignite, (captive mines) and our price mechanism is approved by GUVNL. So, we are not affected by the increase in price and all those things.

Renjith Sivaram: Because of this 45 days shutdown, we had all these issues. So, next quarter onwards, we will be back to normal?

K K Bhatt: We are in normal now, running all stations pretty well, not an issue.

Vipul Shah: Sir, what is the cumulative CAPEX for Khavda park that we have done till date?

K K Bhatt: Khavda total CAPEX we incurred up to today is Rs. 100-120 crores for the park development activity.

Vipul Shah: And what will we spend next year on park development?

K K Bhatt: It would be around Rs. 400-500 crores.

Vipul Shah: So, at that time, we will have to raise the debt, right?

K K Bhatt: Yes.





- Vipul Shah:** Have you tied up the debt? And what is the coupon rate?
- K K Bhatt:** We have not tied up, but in principle, we have already initiated the dialogues with various Financial Institution, banks. Most probably, the rate would be ranging between 7 to 7.5.
- Vipul Shah:** Lastly, sir, do we have any operational renewable capacity as of today?
- K K Bhatt:** Yes, we have our own renewable capacity. 262 is my solar and 112.4 wind capacity - running capacity is there - which is adding to the bottom line every year around Rs. 100-110 crores.
- Manoj Shah:** I just wanted to reconfirm on this. You have got around 810 megawatt of your thermal power capacity. Like you have your own captive mines. So, 100% of your requirement for this 810 megawatt is done through your own captive mines. And for your future park where you will have 3 units of 600 megawatts and another unit of 570 megawatts, will your mines be able to produce sufficient lignite to run these power plants at the Khavda park also?
- K K Bhatt:** We have the thermal station lignite based 500 megawatts near Surat location and this Khavda location is near Bhuj wherein we are going to add the capacity of solar, not the lignite based. So, the requirement of lignite at Khavda project will not be there. It is confined to only 500-megawatt thermal station near Surat.
- Manoj Shah:** I just wanted to check what's like the lignite mine is? For how many years, it will be sufficient and how many much more capacity of thermal plant you can add with your existing mines?
- K K Bhatt:** We have the available lignite from the captive mines to cater our 500 megawatt till the PPA life plus 10 years.





Anshuman Ashit: Sir, I have one final question. The 30% subsidy that we will be receiving for the Khavda project from MNRE, on what basis we will be receiving this? Will it be on milestone basis or any other?

K K Bhatt: It will be on milestones.

Anshuman Ashit: What are those milestones if you can....

K K Bhatt: That we have to look into it. It is as per the MNRE guidelines.

Kushal Jain: I wanted to know that since 2015 onwards, we have made investments of around Rs. 2,000 crores in renewable energy - solar or wind - but I can't see any increase in revenue since 2015. What is your problem? Why the revenue is not growing?

K K Bhatt: The problem is nothing but how we look into it, that is more important, because as you know, our thermal stations (gas-based stations) are nowadays not at all working. That much revenue from the top line is being off set by the solar and wind, because day by day, our gas-based stations more or less not working since 2015 onwards and that is being taken care of by renewables. It is the need of the day because you have to change your line of business. If we would have been in the gas-based station only, we would have been in a problem right now because of the non-availability of gas. But we have already shifted our focus to RE and we are now putting more focus to RE only in the future for future expansion.

Kushal Jain: Further, I would like to ask, you have gas-based stations and you are not using these stations properly. So, do you have any plan to dispose them off or something?

K K Bhatt: No, not right we have kept stations under preservation and we will look forward how the gas prices movements are likely in the next couple of 6 months or 1 year down the line. Most probably if it is within the range of our promoters to take the power, then again we can





pull the machine and provide the power to our promoters as per the requirement.

Kushal Jain: What is the revenue you are expecting, maybe next year? If you can provide an outlook.

K K Bhatt: That is, you are talking about PBT or PAT?

Kushal Jain: No, only the revenue part, not the profit.

