“Ujaas Energy Limited Q4 FY2017 Results Conference Call”

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Management: Mr. Anurag Mundra - Joint Managing Director

Analyst: Mr. Deepak Agrawala

Moderator: Ladies and gentlemen, good day and welcome to the Ujaas Energy Limited Q4 FY2017 results conference call hosted by Elara Securities Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agrawala from Elara Securities Private Limited. Thank you and over to you Sir!

Deepak Agarwala: Thanks Raymond. Good afternoon everyone, on behalf of Elara Securities, we welcome you all for the Q4 and FY2017 Conference Call of Ujaas Energy Limited. I take this opportunity to welcome the management of Ujaas Energy represented by Mr. Anurag Mundra, Joint Managing Director and his Team. We will begin the call with a brief overview by the management followed by a Q&A session. I will now hand over the call to Mr. Mundra for his opening remarks. Over to you Sir!

Anurag Mundra: Good afternoon and thank you Mr. Deepak. At the outset, I am thankful to Elara Securities and Mr. Deepak for hosting this concall the earning presentation call for FY2017 and Q4 FY2017. As briefed by Mr. Deepak, we will start the call with a brief introduction. There might be many people who may be joining this call for the first time. So I will give a brief background about Ujaas Energy Limited. A very recent development on the industry, the financial performance of FY2017 and the call will be then opened for the question and answer. Well Ujaas Energy Limited started its journey way back in 1970s and we started with transformer manufacturing. In 2010-2011, we ventured into solar power generation and we started our solar journey by putting up our own 2 megawatt of solar power plant. While we were putting up our own 2 megawatt of solar power plant, we realized there is a huge business potential in solar because solar is completely modular in nature.

Many people want to put up a solar power plant, but the question was how. By definition it is a land intensive. You require a lot of plants and machinery, lot of services, and you continuously need to maintain that plant. So at the time, we launched a brand, a brand called Ujaas and that provided complete one-stop solution. Ujaas was very well picked up by the market and we got some success in providing complete solution. As we progressed, our 2 megawatt we further added up some capacity and currently we own around 15.5 megawatt on our balance sheet and we added lot of capacities for our clients. Currently, we work under three segments in solar side. One is a solution segment that is the park segment where we provide complete one-stop solution. Second is the EPC segment. There is a lot of tendering opportunity there in the market. Many PSUs wants to put up a solar power plant for various reasons. So we bid in those tenders and put up a solar power plant for on the client's location and the third segment of the business is rooftop and rooftop is further bifurcated in two segments. One is GCI that is government, commercial, and industrial and second is rooftop home, which is the retail segment. Now the biggest strength of solar is one it is modular in nature, second it has a distributed generation. What I mean by distributed generation, you can generate the power at the point of consumption. Now no other form of renewable energy has this type of strength, which solar has.

The demand of solar is primarily coming from RPOs, renewable purchase obligation. India has given a commitment to international community that by 2030, 40% of its power will come from renewables and by 2022 and 8% of its power will come from solar. So if you run the numbers, we will find that to meet the commitment of 8% or RPO, we will require a capacity of 100 gigawatt in the country. Currently, we have around 12 gigawatt in the country. So this sector is going to grow with a very, very rapid pace. Out of this 100 gigawatt, 40 gigawatt has to come from the rooftop side, which is also a fundamental strength of solar and as per the current estimates, the total capacity on the rooftop in the country is somewhere around 1.5 gigawatt. So again a very, very big growth is expected on the rooftop side. Where solar is very much in use mainly because of the falling tariffs companies are quoting very low tariffs. We have reached the level of sub Rs.3. It means that as a power generation, we have achieved an overall parity probably for all the marginal demand of power.

Solar is cheaper than the conventional thermal plant. Now that is a big achievement what we had in our country. Obviously, a question comes in the mind that at such a low level are people making money? Well the question is yes. They are making money out of it. We need to understand that this tariff has been quoted by the companies, but the plant will be commissioned in FY2018 or in fact from the second half of the calendar year 2018. The prices of solar power plants are continuously falling and it will again further fall in the next one to one and a half year. So if you factor in that fall, which the companies were quoted this price had already considered and consider a cost of capital at least the cost of debt capital in a single digit, then these projects typically gives an IRR somewhere between 11% to 14%. Now when the cost of capital is sub 10 or in a single digit, any IRR of 12% to 14% is considered is a reasonable return for the customer.

On the tax front, the depreciation rate has been reduced from solar has been communicated earlier. Till last year, it was 100% and from the April 1, 2017, it has been reduced to 60% in the first year. We are expecting that GST will be rolled out from the July 1, 2017 and till now the rate of sales tax or excise on the solar power plant is nil. There is some confusion in the industry. Some section of the industry was saying that the rate of tax on solar module, which is the key product for solar power plant was 18%, but I believe from the yesterdays statement from the revenue secretary, he made it clear that it will be a 5%. However, there is still some confusion prevailing in the market because he has clarified that rate of GST on the solar module is 18%, but he has not clarified about the rate of GST on the solar cell, which is the raw material for a solar module manufacturer. As per the schedule issued by the government or schedule available in the public domain, the cell rate still shows the 18%. We believe that there will be some clarification issued by the government after June 3, 2017. So this is a very brief background about Ujaas.

