Power Ventures Plc

DIVIDEND & DIFFERENTIATION

FY 17 Annual results: Investors Presentation

29 September 2017

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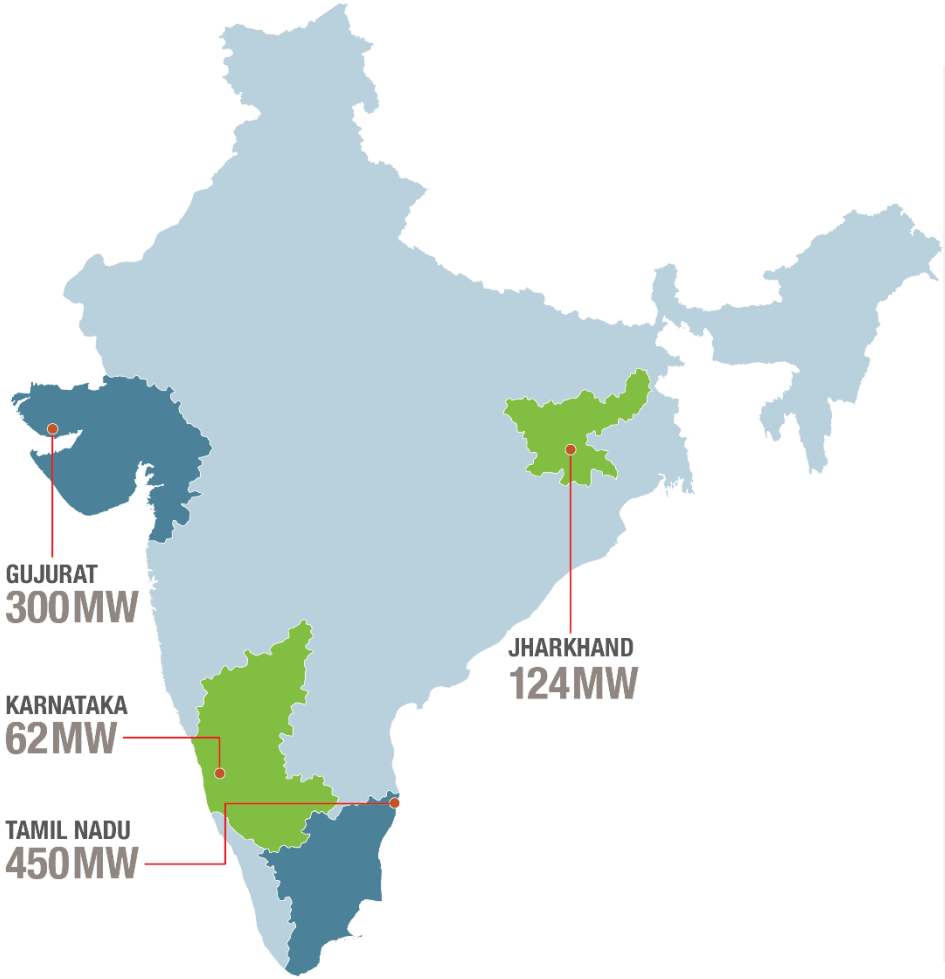
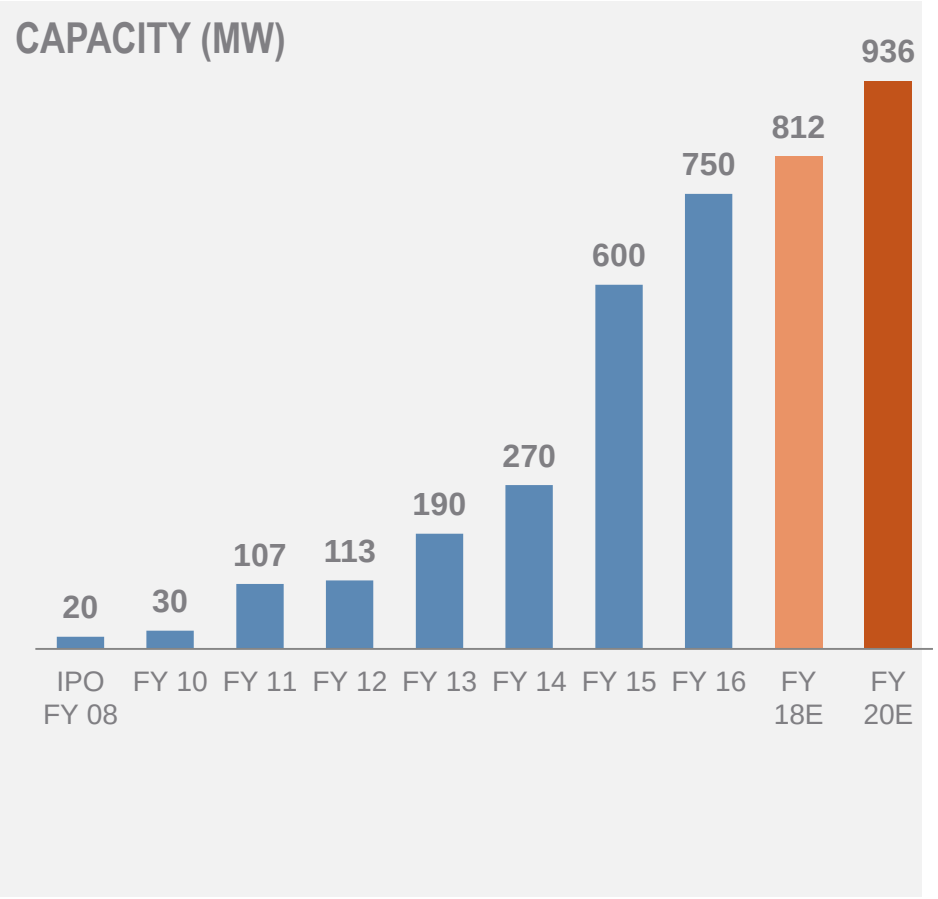
A TRACK RECORD OF GROWTH

