



ORIENT GREEN POWER COMPANY LIMITED

February 24, 2014

The Bombay Stock Exchange Limited
Corporate Relations Department
P.J. Towers
Dalal Street
Mumbai-400 001

The National Stock Exchange of India Limited
Department of Corporate Services
Exchange Plaza, 5th Floor,
Bandra-Kurla Complex
Mumbai-400 051

Dear Sir/Madam,

Please find enclosed the Communication on the performance of the Company
Circulated to the shareholders of the Company.

Kindly take the same on record and oblige.

Thanking you,

Yours faithfully,
For Orient Green Power Company Limited,


P.Srinivasan
Company Secretary & Compliance Officer



Encl: as above



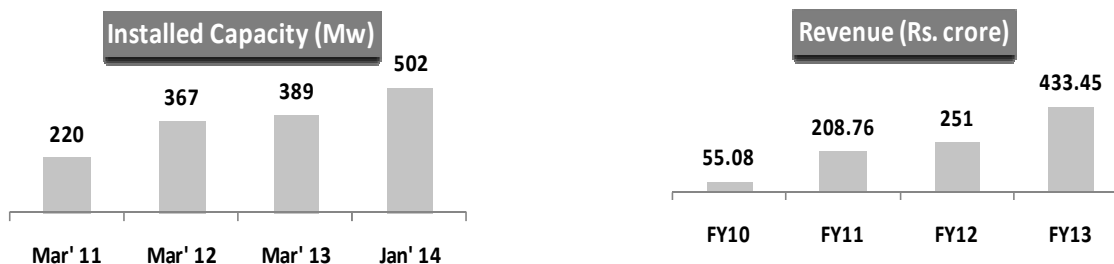
ORIENT GREEN POWERCOMPANY LTD

Regd Office: 4TH Floor, SigappiAchi Building, No. 18/3
Rukmini Lakshmipathi Road, Egmore,
Chennai – 600 008

Communication to the Shareholder

Dear Sir / Madam,

A well-known proverb says that 'you cannot direct the wind, but you can adjust your sails'. While it would apply across many spheres of activity in India, it is certainly very relevant to describe your Company's journey in establishing and expanding the business of renewable energy generation in India. From its inception in December 2006 upto the milestone of 500 MW of installed and operating capacity which was achieved only a few weeks ago, your Company has frequently experienced twists and turns forcing it to change its intended course. Despite the many unforeseen challenges, steady progress has been made on capacity expansion plans and revenues have grown manifold as can be gauged from the performance charts.

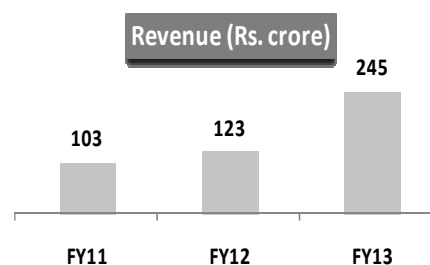
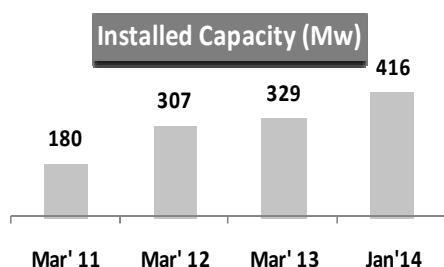


While the demand for electricity in India is unquestionably enormous and the case for renewable energy has been well established, participating in the opportunity has been very challenging. . The operating environment has only become more volatile with each passing year. Executing a business plan in a time bound and profitable manner has been made more challenging by not so supportive government policies, inadequate transmission and distribution infrastructure and high cost of capital. Our performance during the first nine months of this fiscal is reflective of the challenges plaguing the economy in general and the power sector in particular. During this period, Revenues amounted to Rs. 315 crore as against Rs. 359 crore in the corresponding period last year. Operational EBITDA stood at Rs. 178 crore as against Rs. 183 crore registered during 9M FY13. The reported loss expanded to Rs.95.2 crore against a loss of Rs. 17.2 crore in the same period last year.

While the overall numbers and the year-on-year growth rates are subdued, they do not appropriately represent the tangible progress of the last few quarters. Further, the reported performance would have been much better but for the drop in revenues as a result of grid back down. Having said that, the Management of Your Company would like to assure you that they are fully cognizant of the situation and have been undertaking a series of initiatives which will help the Company to not only tide over the immediate term challenges but also improve its position thereby enabling it to capitalize on its capabilities from the upcoming wind season 2014.