If we talk about the financial of Ujaas in FY2017 we did a sale of Rs.479 Crores vis a vis Rs.279 Crores of the last year, this is the total income a growth of 71.38% on year-to-year basis. The profit after take has increased to Rs.36.3 Crores vis a vis Rs.20.9 Crores in FY2016, again a growth of 73.68%. If we talk specifically about sales, sales have increased on year-to-year basis if you come with the previous quarter, however, there is a marginal reduction of 3% of sales in Q4 FY2017 vis a vis Q4 FY2016 and that reduction is majorly attributed to the reduction in prices of solar power plant. This year we have installed more than 81 megawatt of solar power plant. I have always maintained that this year we will be doing around 80 megawatt of solar power plant. In this Q4, we have done around 31 megawatt of solar power plant. Specifically in Q4 the total sales was Rs.151.47 Crores. Out of this around Rs.133.09 Crores is coming from our solution segment, park segment, Rs.11.70 Crores is coming from EPC segment and Rs.6.69 Crores is coming from rooftop. Rooftop we are very, very bullish about the rooftop and the growth aspect. Similarly as I mentioned earlier the PAT has increased by 73% on year-to-year basis and 27% by the previous quarter. Yes, there is a reduction of PAT from Q4 FY2016 to Q4 FY2017 and that reduction is mainly because of the higher expenses on HR and the other expenses and other expenses mainly combined of the marketing expenses.

We are focusing more on rooftop in both GCI that is government commercial industrial and home segment and if we do a competitive analysis of this segment, this is a space where there is no organised player and lot of growth is possible and from 1.5 gigawatt, country wants to reach a capacity of 40 gigawatt in the next four to five years. So we have hired a very able team from the scholars of IIT, IIMs, invested good amount in developing marketing infrastructure, building brand, and positioning strategy. So this is the scenario where we invested some money in developing these two segments and in times to come we believe this will yield a very good return for the company. If we look at the return on capital employed on year-to-year basis we have maintained a return on capital employed of 20% and return on equity has improved from 11% in FY2016 to 16% a jump of 500 basis point in FY2017. As mentioned in earlier call also for FY2018, we are looking for a capacity of around 150 megawatt to be done and I believe looking to the opportunity available in sector doing 150 megawatt in FY2018 is quite possible and it will be done. Well that is all from my side and if you have any of the question, please do ask.

Moderator: Sure thank you very much. We will now begin with the question and answer session. We have the first question from the line of Kaustav Bubna from SKS Capital & Research. Please go ahead.

Kaustav Bubna: So on your outlook for 150 megawatt capacity in FY2018 as you said the reduction in prices of solar power plants has led to a little muted revenue in this quarter, going ahead with your target of doubling capacity, how do we look at revenue because we would assume that the prices of solar power plants will keep coming down?

Anurag Mundra: Yes it is a million dollar question, so one has to predict the prices of solar module, which nobody can do that. If you look at the solar prices or the prices of solar power plant how it has moved, it has reduced by typically 15% to 16% in the last one year and I expect this trend to continue at least for one year more. So what we are targeting is the megawatt capacity and not the sales in INR terms.

Kaustav Bubna: But do you still expect to see on your growth in sales?

Anurag Mundra: In INR terms.

Kaustav Bubna: Yes.

Anurag Mundra: Well obviously from 80 to 150 there will be a growth because solar prices cannot fall by 50% in one year, solar power plant prices. Obviously, there will be a growth on that, but from 80 to 150, which is roughly around two times will the growth be two times, well the answer is no.

Kaustav Bubna: But could the growth be about 40% to 50% because if your cost is falling 15% then your capacity is going up 100%, is it fair to assume 40% to 50% growth?

Anurag Mundra: Yes it is fair probably a little higher.

Kaustav Bubna: Revenue growth right?

Anurag Mundra: Yes.

Kaustav Bubna: Now on your margins Sir your breakup is more on solutions right now and rooftops will be increasing. Do I understand right that the money that the promoter had sold shares that money has gone into rooftop capex?

Anurag Mundra: No. We do not hold any assets expect the 15 megawatt, which we initially did. So the money what promoter has infused in the company yes that is for the RESCO module for the capex. We have already bidded for that. So money has not been invested till now in the capex. It is in the company's balance sheet.

Kaustav Bubna: Could you talk a little about the RESCO I do not know what it is?

Anurag Mundra: So there are various model in which the solar industry works in. One is the EPC mode or the field mode where we put up the plant for our client and that asset lie in the clients' balance sheet. Second mode to do it own asset, have an asset in your balance sheet or you float an SPV and have an asset in that balance sheet and whatever the power you generate. That power you sell to the customer. This mode is RESCO model. Now out of 10 gigawatt to 15 gigawatt opportunity, which is going to come up in FY2018 almost 7 gigawatt to 8 gigawatt will come in RESCO mode. So there is a business opportunity over there. However as a company we are quite clear, we do not want to own assets in our balance sheet or in SPV that way, but there are many companies across the globe who are interested to own the asset and if they want to come in India and own the assets, they require a partner who can primarily do away with the mitigating risk associated with the solar power.

Kaustav Bubna: So you will be the partner?

Anurag Mundra: That is where Ujaas comes in. Yes we can be a partner and to show our commitment what is required from that partner that initially till the execution phase, you also invest some money. You become a minority share holder in that enterprise. What can be that anything between 5% to 25%. So that money is for that purpose. Once the project had been executed, mitigation risk is off from the project, you can come out of the project, sell your equity, either to that majority partner, or you both find a new enterprise, new company who wants to take that asset, do a inventive step of structure or something. Probably in previous calls, I have given a lot of description on how it works if you go through the script.

