Result of Operations- Restricted Group

Combined Financials for the Quarter ended June 30th 2017

The financials of the Restricted Group comprising of seven special purpose vehicles have been combined for the purpose of reporting the interim financials for the quarter ended June 30th 2017. The financials have been compared with the corresponding quarter of FY'17.

Note: conversion rate is considered at 1 USD= 65 INR

Revenue

Total operating revenue for the combined Restricted Group increased by 59% to USD 28.6 million in the quarter ended June 30, 2017 from USD 17.9 million in the quarter ended June 30, 2016. The increase was primarily due to increase in the installed capacity with completion of the three under- construction wind projects namely Ellutla 120 MW, Ron 40 MW and Jogihalli 12 MW post the compared quarter.

USD Million

Particulars	Quarter ended		
	30th June '16	30th June '17	% Growth
Sale of Power	17.1	27.1	59%
Sale of Renewable Energy Certificates	0.1	0.1	-
Generation Based Incentive	0.9	1.5	73%
Total Operating Revenue	**18.1**	**28.7**	**59%**
Installed Capacity at beginning of period (MW)	332	499	50%
Installed Capacity at end of period (MW)	332	504	52%
Generation in (Gwh)	195	313	61%
Revenue from Wind Projects	12.6	23.1	83%
Revenue from Solar Projects	5.5	5.6	3%

The Generation Based Incentive increased by 73% mainly due to increase in the capacity at Ellutla.

Other Operating Income

Other operating income increased by USD 1.7 Mn. to USD 2.2 Mn. in quarter ending June'17 (USD 0.5 Mn. in quarter ending June'16). The increase is primarily on account of interest income on surplus funds.

Other Expenses

Other expenses were higher by USD 1.5 Mn. due to additional operational capacity of 172 MW during the quarter ended June'17 (as against quarter ended June'16) impacting operations and maintenance expenses and management expense cross charge. The expense was USD 3.5 Mn in the quarter ending June '17 as against USD 2.0 Mn in the quarter ending June'16.

Depreciation and Amortisation

Depreciation and Amortisation increased by USD 1.9 Mn. mainly due to the commissioning of the three new projects. The expenses were USD 5.7 Mn in the quarter ending June'17, as against USD 3.8 Mn. in the quarter ending June'16.

Finance Cost

Finance cost for the quarter ending June'17 increased by USD 9.2 Mn. mainly due to the higher leverage of the RG group and charge off of the balance unamortisated previous loan related expenses on their refinancing with Masala Bonds.

The finance cost was USD 16.4 Mn in the quarter ending June'17, as against USD 7.2 Mn. in the quarter ending June'16. However, the increase in finance cost was partly offset by increase in interest income on surplus funds (depicted in other income).

Profit/ (Loss) before Tax

Profit before income tax for the quarter ending June'17 was USD 5.2 Mn, as against USD 5.4 Mn. in the quarter ending June'16.

Income tax expense

Income tax expense for the quarter ending June'17 was lower by USD 1.0 Mn. This is mainly due to change in MAT credit carry forward tenure from 10 years to 15 years as also changes in deferred tax provision under the new accounting standards.

The Income Tax expenses were USD 0.2 Mn in quarter ending June'17, as against USD 1.2 Mn. in the quarter ending June'16.

Profit/ (Loss) for the year

Profit after tax for the quarter ending June '17 was USD 5.0 Mn as against USD 4.2 Mn. for the quarter ending June'16.

Cash Flows

The cash flows for the quarter ended 30th June'17 are:

USD Million

Particulars	Quarter ended		
	30th June '16	30th June '17	Variance
Net cash generated from / (used in) operating activities	11.6	21.5	10.1
Net cash generated from / (used in) investing activities	(19.9)	(74.0)	(54.1)
Net cash generated from / (used in) financing activities	14.3	(8.2)	(22.5)
Cash and cash equivalents at the beginning of the period	25.4	110.1	84.7
Cash and cash equivalents at the end of the period	31.4	49.4	18.0

The net cash outflow of USD 60.7 Mn in the quarter ended 30th June'17 was mainly attributable to the following:

Cash inflows on account of Operating Profit of USD 25.1 Mn.

Cash outflows on account of loan given to related parties of USD 71.0 Mn (under the covenants relating to issue of Masala Bonds), repayments of refinanced borrowing of USD 5.8 Mn.to banks, capital expenditure of USD 4.0 Mn., increase in working capital of USD 3.4 Mn and interest on loans of USD 2.4 Mn.

Impact of Service Concession Arrangements (SCA) in Ind AS

In the preparation of the combined financial statements of the Restricted Group for year ended March 31, 2017, which were drawn up on the basis of the new accounting standards (Ind AS), the principle of Service Concession Arrangement [SCA] had been applied to some of the Power Purchase Agreements as provided under under Appendix A to Ind AS 11. However, subsequently in light of emerging view around the interpretation of Ind AS 11 and the expected economic life of the concerned assets, the management has re-visited its position and believes that SCA does not apply to the Group.

As a consequence, these assets have now been recognized as "tangible" and the construction revenue and expenses that were recognized in the financials have been removed. There is no impact on profits as reported in the financials for the year ending March 31, 2017 as a result of this change.