K K Bhatt: Revenue part right now Rs. 1,200 crores to Rs. 1,300 crores, but based on the capacity addition which is going to take place in the next 1 year, it would be flat. But 1 year down the line once we add the capacity, as I already explained how much capacity we are going to add - 200 or 300 - that depends. Accordingly, the top line will be added by that revenue. Next 1 year down the line, it will be added.

Manoj Shah: I just wanted to check about your gas-based power plants which have been closed due to the non-availability of APM gas or high gas prices. Regarding your PPA, is there any pass-through clause in that or you have to supply at a fixed rate? In the near term, the gas prices aren't likely to come down and availability of APM gas is very difficult. The tariff that you will get on per-unit basis is a fixed tariff or there is a cost pass-through clause is there?

K K Bhatt: I would like to apprise you, my gas-based stations PPA life is over - 30 years life - and, fully depreciated. We have maintained stations in a very good condition. So, only once the plant starts with the available gas cost, we will be able to sell it at the cost plus mechanism to our promoters and as per the requirement of participating units.

Manoj Shah: So, at the current prices, you think it is not viable because the cost will come too high. So, you are not in a position to run those plants. Is that correct?





K K Bhatt: Yes, correct.

Manoj Shah: At what price range of the gas will these plants will become viable if you can give some indication?

K K Bhatt: It would be between \$8 to \$8.5 per MMBtu. If the cost comes down, then we will be able to generate the electricity at a competitive rate to sell it to our promoters.

Manoj Shah: So, it would be \$8 to \$8.5 per MMBtu would be the viable price?

K K Bhatt: Yes.

Manoj Shah: And how much is the capacity gas-based Vadodara station 1 and 2. Is that correct?

K K Bhatt: Yes – Gas based Vadodara Station capacity is 310 MW.

Niraj Vijay Kamtekar: Sir, the company has 310-megawatt gas-based plant, 500 lignite, and 375 renewable capacity. Out of this, the 310 gas-based plant is in a nonoperating condition. So, operating is only 875 megawatt. Currently if we are spending Rs. 5.6 crores to Rs. 5.8 crores for the Khavda if even if I assume Rs. 5 crores cost of per megawatt, then the replacement cost must be around Rs. 4,000+ crores. And the current market cap of the company they will say is up to Rs. 1,300 crores. It means it is only 30% to 35% of the replacement cost. If we are spending the money now and even after we have spent so much of money, if we are spending now so in the future, how are the shareholders and investors are benefitted if the company's stock is going to be valued at this same 30% to 35% discount? Wouldn't it be better if we don't do the expansion and instead give this much money in the form of dividend to the company's shareholders? Wouldn't the shareholders be benefitted more this way? What are your thoughts on this?





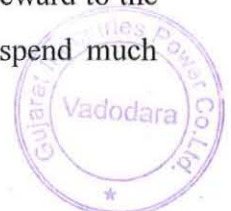
K K Bhatt: Everything cannot be looked at the perspective of dividend only. We have to see the requirement of the station, what is the requirement, where we are going. We have to expand in a different line. There are employees and our commitment to society which has to be looked into. So, we have to change our line of action to be in the market and to be competitive. We are bound to do this.

K K Bhatt: Company cannot run based on the dividend perspective.

Niraj Vijay Kamtekar: Sir, I don't want dividend, I want appreciation in the value of the shares held by the shareholders. Dividend is not the criteria of investment. But in the current times, you will have to accept the fact that.... If we are doing the development now.... You mentioned that Rs. 5.6 crores to Rs. 5.8 crores is the per megawatt cost for establishing the Khavda project. If I count just Rs. 5 crores as the replacement cost, then the operating.... The 500 lignite and 375 renewable, if 875 multiplied by 5 crores per megawatt if I calculate, then the replacement cost is more than Rs. 4,000 crores and our market cap is only Rs. 1,300 crores at the current market price. So, it is only 30% to 35% of the replacement cost. Then, even after spending so much money for the future expansion and after that also if the company's stock is traded at 30% to 35% of the replacement cost, then how is the shareholder going to be benefitted? I think rather than that, if the cash flow that is coming in is utilized for the purpose of rewarding the shareholders, then the shareholders will be in much more benefit.