Kaustav Bubna: No problem, I do not want to waste the time on that. Also basically your EBITDA margins are falling continuously from FY2015 to FY2017, so for this quarter specifically what would you attribute this your fall in EBITDA margins because...?

Anurag Mundra: For FY2015 specifically if you look that was a washout year. You have very low topline per se. So obviously the EBITDA margin in a percentage terms looks very high. EBITDA FY2016 and even in FY2017 was on a very reasonable terms. Only the EBITDA margin has come down in quarter four.

Kaustav Bubna: Why is that?

Anurag Mundra: Because basically for two reasons, your expense on HR that is basically salaries and your expense and marking expenses. Now the obvious question comes in, cannot the EBITDA can be increased. Well yes. Given the majority of sales is coming from the solution business. In solution business, there is not much competition we are facing, but in a scenario where the prices of solar power plant is falling, the tariffs are falling, it may not be a prudent action to go to your customer and ask for a higher price. If you do that what are you doing? Whatever the expenses you are going to have in another segment, you are trying to recover that expense from another segment, which is not in the sync with the industry trend or which is not in the sync with the interest of your customer and yourself. So this is the step very cautiously with a lot of calibration we have taken. Knowing all things that yes this is the cost we are bearing. It is like an investment we are going to do for some time, but looking through the opportunities available in rooftop both in the retail segment and GCI segment, it is worth spending money over there.

Kaustav Bubna: Great and going into FY2018 what range of EBITDA margins would you expect?

Anurag Mundra: Well I always maintained that in EPC segment we make a margin of somewhere around 9% to 10% and in our solution business and rooftop business, we make an EBITDA margin of 14% to 16%.

Kaustav Bubna: So it will be fair to assume about 13% to 15% anywhere between that for your total FY2018 right?

Anurag Mundra: Yes.

Kaustav Bubna: Okay. Great. Thank you.

Moderator: Thank you. The next question is from the line of Bhaskar Joshi from Luis Dreyfus. Please go ahead.

Bhaskar Joshi: So I would like to know what is the current date order book of the company as on date along with that the bid book as well and what about the tender when is the result likely to come out of tender and is the company going to bid for big projects big in the terms close to **(inaudible)19:22** over the coming years or are you going to accumulate smaller projects, the kind of projects you have been releasing on the website close to 2 megawatts and 5 megawatts?

Anurag Mundra: Thank you Mr. Joshi for asking this. Currently, we have an order book position of around 20 megawatt. I want to emphasize on one point, we never had and we will never have a very big order book position. This is the trend continues since the last 20 quarters or even more than that because it is basically in rooftop and solution segment, we deliver the project in 90 to 120 days and even in some cases, we complete in less than 90 days, number one. Number two we have a bid book position of around 85 megawatt as of now. The third question as a result of the SECI bid 50 megawatt, we are expecting the results to come out by the June end or by early July. The fourth question, yes many people have asked me here also that are you going for this big projects like Rewa or the **(inaudible) 20:27** project we have. Well it is a very big scale for us. As of now, we are not going for such a big project of 250 megawatts or even more than 100 megawatt in the first go and after looking at the result, I feel happy that yes it is a correct strategy to do that because what is happening in this segment, people with very deep pockets who is an expertise in raising funds at a ultra low cost. To give an example, I understand especially on the Rewa project, out of three companies at least two companies are raising money in forex and they do not plan to hedge that risk in the immediate future. These types of skills Ujaas does not have, so probably we will not be going for this type of very big projects. I believe I have answered Mr. Joshi if you have any?

Bhaskar Joshi: Yes just one additional question. So in the first quarter itself of this year would you have any idea as to how much you executed in the first two months?

Anurag Mundra: No. As of now, I do not have a figure that how much we executed.

Bhaskar Joshi: Thank you.

Moderator: Thank you. The next question is from the line of Rahul Dhruv who is an Individual Investor. Please go ahead.

Rahul Dhruv: Hi. I had one question on the power generation business, the margin from what you are showing has fallen quite substantially in the Q4. Actually the revenue is at 104 and at the EBITDA is at 60, which compares to almost 90% margins that we used to have earlier what is the reason for that?

Anurag Mundra: Well higher expenses and the booking of the revenue that might be the reason though I will go very deep into that and will brief you about that. As of now, I do not have and probably the costs have increased in this segment.

Rahul Dhruv: Because the pure generation business typically has 85% to 90% margins right?

Anurag Mundra: No. This operation segment has two parts in it. One is the power generation business and second is running of solar power plant, so all the AMC revenue, O&M revenue comes in this segment. So probably the maintenance activity we might have picked up in Q4 because of the Q1, we have become... a very hot season and doing maintenance may be a challenge there.

Rahul Dhruv: Secondly you mentioned that the cash that you raised by selling equity has been put back into the company, but I am looking at the balance sheet, it does not show up anywhere do you know where it shows up?

Anurag Mundra: No it shows on the short term borrowings Rs.28.12 Crores in the current liability three. So what happens as per company law, as a promoter we can give loan to the company to a certain limit of the turnover what we had in the previous year, so whatever the legally allowed, we have infused in the company and now there is remainder money, which is available with the promoter as of now. Now with this audited balance sheet coming out, we are at liberty to further infuse that money in the company.

Rahul Dhruv: So the 50 megawatt that you have bid for which you said June or July can you explain that project what exactly is that?