A developer and operator of power plants in India with a track record of delivery and growth





FULL YEAR HIGHLIGHTS

HIGHLIGHTS

FULL YEAR DIVIDEND

0.98 pence

15% of PAT £23.1m

RECORD GENERATION

4.4 TWh

Generation up 30%

REVENUES

£205 million

Increase of 60%

EBITDA UP 32%

£ 66.75 million

EBITDA margin 33%

EPS (ATTRIBUTABLE BASIS)

8.43 pence

Increase of 59%

EPS (B/F IMPACT OF NCI)

6.56 pence

(FY16: 5.29 pence)

GEARING

57%

FY16:57%

GROWTH PROJECTS

186 MW

Solar
62 MW Karnataka
124 MW Jharkhand

SAFETY RECORD

"Zero" TRIR* in Chennai

*Chennai: 0 (FY16:0.28)
Gujarat : 0.23 (FY16:0.64)

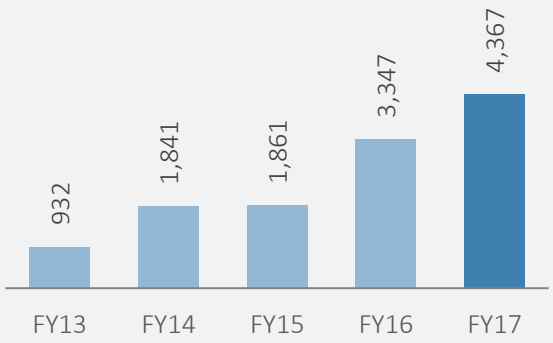
*Total Recordable Incident Report

MAXIMISING EXISTING ASSETS – OPERATIONAL PERFORMANCE

Management maintained availability consistently over 90%

- At 4.4 TWh, OPG generated 30% more electricity than the previous year
- FY17 Group PLF for was 70%
  - Chennai PLF: 76%,
  - Gujarat ramped up to 63% from 54%
  - Above national average of 60%
- Q1FY18 Group PLF increased to 78%

GENERATION (GWH)



FY16 &FY17 includes deemed generation

SAFETY & ENVIRONMENT PERFORMANCE

ENVIRONMENTAL STRATEGY & FOCUS

Strategy

- Conservation of water
- Ministry of Environment and Forestry (MoEF) compliance standards
- Internal standards should exceed MoEF

Focus areas

- Water usage
- Stack (Chimney) emissions
- Ambient air quality
- Dust particulate matter

RESULTS

Environment

- Daily monitoring by senior management and authorities
  - No incidence of curtailment or modification
- New MoEF standards in Dec 2015 to be implemented by Dec 2017

Safety

- No fatalities
- Total Reportable Injury Rate (TRIR)
  - Chennai: Zero in FY17 vs 0.28 in FY16
  - Gujarat: 0.23 in FY17 vs 0.64 FY16

FINANCIALS

RESULTS
KEY PERFORMANCE HIGHLIGHTS

Year ended 31st March (£m)	FY17	FY16	Change %
Operational			
Units produced**	4,367	3,347*	30%
Financial			
Revenue	205.0	128.4	60%
EBITDA	66.7	50.7	32%
Finance costs	(38.8)	(16.7)	132%
PBT	17.5	28.7	(39%)
PAT	23.1	18.6	24%
Net debt	307.9	254.1	21%
Gearing (%)	57%	57%	0%
Ratios			
EPS (pence)	8.43	5.29	59%
EPS before impact of NCI	6.56	5.29	24%
Net Cash from Operating activities	56.08	19.8	183%
Net Debt/EBITDA	4.6	5.0	(8%)