Wind Business

Performance of the wind business has been steadily improving despite multiple impediments which are hindering its smooth functioning. Your Company has increased its installed and operating capacities as well as revenues, as can be seen from the following chart. The strategy of locating wind assets at some of the best sites across various states namely Tamil Nadu, Andhra Pradesh, Gujarat and Karnataka has been the primary reason for delivering consistent revenue growth. Further capacities are on the verge of being commissioned which will further enhance its position as one of the leading wind energy generating companies in India.



Grid back downfaced by OGPL

- Due to inadequate evacuation infrastructure in Tamil Nadu, there had been regular grid back down resulting in failure to evacuate generated power during the peak season of 2013.

Steps being taken to resolve the situation

- The enhancement of the grid evacuation infrastructure in Tamil Nadu is in full swing and it is expected that the transmission lines and associated infrastructure would be fully operational by the season of 2014.
- Constructive engagement by the Indian Wind Power Association (IWPA) with Tamil Nadu Generation and Distribution Company Limited (TANGEDCO) is continuing in full earnest in order to arrive at a solution to avoid repetition of back down in the Wind Season 2014.
- The IWPA has also made a representation to the Ministry of New and Renewable Energy (MNRE) for making the 'Must Run' status more stringent and the MNRE has assured that it will make the necessary recommendation to incorporate it in the Grid Code.
- The above measures, coupled with the completion of project for improving grid infrastructure in the state of Tamil Nadu would go a long way in ensuring normal and optimal operations of all the wind mills in the state from the coming season.

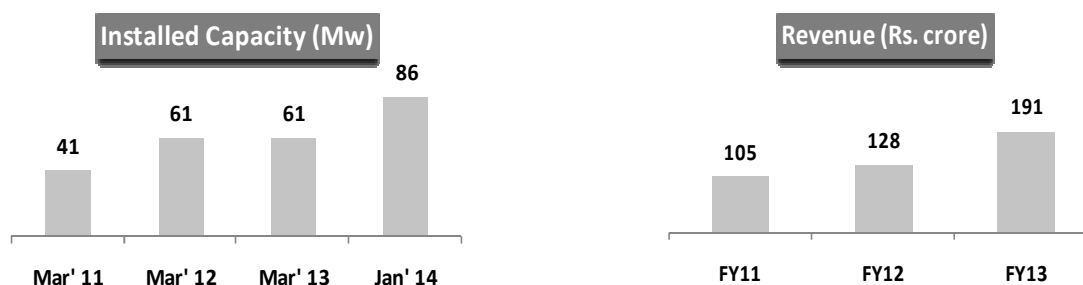
Strategy to divert resources to optimize growth

The Company had originally planned to establish 300 MW of Greenfield wind power generation capacity in Tamil Nadu through its subsidiary Beta Wind Farm Private Limited. However, due to the challenges enumerated above, it has restricted the capacity in Tamil Nadu to 164.6 MW of the planned capacity addition. In order to mitigate the impact of external issues and to continue its growth plan, your Company identified alternative sites on which to set up Greenfield capacity with improved viability. Details of the alternative capacity creation and status of project implementation for balance capacities are as under:

Sr No.	State	Capacity (Mw)	Commissioning Status	Remarks
1	Andhra Pradesh	43.2	Commissioned	-
2	Gujarat	16.8	Commissioned	-
3	Andhra Pradesh	7.2	Expected before 2014 Wind Season	Civil foundation completed and PPAs signed
4	Gujarat	8.4	Expected before March'14	Machines erected and PPA signed
5	Andhra Pradesh	34	Expected before March'15	Site in possession, evacuation line completed
6	Tamil Nadu	3	Expected before 2014 wind season	Machines erected
7	Maharashtra/ Madhya Pradesh/AP/Karnataka	26	Expected before March'15	Orders in the process of being firmed up

Biomass Business

The Biomass business presented a compelling opportunity due to the availability of multiple feedstocks in India. Further, the ability to run a biomass plant through the year was appealing due to its ability to counterbalance the seasonal nature of wind energy. However, the challenges in establishing and operating Biomass Power Plants have been immense. Your Company has faced every conceivable challenge in its rollout plan of over 100 MW of Biomass Capacity. So far, your Company has been successful in emerging as a leader in the biomass business with an installed capacity of 86 Mw (as on date). After the initial hiccups, revenues from the business have also started to pick up pace.