Anurag Mundra: So it is a SECI bid for the rooftop projects spread across the country, so one has to bid for the various states that we will be going to bid for this. We will be going and putting up the projects in these states and the bidding will be of different rates for the different states. We have done a lot of exercise to finding on which is the better state suited from the point of project execution as well as higher revenue what we can bid for those projects. So the total bid size of what SECI has invited out is for around 500 megawatts and we have participated in 50 megawatt.

Rahul Dhruv: So also the money that was raised was supposed to be for RESCO model right, what is the status on that. Is there anything that you have bid or anything that you have...?

Anurag Mundra: The SECI bid is for that model. It is in the RESCO model.

Rahul Dhruv: So you have a partner already in this?

Anurag Mundra: Yes I believe I have spoken in the last concall itself yes we have two parties ready one is the China based, listed Company in Hong Kong and another is an European-based company.

Rahul Dhruv: Okay. I have some more questions, but I will come back later.

Anurag Mundra: Fine Sir.

Moderator: Thank you. We have the next question from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: Yes Mr. Anurag. I just somewhere missed on the margin front can you explain why there is a significant drop in the margins for power plant as well as for the sale of solar power systems?

Anurag Mundra: So the margin has been reduced because of the higher expenses on HR front and marketing expenses for rooftop and GCI. So what we believe that huge growth opportunities are available in rooftop segment. If you do a competitive analysis of that segment, you will find there are very few players on an organised space there and currently from 1.5 gigawatt we want to reach a capacity of 40 gigawatt in the next four to five years. So you require a team and in the last one year, we have built a team, hired people from IITs, IIMs, invested some amount of money in developing marking infrastructure, building brand, and having various strategy on the place, so this is like an investment from out of which you can reap some money in times to come.

Prithvi Raj: That is fine, but coming to the solar power plant operation wherein if there is a solar power plant operating, the margin should be higher right, but in this quarter it is very low?

Anurag Mundra: So as I explained in the previous question in the solar power plan business has two revenue streams. One is the power generation and second is the AMC thing what we have. So the exact figure is not in front of me, but the cost of maintenance of that plant you take up. So probably the major maintenance has been taken in the Q4 rather than Q1 of these years because Q1 is the hotter season, summer season. Doing maintenance in plant may be challenging.

Prithvi Raj: So you mean to say the Q1 margin again should be back to the normal?

Anurag Mundra: Yes. I always keep on maintaining in earlier call also that AMC type of business gives a decent margin of more than 50% types.

Prithvi Raj: And this major maintenance is generally done in Q1 for every year?

Anurag Mundra: So like last year we did in Q1.

Prithvi Raj: And coming to your order book how much should be executable in Q1 and Q2 for FY2018?

Anurag Mundra: So out of this 20 megawatt a significant portion will be done in Q1 itself.

Prithvi Raj: And what about Q2?

Anurag Mundra: Well for Q2 yes order book is still building up. We already have a bid book for around 80 megawatt to 85 megawatt. Debt bid book is primarily from the EPC business. Obviously, the Q2, which is the second quarter, we also reasonably well on the park side, which is our solution side.

Prithvi Raj: You also mentioned that you have already bid for RESCO projects?

Anurag Mundra: So out of 150 megawatt what I forecasted we have not considered this RESCO model for that.

Prithvi Raj: When this would be announced the results?

Anurag Mundra: June last or early July.

Prithvi Raj: And you have bid for 150 megawatt?

Anurag Mundra: No, 50 megawatt.

Prithvi Raj: Okay, 50 megawatt. This you have done with any JV partner or you have done it by yourself?

Anurag Mundra: So we have bided on Ujaas name and at the time of the biding you have to click on an option that you will be putting up this project either on your own or through SPV, so we opted for SPV.

Prithvi Raj: And you have got a JV partner for this?

Anurag Mundra: Yes.

Prithvi Raj: Fine. Thank you.

Moderator: Thank you. We have the next question from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you. What is your guidance for turnover and margins for FY2018 and FY2019?

Anurag Mundra: Well we do not give guidance on the turnover and profit margin. We are likely to do around 150 megawatt in FY2018 and our business comprises of three segments. One is the EPC, park, and rooftop. In EPC, we are likely to do around 50 megawatt. In solution business, we are again likely to do around 50 megawatt and in the rooftop retail, we are likely to do somewhere between 20 megawatt and 25 megawatt and so is the rooftop GCI another 20 megawatt to 25 megawatt. In EPC, we make an EBITDA of 9% to 10%. In solution and rooftop, we make an EBITDA somewhere between 14% to 16%.

Tushar Sarda: And what are your EPC revenues, so with this tariffs coming down will the EPC revenue per megawatt come down?

Anurag Mundra: Well yes however there is no direct correlation but yes there is a relation because the tariff is coming down, it is a function of the prices of solar power plant because your prices of solar power plant is also coming down.

Tushar Sarda: So what do you get on EPC per megawatt now?

Anurag Mundra: So it is very difficult to answer that because in EPC the bill of material of each project to project defers, so prices may differ from Rs.4.5 Crores to Rs.5.5 Crores per megawatt.

Tushar Sarda: EPC is where you also buy the material and you do the whole work?

Anurag Mundra: Yes. See all the three segments, we buy the material and deliver to our client.

Tushar Sarda: So it is not just pure EPC where you just construct the plant and acclimatize the material?

Anurag Mundra: So EPC means engineering procurement and construction, so procurement is an integral part.