Total generation increased by 30% and Revenue increased by 60% (£76.6m) primarily due to a full year of operations in Gujarat vs 2 months in FY16

A decrease in PBT is primarily due to higher coal costs in FY17 and finance costs as a result of full year interest in Gujarat debt (2 months in FY16)
Rupee debt at same level at FY16

Profit After Tax increased by 24%

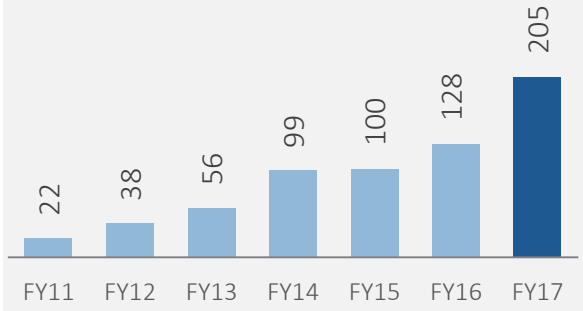
*includes 704m units from Gujarat for which results are being capitalised

** includes deemed generation

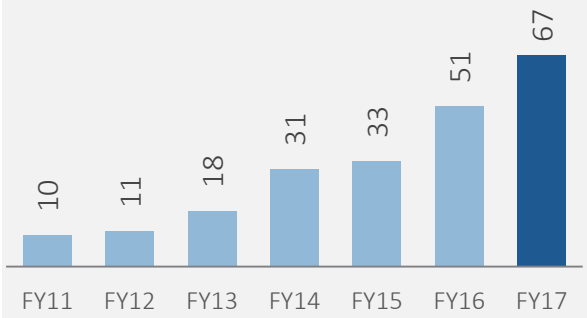
REPORTED EARNINGS – OUR TRACK RECORD

Our reported Revenues and EBITDA have risen consistently

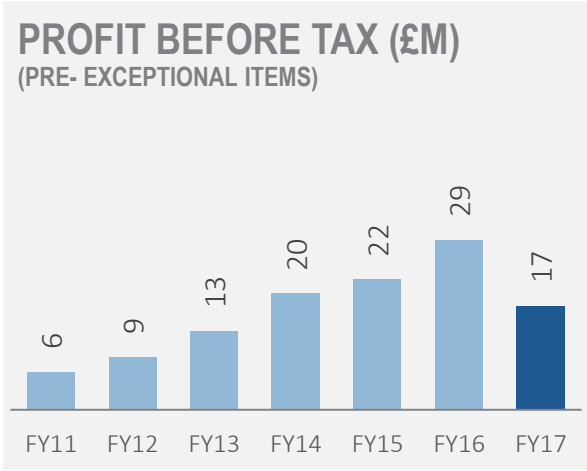
REVENUES (£M)



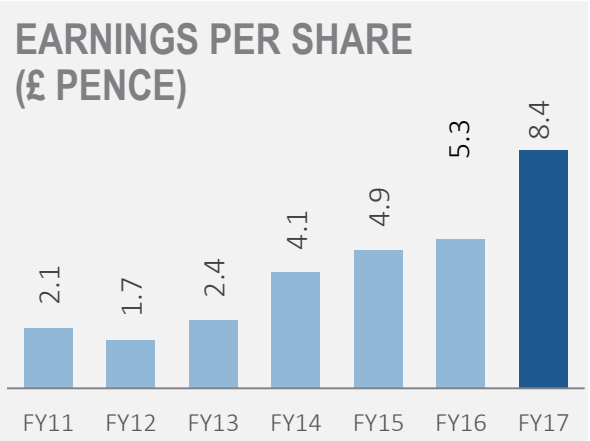
EBITDA (£M)



PROFIT BEFORE TAX (£M)
(PRE- EXCEPTIONAL ITEMS)