However, the biomass business has faced innumerable internal and external challenges, viz:-

- **Unviable preferential tariff in some locations** – with escalating fuel cost
- **Inadequate Government Support** - on Policies & higher cost of Finance to industry thereby Increasing Capital & O&M Costs
- **Minimal open access availability** - has to compete with Coal based Power Plants
- **Delay in procuring timely approvals** – The Commissioning of some of our biomass plants have been delayed primarily on account of right of way issues and delay in procuring regulatory approval on time

In order to mitigate the above factors, your company has been pro-actively taking steps including constant dialogue with regulatory agencies and the Government. Although policy changes are taking a long time to be implemented, your company has been fairly successful in steering certain unviable units through sales optimization, broad basing the fuel sourcing and by leveraging the wind portfolio in Tamil Nadu for the mutual benefit of biomass power customers and the company. While it has decided to shift away from merchant to group captive model in Tamil Nadu, the revised higher tariff levels in Rajasthan as well as decision to shift to a more stable PPA model in one of the units in Rajasthan would help the company to have a more stable and viable power supply arrangements. These measures would help in optimising the revenues and margins from the coming year onwards.

Further, in order to help revive and develop the biomass business, the Indian Biomass power association has been seeking implementation of certain benefits and initiatives namely –

- **Generation Based incentive** – The Indian Biomass Power Association has requested the MNRE to confer generation-based incentive along the lines of that extended to wind power projects.
- **Interest / Capital subsidy** - Extension of Priority sector benefits at low interest cost as Biomass is a byproduct of Agriculture
- **Annual Tariff revision for variable costs** - reflecting Biomass Cost inflation

Other Updates

Generation Based Incentives

The much awaited renewal of benefits pertaining to Generation Based Incentives (GBI) for the wind business had been finally announced by the Government during the year. Your company would benefit from this incentive for its Andhra Pradesh and Gujarat projects. While the process for registration is on, so far, the benefit has not been accrued in the current year. Significant improvement in revenues on account of this benefit is expected once the registration is completed.

Renewable Purchase Obligations and Regulatory Issues

Lack of enforcement of Renewable Purchase Obligations (RPO) by State Electricity Regulatory Commissions (SERCs) has resulted in a glut in Renewable Energy Certificate (REC) market as the supplies are far in excess of the demand. In order to address this, an application has been filed by the Association before the Appellate Tribunal for Electricity (APTEL) seeking a direction to all SERCs to enforce RPO and penalize defaulters. A ruling in favour of RPO implementation is expected to bring relief by increasing participation in the REC trade. Further, various State Electricity Regulatory Commissions including Maharashtra, Uttarakhand and Delhi have mandated all obligated entities to fulfil their RPO by way of purchase of RECs and trading is therefore expected to improve towards the close of the year.

Wind Independent Power Association Producers (WIPPA) has filed an impleading petition before the Hon'ble Supreme Court in a matter challenging the RPO regulations itself by a consumer. This order is expected to bring finality on the legality of RPO and its compliance. Certain other issues on interpretation have been challenged by your Company which are before Tamil Nadu Electricity Regulatory Commission (TNERC) and other legal forum.

Steps to manage Finance Costs and improve financial position

Interest costs continued to remain high severely impacting the Company's profitability. The company is already in advanced discussions with lenders for appropriate relief as well as for refinancing some of the loans with a more staggered repayment schedules keeping in mind operational and regulatory challenges which are beyond management's control.

In order to reduce the interest and debt burden, your company is also pursuing certain deleveraging measures including disposing off various non-performing assets.

Conclusion

We are convinced that renewable energy will receive its due in the energy arena in India and globally. Environmental preservation and sustainability are being accorded greater priority and the day is not far away when customers will voluntarily opt for renewable power over other conventional means. This would also lead to more incentives to businesses such as ours which deliver the greatest benefits to society. However, at times, the overbearing impact of short-term imbalances may reduce the visibility of long-term opportunity. This is what we are going through right now.

Before I conclude, I wish you and your family a Happy and Prosperous 2014.

I thank you for your continued support to the Company.

Chennai, February 2014

S. Venkatachalam
Managing Director & CEO

Financial Snapshot

Consolidated						(₹ in Million)
Particulars	Q3 FY14	Q3 FY13	Y-o-Y %	9M FY14	9M FY13	Y-o-Y %
Total Income	759.34	719.06	6.0%	3,141.7	3,586.9	(12.4%)
Total Expenditure	427.86	516.63	(17.2%)	1,363.4	1,760.2	(22.5%)
EBITDA	331.44	202.32	63.8%	1,778.1	1,826.7	(2.7%)
EBITDA (%)	43.7%	28.1%		56.6	50.9	+570 bps
Depreciation	376.7	281.75	33.7%	1,008.6	817.6	23.4%
Finance charges	756.51	467.53	61.8%	1,941.8	1,403.8	38.3%
Other Income	22.57	35.61	(36.6%)	71.5	227.4	(68.5%)
Profit before Tax	(775.09)	(511.23)	-	(1096.7)	(139.8)	-
PAT (after Minority Interest)	(627.71)	(419.78)	-	(952.2)	(171.9)	-