Tushar Sarda: Okay. Thank you.

Anurag Mundra: Thank you Mr. Tushar.

Moderator: Thank you. The next question is from the line of Vetri Raju from Equity Analyst Pvt. Ltd. Please go ahead.

Vetri Raju: Thanks for taking the call. Anurag one question in terms of the margin compression in Q4, you said it is due to HR and marketing expense just correct me if I am wrong commonsensically if you hire people from IIT or IIM they are long-term employee and if you are going to retail rooftop and so on marketing expense is going to continue, so how do you explain that you will again go back to the earlier margin?

Anurag Mundra: Yes they are the long-term employees and they will remain in the companies. Yes because your topline will be growing. This year you have done 80 megawatt. Next year you are doing 150 megawatt. Here I am not accounting for the RESCO model itself when that business comes even the figure of 150 megawatt may go higher, so on the margin front because your topline is increasing, your margin will automatically improve because your HR cost has on a percentage basis will come down. Similarly the marketing expenses yes some marketing expenses have been done. Some marketing expenses we will continue to do in this year also, but again when your topline is growing obviously your margin is going to improve.

Vetri Raju: No I was just thinking that we are in a brand building phase and we are just one quarter into the exercise and typically any such brand building takes at least a few quarters if not few years?

Anurag Mundra: So it is not only brand building phase. We are already there in business and executing the projects. Why brand building is important in this case because if you look at the rooftop retail, you would not find any organised player in that and in that segment if you can build a brand and work on that, the opportunity is huge. Today the grid power in various states is almost somewhere between Rs.6 to Rs.10. In Bombay, it is almost Rs.10 a unit. In Madhya Pradesh, it is around Rs.6 to Rs.6.50 a unit. If you generate power through ,solar it costs somewhere around Rs.4.50 and day by day this price is improving on the rooftop side. So if you can build a brand, there is a huge market. You have 200 million households in India.

Vetri Raju: Right. As a followup question, Anurag that is a huge opportunity at the same time it is a huge challenge reaching them competing with the street-end local guy who can also claim to put up the same solar plant at may be half the cost or something, so what is the macro plan in terms of reaching to the retail because that has been the most difficult part in marketing right, marketing to the retail and collecting and maintaining margins? What is the macro plan in that?

Anurag Mundra: Fine, so the very first part, though the face of competition is changing from each city to another, but there cannot be any situation where a small guy can come and say I can put up a plant in half the cost, no this is not the case. In fact, at Ujaas we have that cost advantage because we are able to leverage our megawatt business to a kilowatt business. Solar is completely modular in nature. So what module is required in a megawatt business in EPC and in your park business, the same module is required in your kilowatt business. So we have a better negotiating power to control our cost, number one. Number two, to just give an example every solar power plant whether it is 1 kilowatt or 10 megawatt it requires SCADA. If you have a solar power plant on a house roof you require a mechanism probably on your mobile or on your computer where you want to review that how much power has been generated, how much power till now has been generated, how much power has been generated between 12 o'clock to 1 o'clock, and how much money you have saved by putting up a solar power plant. Now this requires some investment in that sector. Now it is very difficult for an unorganised player to invest that money to develop that infrastructure. So this is the strategy that to offer a better quality product, which can survive for 25 years at a same price. This is the strategy simply put up.

Vetri Raju: And as you rightly said that in Mumbai and other places the electricity generation cost is like Rs.8 and so on, conventional just commonsensical thinking says that all these diesel generating sets I keep reading annual reports and many companies report that it cost per kilowatt.. in diesel generating substations costs like Rs.15, Rs.13, Rs.12, and so on is that also an opportunity for the company Anurag?

Anurag Mundra: Yes so diesel replacement market is an opportunity definitely. It is one of the very big opportunities available over there. So one of the challenge what we face in the diesel replacement market that solar is an infirm power. What it means my power generation is a function of some natural phenomena, which is not under my control. So there is a technology where you mix solar with DG sets and the priority has been given on solar however as the prizes of storage is falling and which is continuously falling. They are following the same price curve as solar has followed in previous five years, so probably in one and a half to two years' time, we will be in a position to completely replace the DG with a storage, with a battery.

Vetri Raju: Okay. Thank you. If I have any questions, I will come back in the queue.

Anurag Mundra: Yes Mr. Raju.

Moderator: Thank you. The next question is from the line of Deepak Agarwala from Elara Securities. Please go ahead.

Deepak Agarwala: Sir a couple of questions to help us understand how the progress has been through FY2017 in terms of acceptability and on ground implementation of net metering policy though they have been in place, but we have been hearing quit a mixed news that discounts are just dragging their feet on getting this policy implemented under garb of some way or the other or putting some capacity restriction or putting some volume restriction to the extent of how much rooftop you can install is linked to the connected load. Can you give us some on ground challenges, which your team is facing and how do you address this because since you are betting big on rooftop for the next year also?

Anurag Mundra: Absolutely net metering was a challenging subject since the last couple of years though the electricity had provided for the compulsory to give a net metering facility to every consumer, but the effective roll out of the net metering was challenged since the last two years however Government of India has taken the initiative and they had given two very specific incentives to utility company so that they can give a net metering permissions. Number one, whatever the power being generated and passed through net metering that power will be considered in the RPO of that utility company renewable purchase obligation. So without spending a penny their RPO still that extent will be met. Second utility company had a fear that they will be losing their cream customers by allowing a net metering or by putting up rooftop solar power plant, so MNRE Ministry of New and Renewable Energy has given a financial incentive of Rs.37.5 lakh per megawatt of the net metre permission they have given in their geography.