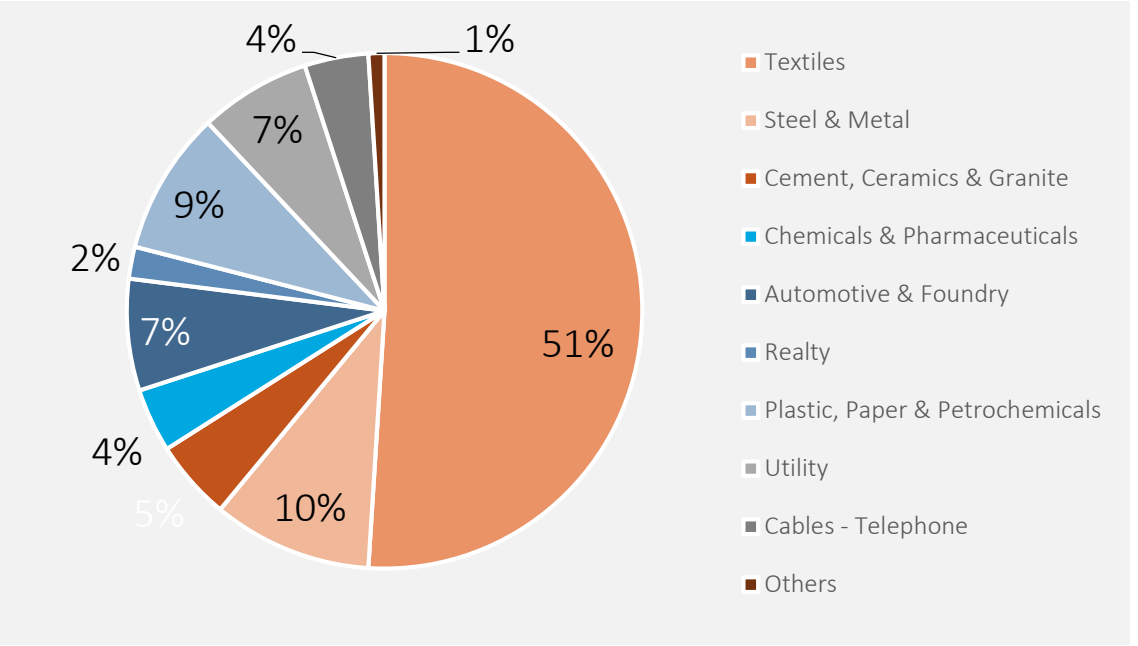
EARNINGS PER SHARE (£ PENCE)



A DIVERSE INDUSTRIAL CUSTOMER BASE & MULTI-YEAR CONTRACTS

Group captive model

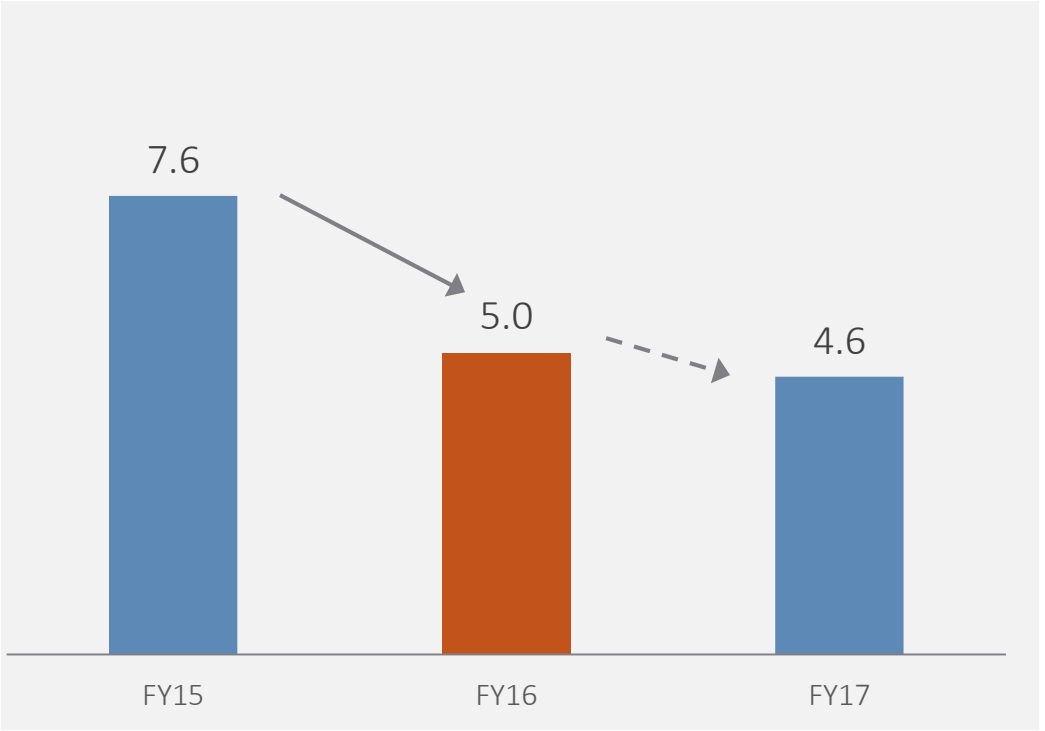
- Attractive tariffs
- Multi-year sales contracts
- Improved cash cycle