K K Bhatt: Whatever you are saying, we will look into it.

Niraj Vijay Kamtekar: But if the management thinks about it, it is well and good because previously before me, some investor asked that in the last 5 years, we have spent Rs. 2,000 crores or Rs. 2,200 crores for the expansion, but perhaps there is no improvement in the share price or the reward to the shareholders. In the next 5 years also, we are going to spend much





more money for the expansion. If the stock price remains at the same level, there is no improvement in it, then is it not better that the cash flow that is being generated is utilized to reward the shareholders by the way of dividend or the shareholders be rewarded by the way of buyback or any other way rather than expanding the capacity?

K K Bhatt: How can you say about the future? This is the age of renewables and the share price may go skyrocket. It may be possible.

Niraj Vijay Kamtekar: But sir, whatever expansion that we are undertaking, it is in the renewable space only. The last 100 megawatt that you added, that also is renewable only.

K K Bhatt: Yes.

Niraj Vijay Kamtekar: Definitely, there is focus on the renewables, but somehow the market is not giving a proper discount. I am not saying that you do market-making. But the fact is that we are running at 30% to 35% discount of the replacement cost if I assume the cost as Rs. 5 crores per megawatt. This is the fact and then this is for 5 years. You have done the CAPEX every year - 75-megawatt, 80 megawatt, 100 megawatt - whatever increase of the plant capacity in the renewable space. In the future also, by 2024, we are supposed to complete the renewable park and then CAPEX also has to be incurred. So, even after spending all that if shareholder is not rewarded, then ultimately.... We invested to earn profit. No doubt that the company will have some focus being a PSU company, it's a separate matter. But anyways we are doing the commercial activity. So, profit will absolutely be the prime objective.

K K Bhatt: Whatever you are saying, we will look into it.

Niraj Vijay Kamtekar: Please consider it, sir.

Kushal Jain: Can you provide the breakup of profit from the renewable and the thermal? In the balance sheet or in the quarterly statement, you are not





providing properly whether how much revenue is coming from the renewable and from the thermal.

K K Bhatt: Profit you are talking about or revenue?

Kushal Jain: Basically, if you can provide in your financial data, what is the revenue breakup from renewable and non-renewable separately, then actually we can understand and we can think that you are making the investment in the renewable and the revenues also increasing. But right now, we are not able to see how much the revenue....

K K Bhatt: The way you are asking.... The revenue from the renewables will always be on a lower side. Give me your mail ID and we will provide detailed reply to your queries.

Kushal Jain: Basically, in the last 5 years, how much revenue from the non-renewables has decreased and.... If it is provided properly in the financial data, then it will be very nice.

K K Bhatt: I will give you, Kushal. Send me your mail ID, I will give you.

Kushal Jain: How to send? Someone will contact me for that?

K K Bhatt: Yes.

Management: Can you give your contact details, please.

K K Bhatt: Alright, I will provide it.

Vipul Shah: Sir, I also want breakup of the thermal and renewable EBITDA. And it is my suggestion that when you publish your results, it is better that you split the thermal and renewable EBITDA so that investors can have a better picture. The revenue and EBITDA should be mentioned separately. Why you are not doing this?





K K Bhatt: As per the SEBI guidelines, it is not required. That is why, we are not giving.

Vipul Shah: No, this is not the question of SEBI guidelines. This is a question of investor friendliness, sir. If investor is asking and if there is no harm for competitive reason, you should give the details, sir.

K K Bhatt: I am giving you. But as per the SEBI guidelines what we have published, is as per requirement. But since you have asked, I am providing you EBITDA Rs 106 Cr's. from renewable and Rs. 141 Cr's. from thermal. That is the breakup.

Vipul Shah: That is for which year?

K K Bhatt: That is for half yearly this year EBITDA.

Anshuman Ashit: Thank you everyone for joining this call and especially I thank the management of GIPCL for giving us the opportunity once again to host the call and giving very detailed answers to each and every question.

K K Bhatt: Thank you everyone.