Here is the example of what you are quoting that yes some utility company are putting up restrictions like whatever the connect load you have a certain percentage of that can only put up on the rooftop? Well initially I do not find it is a bigger challenge because not a significant work has been done on the rooftop side. So even with that restriction though that restriction is there in some state, but even if you quantify that restriction still there is a hug,e huge market. One very positive thing has happened and more and more utility companies are understanding this as a country we want to reduce our T&D losses and T&D losses is a function of transmission of power from generating point to point of consumption, which may be say 1000 miles apart. Now unless and until you have distributed generation, generation in every colony and your every next house when that happens your T&D losses will significantly reduce. That will also reflect on the lower cost of putting up a transmission infrastructure, so many utility companies especially the utility company in Gujarat have understood that and other utility companies are also learning it very fast that net metering will improve their T&D losses plus this incentives are available from the government. So I believe that challenge yes in some utility companies the challenge is still there, but very fast those challenges are going out.

Deepak Agarwala: While you just mentioned Rs.37.5 lakh subsidiary that is given to the utility or to...?

Anurag Mundra: Utility Company, subsidy to the the house owner is different, that is 30%. This is specifically for the utility company.

Deepak Agarwala: My second question, which you have I think not touched upon so far how has been the revival in the REC market and now that new REC rates have been challenged in the court, so what is happening in the last one and a half months to two months this year?

Anurag Mundra: The new REC rate has been stayed by Supreme Court, number one. If you talk about the REC revival if you look at the volumes what has happened in FY2016 and FY2017. In FY2016 the volume has increased by almost 12 times and FY2017 again there is significant I believe it has improved by more than three times in FY2017. Now with this orders of supreme court and regulatory commission yes I conveyed in the earlier concall also to my mind the problem of RPO, which ultimate revived the REC market has been largely solved and whatever the inventory we are looking at in the market probably in the next six to eight months it will go away.

Deepak Agarwala: How much inventory we have on our books?

Anurag Mundra: Around Rs.55 Crores.

Deepak Agarwala: Rs.55 Crores and how much this costs let us say six months back or three months back or maybe a year back as on on FY2016?

Anurag Mundra: I believe we have added around Rs.6 Crores to Rs.7 Crores in a year.

Deepak Agarwala: My last question is if you can touch on how do you see the development when you are forecasting for let us say 150 megawatt for FY2018, any specific dates you have in mind where you see the investment is more conducive and the discoms are more cooperative and coming on board versus some other states and if you state that you can highlight where a fair a bit of business will go in that state from your company?

Anurag Mundra: Well the EPC business where the target is around 50 megawatts it is state-independent because it is not mainly, it is almost 100% is PSUs. So when you deal with the PSU all the trouble of utility company has been taken care by the PSUs, so it is definitely the state-independent project, EPC. On the park business, yes we are looking on Madhya Pradesh also that we have done till now and obviously Maharashtra and again on the rooftop we have a Pan India presence. We are already working I believe from Punjab, Delhi, Rajasthan, Gujarat, Madhya Pradesh, Lucknow, Bihar, Jharkhand, Tamil Nadu, Andhra Pradesh, and Maharashtra. We have a Pan India presence and even recently we got an order from Arunachal Pradesh.

Deepak Agarwala: So it is very well spread out, no single state concentration?

Anurag Mundra: No. Rooftop and EPC is no. The geography is no restriction, absolutely no restriction.

Deepak Agarwala: Okay fine. I will come back into the queue.

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

Deva Modi: Sir basically what would be the total capacity that you would have setup by March 31, 2017 and what would be the breakup under park, EPC, and rooftop?

Anurag Mundra: Yes the total capacity we have done in FY2017 is around 81 megawatt for the year. In the Q4, we have added up a little higher than 31 megawatts and out of this 28 megawatt is on park side, 2 megawatt is on the EPC side, and rooftop around 1.2 megawatt. This is for Q4.

Deva Modi: Correct Sir. Sir on cumulative basis I was asking?

Anurag Mundra: Cumulative, I do not have a ready figure as of now.

Deva Modi: Sir so basically from what we understand your rooftop number has come in at only around 1 megawatt and I understand that if you do the rooftop and O&M are the components, which probably hold the highest margins in the business apart from probably also the partner and their respectable margin, so what kind of volume can we expect from the rooftop side in FY2018 in particular on the GCI side as well as the home side?

Anurag Mundra: So we are targeting around 20 megawatt to 25 megawatt both in GCI and the rooftop retail for FY2018. If I understood correctly you are also asking about the O&M margins on there is it and rooftop side?

Deva Modi: O&M is something I will come to, but again Sir this 20 megawatt to 25 megawatt is compared to like this year probably you have done only 2 megawatt to 3 megawatts on rooftops, so what is it that that makes you confident of so much of growth on the rooftop front, I mean currently do we have the order book for that or why is that we are looking at so much of growth over there?

Anurag Mundra: So the rooftop because we are investing a lot of resources on the home segment. The whole retail segment is out as of now and there is absolutely no competition from organised player there. Even if you look at the planning on the rooftop GCI segment, the bid which are in the pipeline, which is going to come up targeting 20 megawatt to 25 megawatt on rooftop GCI segment, it is absolutely normal and it is not very ambitious on that phase. You have already executed overall parity, so for any institution whether it is an educational institution or a hospital or even an industry, it will make more sense to put up a rooftop power plant.