CHENNAI	GUJARAT
80% NON-UTILITY SUPPLY	87% NON-UTILITY SUPPLY

NET DEBT/EBITDA FOR EXISTING ASSETS

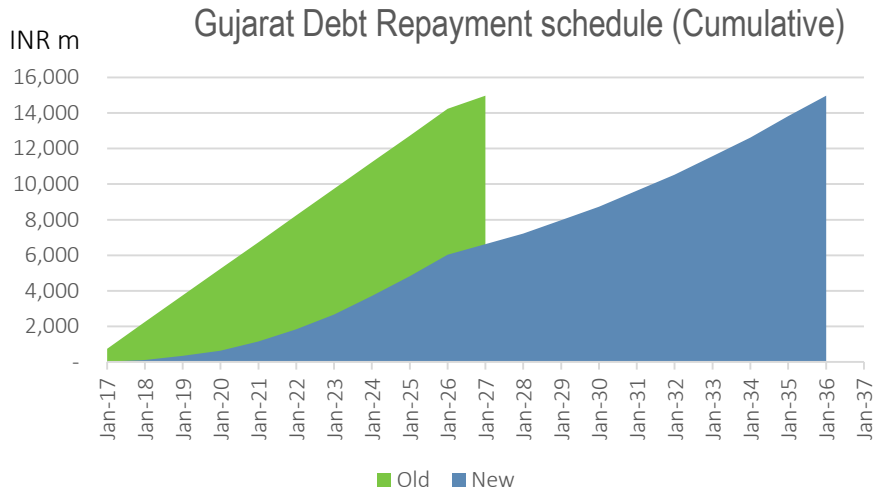
- Net Debt - £308m
- No significant change in INR borrowings
  - FY17 Rs25.9 billion (FY16: Rs 25.1 billion)



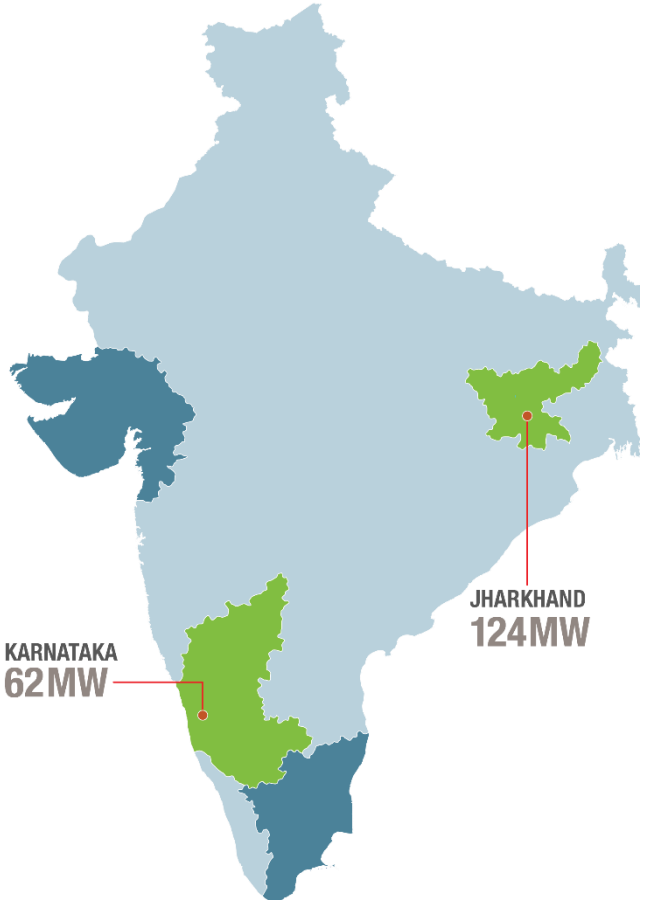
IMPROVED DEBT REPAYMENT PROFILE - FOCUS ON CASHFLOW

- **Gujarat debt repayment profile**
  - Repayable over 19 years
  - £67m lower repayments in next 5 years
  - Better alignment of cashflows given
    - > Ongoing ramp up of Gujarat
    - > Targeting of higher tariff industrial customers

- **Progress on receivables**
  - £25m receivables received from Tangedco (of £35m as at 31 Mar 2016)
  - Amendment to Gujarat share capital rights to resolve delay of Gujarat Cross Subsidy receivables (£26m as at 31 Mar 2017)



SOLAR PROJECTS UPDATE



- 62 MW solar project construction started and is on track for commissioning in FY18
- 124MW in pipeline; LOI signed & PPA awaited