Deva Modi: Sir I think on the margin side, so because this quarter the margins looks a little bit impacted what is the kind of margins enjoyed in the O&M front and going ahead what can we expect from the O&M front as annuity revenue sort of accrues?

Anurag Mundra: So I have maintained that O&M gives some decent margin of around 50% in the business.

Deva Modi: What can be the steady O&M revenue, which can come, I mean given that you are capable to do capacity of around 220 megawatt to 230 megawatt which you should have setup by now?

Anurag Mundra: Okay, the figure I do not have ready with me, but I will definitely supply it to you.

Moderator: Sorry to interrupt, but may we request to return to the question queue for followup questions as there are several participations waiting for their turn.

Deva Modi: Sure I will do that. No problem.

Moderator: Thank you. The next question is a followup question from the line of Abdul Mohammed from United Health Group. Please go ahead. There seems to be no response from the line of Mr. Abdul Mohammed. We will move to the next question. The next question is a followup question from the line of Mr. Rahul Dhruv who is an individual investor. Please go ahead.

Rahul Dhruv: I actually had one or two questions, which got answered, but just focusing on the parks business do you have any new parks, which have been launched, has land acquired. Can you just throw some light on that because that is where the key visibility is?

Anurag Mundra: Yes from the design of the business on the solution side with every six months we launch a new park. So we have already acquired. We have land in possession for two parks in Madhya Pradesh and one park in Maharashtra.

Rahul Dhruv: And how much of that has been sold already?

Anurag Mundra: No so when I say two parks means those parks are largely vacant. Just keeping the land for these three parks and typically each park would have around 30 megawatt of potential capacity.

Rahul Dhruv: Nothing has been presold as yet?

Anurag Mundra: Yes nothing has been presold.

Rahul Dhruv: Sir you gave a breakup of 150 megawatt, 50 megawatt coming from parks, 50 megawatt coming from EPC, and 50 megawatt from rooftop, now I just wanted to know the strategy is slightly different from what we have talked last time. I think this is much more larger number that we are putting on rooftop. Where is the visibility coming from especially on the residential as in the non-institutional side on rooftop.

Anurag Mundra: So residential is basically B2C segment where all these positions, strategy, our brand strategy, and market strategy coming in the picture, so we had already done almost 400 homes on the rooftop home side and every week we are rolling out our rooftop home in the new city, so targeting around 20 megawatt to 25 megawatt on rooftop homes segment is very much feasible in this year?

Rahul Dhruv: How much have we done so far?

Anurag Mundra: Till now we have done around 400 homes, so which is a little lesser than 1 megawatt or you can say close to 1 megawatt cumulative.

Rahul Dhruv: Just coming back to your previous... you mentioned on REC you said it is very easy to sell them off this year, what is...?

Anurag Mundra: We expect that this problem will be solved in this year.

Rahul Dhruv: How do you expect that to happen?

Anurag Mundra: Because the RPO compliance is improving significantly. If you just look at the BSIII order though it is an unrelated sector for us, but the concern, which the Supreme Court has shown about the environmental condition and how the people or how the monitoring agencies are taking it lightly plus we are getting orders from state electricity regulatory commissions and from **(inaudible) 51:30**. There is no other choice with obligating agency, but to meet their obligation.

Rahul Dhruv: When do you expect that to go through?

Anurag Mundra: Meet the obligation?

Rahul Dhruv: Yes.

Anurag Mundra: Well if you look at the inventory available in the market even all of the inventory being consumed, even after their obligation cannot be meet because their obligation is so high. What I meant that probably this year all the inventory, which is available in the REC market that will move out.

Rahul Dhruv: You will get the Rs.50 Crores back?

Anurag Mundra: Yes that is what we are expecting.

Rahul Dhruv: I just have one last one, which is on the cash front, you were almost down to net debt of almost zero last year and again here it has gone back up. Now if you remember the last call you had specifically mentioned that by the year end there will be net cash, so what has changed?

Anurag Mundra: Well if you look at the long term borrowing, last year we had a long-term borrowing of Rs.88 Crores and this year it has gone down to Rs.78 Crores. If you follow the trend since the last five years our long-term debt has been reducing by Rs.10 Crores to Rs.11 Crores every year. This year, the cash available in the book is around Rs.65 Crores as of March 31, 2017, which is a comparable figure as of I believe on September 30, 2016, we had a cash of around Rs.68 Crores and as of March 31, 2017, we had a cash of around Rs.65 Crores. Yes it is a little bit down from the cash what we had on March 31, 2016 and mainly because of the payment period has been improved for our company because we are also focusing on this rooftop ecosystem and here the ecosystem is little bit of different, so probably an early payment to our suppliers will help us to scale up that business on a very fast pace, but still I believe having a cash of Rs.65 Crores in balance sheet is a very healthy cash.

Moderator: Thank you. We take the next question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: I was just trying to understand the composition of end-user market, so for instance all the capacities you have put up in your solar parks what kind of PPAs are your end customers getting and what are the PPA rates hovering at currently now?

Anurag Mundra: Yes so when you put a plant in our solar park, we sell power or our customers sell power through open access and when they said sell power through open access they get revenue anything between Rs.4.8 to Rs.5.5 per unit. How this rate has been negotiated. Suppose there is a customer there is particularly X hotel, their cost of energy form the utility companies say Rs.6.5 or say Rs.6 per unit, how it has been negotiated. We negotiate how much discount we will give on that power, which is roughly around 20%. So out of that Rs.6 we reduce Rs.1.2 and sell power at Rs.4.80 paisa.