STRONG FUNDAMENTALS FOR INDIAN ECONOMY & POWER SECTOR

INDIA POWER SECTOR EXPECTED GROW IN LINE WITH GDP

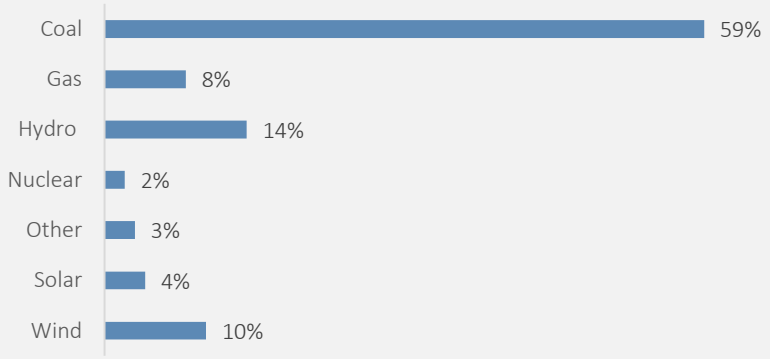
Underlying growth drivers strong

- India's GDP in FY17 was 7%
- Forecasted to grow 7-8% annually over the next 3 – 4
- Large population, smart cities, urbanisation and focus on manufacturing to drive growth

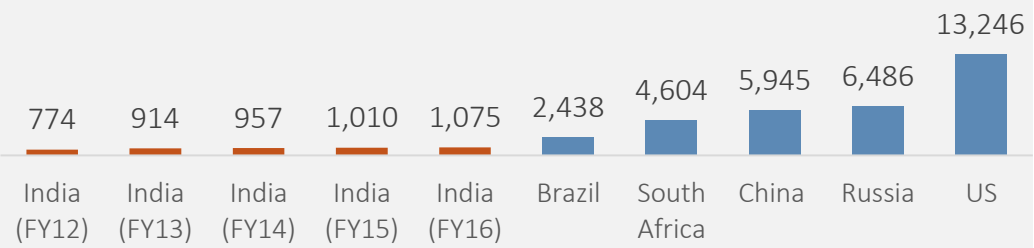
Power sector demand forecast robust

- 24% of India still remains without electricity
- Target of 'Power for All' by 2018 (2020 previously)
- Reforms improve liquidity & demand by Discoms
- Plans to move to all electric cars by 2030

ALL INDIA INSTALLED CAPACITY C.329 GW
(FUEL WISE BREAKDOWN)



…..TO MEET DEMAND AND MATCH WORLD PER CAPITA CONSUMPTION
PER CAPITA CONSUMPTION (KWH)



Source: CEA, World Bank

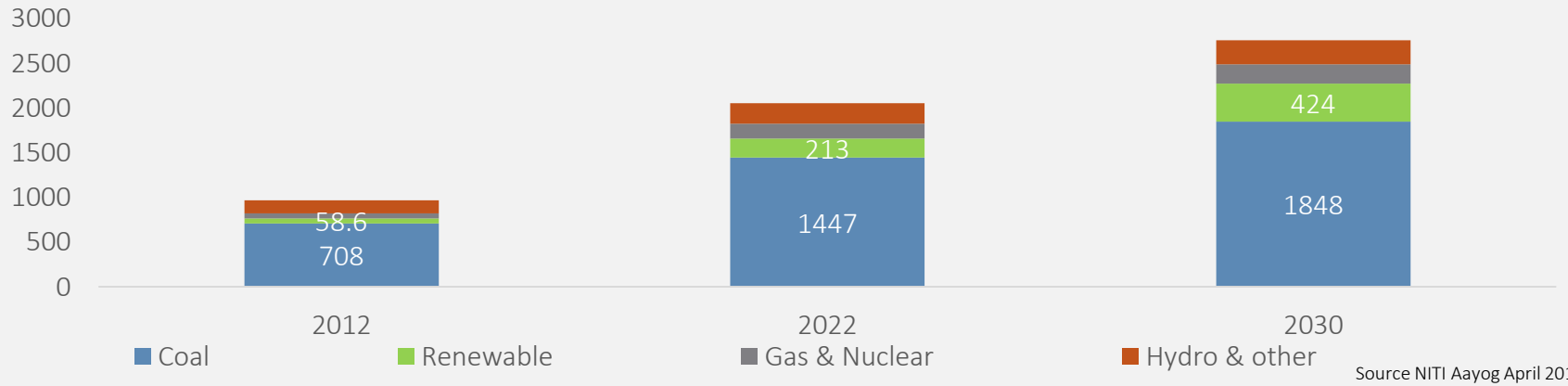
COAL EXPECTED TO PROVIDE BASE LOAD

- Coal & Renewables will form part of India's energy mix
  - 300m people without power
  - Coal continue to provide base load
  - Renewables target of 225 GW by 2022
- Solar under 2% of total power output in FY17
- Solar tariffs in India tracking with lower module prices
  - Module prices have come down by 30% in 1 year

"Every country needs a baseload, I cannot tell my country, guys, it's 6pm in the evening, shut everything down because the solar has gone off."

Piyush Goyal, Minister for Power. May 2017 (Financial Times)

2.8 TWH GENERATION BY 2030 - 65% COAL & 15% RENEWABLES



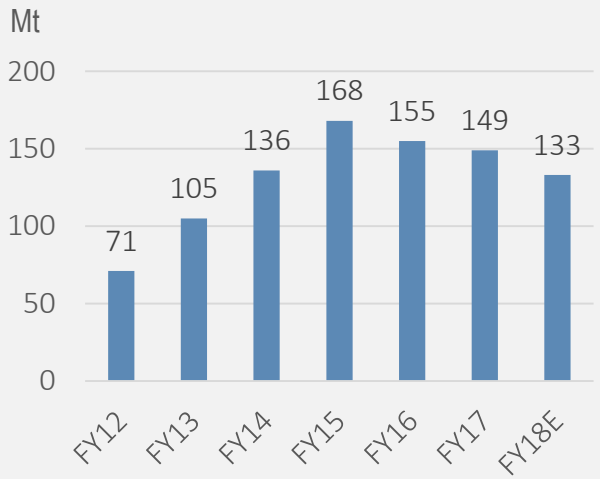
Source NITI Aayog April 2015

INDIA: DOMESTIC COAL PRODUCTION TO INCREASE

DOMESTIC PRODUCTION INCREASES

- Coal India's domestic production expected to increase
  - 660 MT in FY18 up from 554 MT in FY17
  - 1 billion tonnes by 2020
  - New railway capacity underway to improve logistics
  - New policy – SHAKTI to improve coal availability
- Reduced coal imports due to increase in domestic production
  - Recent price hike in imported coal prices sees shut down of some coastal plants

INDIAN COAL IMPORTS REDUCE AS DOMESTIC PRODUCTION INCREASES



Source: ICRA Research 2017

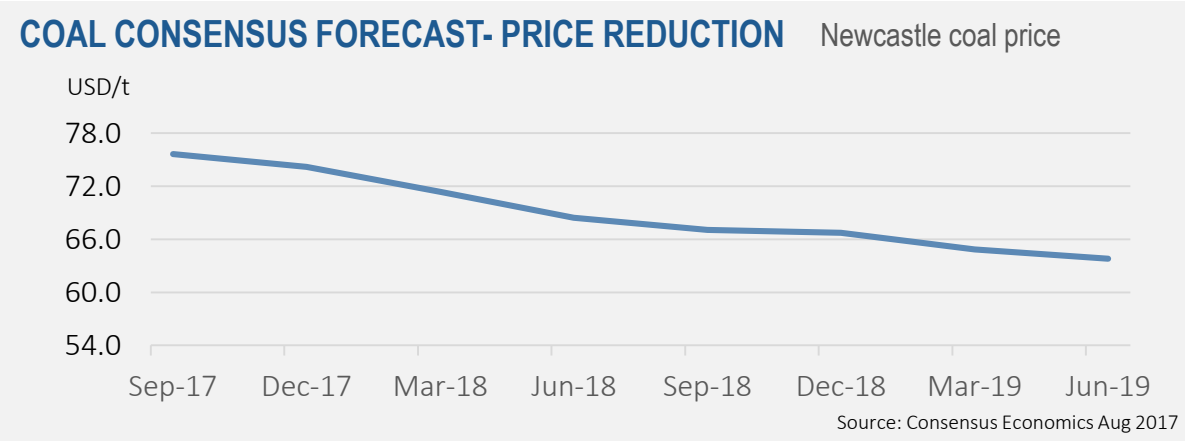
INTERNATIONAL COAL PRICES FORECAST TO COME DOWN 20%

- Recent policy announcement expects medium coal prices within a band of $70-75/t
- Lower coal capacity in China to reduce coal demand
  - 150 GW new coal capacity suspended
  - 20 GW old capacity to retire
  - Restrictions on coal imports
  - Shift to natural gas in other Asian countries

COAL PRICES VOLATILE IN LAST 12 MONTHS

Source: Argus Index Sept 2017

COAL CONSENSUS FORECAST- PRICE REDUCTION



Source: Consensus Economics Aug 2017

UDAY – *Implementing A Game Changer For Tariffs And Efficiencies*

- Almost all states in India, including Gujarat and Tamil Nadu are now signed up to the UDAY scheme

- Tariff increases by many states including Tamil Nadu to reduce revenue - cost realisation gap
  - Under a MoU with the Ministry of Power, the Tamil Nadu utility (TANGEDCO) to raise tariffs by an average of 6% for FY18-19 across all categories of consumers
  - National ACS – ARR gap FY 16: Rs 0.56 ; FY 17 (9 Months): Rs 0.47

- OPG's underlying business is in a good position to benefit from these changes - will show visibility of revenues brought about as a result of the multi year contracts