Baidik Sarkar: Given that this rate will only now come down given our energy cost is falling and given all the levelized cost of tariff as such is falling. Do you think from our financial incentive point of view, do you know people might not be as excited about this business as they were sometime back I mean obviously equity IRRs would be falling with the recent falling power costs, so I was just trying to understand how attractive this business will still be say about two to three years down the line.

Anurag Mundra: Fine. So the businesses will be very attractive even two to three years down the line very, very attractive one. The tariffs are falling what tariffs are falling solar power tariffs are falling and how much solar power contributed to the whole economy in percentage terms, it is less than 1.6%. What it reflects, the solar power alone does not have the power as of now to reduce the cost of power overall, which is also quite visible. If you look at the tariff order of any state the power rate to a consumer has actually increased, has gone up. If you run the IRR calculation for my customer they make an IRR of around 40% as of now, 40% of IRR they are making. Even if you reduce it by say 500 to 600 basis point any IRR of 30% types are phenomenal.

Baidik Sarkar: Sure. I am sorry if I am **(inaudible) 56:06** in Q4 FY2017 what was the RECs we realized?

Anurag Mundra: How much REC we have sold is the question? We have sold around Rs.3 Crores of REC.

Baidik Sarkar: In Q4 alone?

Anurag Mundra: Yes.

Baidik Sarkar: The entire 50 megawatts that we expect from FY2018, is it continuously contingent upon the tender that we bid for right?

Anurag Mundra: No. Even we have not considered the tender for this 150 megawatt. That is SECI tender or the tenders coming up for that mode. We have not considered in calculating 150 megawatt.

Baidik Sarkar: Is it fair to assume that executions will be heavily back-ended towards Q3 and Q4 of this year like it has always been in the industry?

Anurag Mundra: Definitely Q2, Q3, and Q4 are the big quarters compared to Q1.

Baidik Sarkar: Assuming you do win this SECI tender what would be the total equity contributions from your end and what percent would that constitute?

Anurag Mundra: So typically if we do just back of the envelope calculation even if we win the whole 50 megawatt we have bided for, it will roughly cost around say somewhere between Rs. 250 Crores and Rs.300 Crores for that 50 megawatt and typically these projects have been funded and debt equity ratio of 80 to 20. So the total equity requirement for this tender is somewhere around Rs.60 Crores to Rs.75 Crores and even if you take a minority stake of 20% in it, we will require somewhere around Rs.15 Crores to Rs.18 Crores for this specific tender.

Moderator: Thank you. Due to time constraints, we will be able to take one last question. The last question is from the line of Bhaskar Joshi from Luis Dreyfus. Please go ahead. There seems to be no response from the line of Mr. Bhaskar Joshi, we will move to the next question. Next is a followup question from the line of Vetri Raju from Equity Analyst Pvt. Ltd. Please go ahead.

Vetri Raju: Thanks for taking the call. On this SECI tender how does it work? Does it work in terms of just like here the road projects go on like the L1 bidder is already known to everyone. How does it work Anurag?

Anurag Mundra: L1 bidders, L2 bidders, and L3 bidders for each bidding categories and when I say category it is basically the states, it has been known and it is in public domain.

Vetri Raju: So how do we stand in this 50 megawatt?

Anurag Mundra: The highest bidder has not been opened yet.

Vetri Raju: And my last question will be on in the rooftop solar between the GCI and the retail obviously in retail you have much more marketing and much more coordination cost and so on. There is no scale, which one in your view will be having a higher margin?

Anurag Mundra: Equal margin because the cost of sale of the retail product is also high. Here you are talking about 2 kilowatt and 5 kilowatt of business. In the rest of GCI, you are talking about anything more than 25 kilowatt types.

Vetri Raju: Adjusted for marketing, the operating margins will remain the same?

Anurag Mundra: Yes.

Vetri Raju: How about a big majority of people live in flats and so on where the rooftop is actually shared among the various owners, is that a no-go market Anurag?

Anurag Mundra: So this is not the first strategy to go for because here you have to sell the product for societies, which basically owns the roof. Obviously there is also a good market to work on, but that market as per my understanding is basically RESCO market to look at. Yes it is a part of our strategy, but definitely not on the first phase.

Vetri Raju: So the first phase is on individual homes?

Anurag Mundra: Yes on the individual homes.

Vetri Raju: That is it from me. Thank you.

Anurag Mundra: Thank you Mr. Raju.

Moderator: Thank you very much. That would be the last question. I would now like to hand the conference over to Mr. Deepak Agarwala for closing comments.

Deepak Agarwala: We thank Mr. Anurag Mundra and his team for patiently answering all the questions and giving us an opportunity to host this call. We also thank all the investors and analyst for joining this call. Sir any closing remarks you would like…?

Anurag Mundra: Thank you everybody for joining this call. At Ujaas Energy, we are quite content with the performance what we had in FY2017 and we are determined to make an FY2017 again a very good year. If you have any further query, please contact our investor relationship Valorem Advisor or our company, we will be more than happy to satisfy your queries. Thank you very much.

Moderator: Thank you very much. On behalf of Elara Securities Private Limited that concludes the conference. Thank you for joining us ladies and gentleman. You may now disconnect your lines.