ACS – Average Cost of Supply
ARR - Average Revenue Realisation

OUTLOOK

OUR PRIORITIES

Areas	Plan	Actions during the year
Cash flows	• Maximise existing assets • Debt repayment • Dividend payments • Capital expenditure for growth	• 30% increase in generation • Maiden dividend announced
Safety & Environment Performance	• Maintain internal standards - exceeding regulator • Continued improvement in Total Reported Injury Rate	• Exceeding in most parameters • Zero TRIR achieved in Chennai • 64% lower TRIR in Gujarat
Sustainable & Responsible Growth	• 62 MW of solar projects being developed • Plan for 300 MW renewables in 5 years • long term dividend strategy • Maintain discipline and position for attractive growth opportunities	• 62 MW in construction

KEY MESSAGES

- ✓ 9 years successively increasing Revenues & Net Earnings
- ✓ Maiden dividend of 0.98 pence in FY17
- ✓ Multiyear sales contracts were negotiated for nearly 500 MW – increased visibility of revenues
- ✓ Tariff increases expected under UDAY
- ✓ Lower coal prices forecast
- ✓ Growth: 300MW initial solar target - 62 MW commenced, 124 MW in firm pipeline
- ✓ India – attractive power sector and sound macro fundamentals

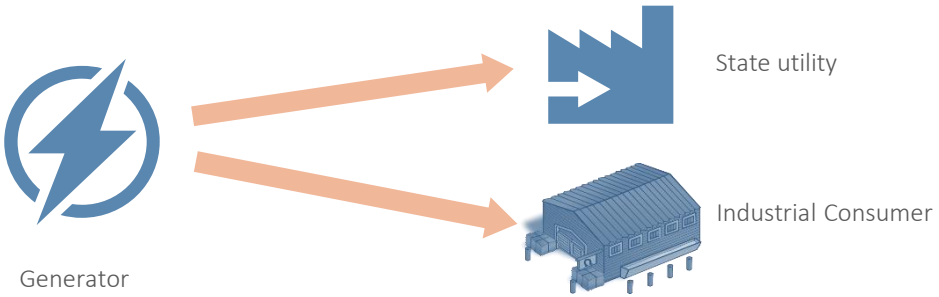
STRATEGY OF MAXIMISING EXISTING ASSETS, RESPONSIBLE OPERATORSHIP AND CASH GENERATIVE GROWTH

APPENDIX

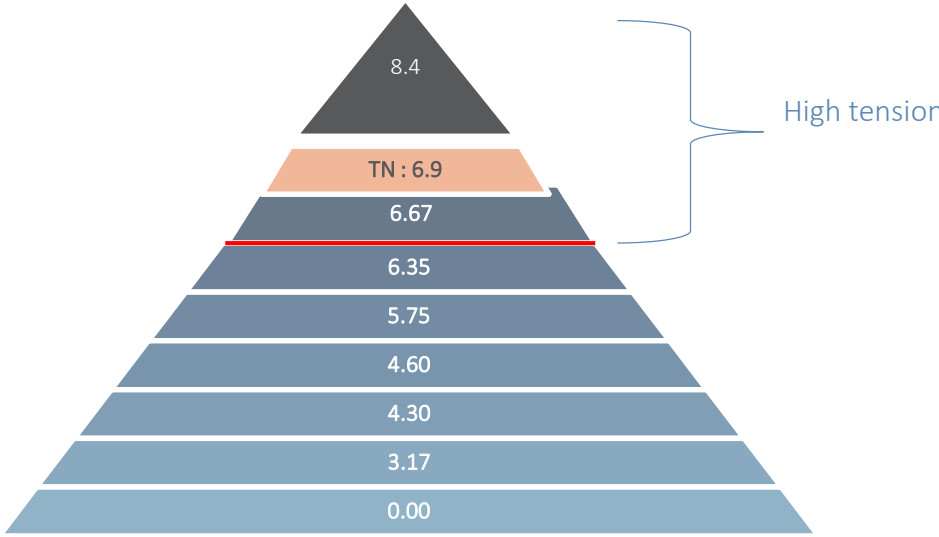
OPG'S REVENUE MODEL – GROUP CAPTIVE

FLEXIBLE - GROUP CAPTIVE

- **Uncapped ROE**
- Variable term and market pricing
- Flexibility as to customers
- Meeting demands of high tension, industrial consumer
- Reliability of provision of power



Tiered Pricing: Industry paying highest, rural & agriculture rates are subsidized (INR/kWh)



HT III – Commercial Establishments
HT IA – Industrial Establishments:
HT IB – Railway Traction, Educational institutions
LT IIA – Public services:
L TIIB(1) – Govt Educational Institutions, Hospitals
LT IC – Govt PSU domestic housing:
L TIIC – Places of Worship
LT IA – Domestic, Charitable & Handlooms
LT IB – Villages & agriculture

Source:
TNERC Dec '14