INOX Wind Limited

Q3 FY24 Earnings Conference Call

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CORPORATE PARTICIPANTS:

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Mr. Kailash Tarachandani
Chief Executive Officer

Q&A PARTICIPANTS:

1. **Rahul Kothari** : Grit Equities
2. **Hardik Shah** : Individual Investor
3. **Prit Nagersheth** : Wealth Finvisor
4. **Dhawal Doshi** : Dymon Asia
5. **Akhilesh B** : Individual Investor
6. **Abhishek Dutta** : Anand Rathi
7. **Diwakar Rana** : Prudent Equity
8. **Darshit Shah** : Nirvana Capital
9. **Yashvardhan Sarda** : SKP Securities
10. **Bharani Vijay** : Avendus
11. **Kanv Garg** : Garg Advisors
12. **Vipulkumar Shah** : Sumangal Investment
13. **Pratik Kapoor** : Individual Investor
14. **Chirag** : Catamaran

Moderator

Good evening, ladies and gentlemen. I am Pelsia, moderator for the conference call. Welcome to Inox Wind Q3 FY24 Earnings Conference Call. As a reminder, all participants 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 the operator by pressing * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from ICICI Securities Limited. Thank you, and over to you, sir.

Mohit Kumar

Thank you, Pelsia. On behalf of ICICI Securities, I would like to welcome you all to the Q3 FY24 earnings call of Inox Wind Limited. Today, we have with us Mr. Devansh Jain, Executive Director, Inox GFL Group; Mr. Kailash Tarachandani, Chief Executive Officer, Inox Wind Limited; and other senior members of the management. Without much ado, I will now hand over the call to the management to start with the brief opening remark which will be followed by a Q&A. Over to you, sir.

Kailash Tarachandani

Good evening, everyone. Kailash Tarachandani here. A very warm welcome to all to the Q3 FY24 earning call of Inox Wind Limited. The company announced its Q3 results at its Board meeting held on Friday, 9 February, today. The results along with the earning presentations are available on the stock exchanges as well as on our website. Let me first take you quickly through the financial results for Q3 FY24 for the company. As guided in the previous calls, I am delighted to announce that Inox Wind has turned PAT positive. This is however just the beginning of the massive growth journey ahead with huge opportunity that the success beholds.

Inox Wind has had a remarkable turnaround which has translated into strong numbers reported for this quarter as well. For the quarter on consolidated basis, Inox Wind has reported revenue of INR 506.9 crores in Q3 FY24 versus INR 237.7 crores in Q3 FY23, an increase of 113% YoY. EBITDA of INR 99.5 crores in Q3 FY24 versus EBITDA loss of INR 172.5 crores in Q3 FY23. Profit after tax of INR 1.8 crores in Q3 FY24 versus loss after tax of INR 287.9 crores in Q3 FY23. The macro tailwinds have massively supported our growth plans. With the GDP growth envisaged over the next decades, the demand for power is huge.

Wind power being one of the lowest-cost power and significantly lower than the average power purchase cost of the country, and also the fact that it is green power, august well for its growth. We have crossed 100 MW of supplies in Q3 and have also started our new 3.3 MW turbine supplies for which we have secured the RLMM listing as well. We are really excited about the prospects of Inox Wind. We have been working hard for last several quarters to come to this stage, working on strengthening the balance sheet to ramp up our operation as well as enhancing our product offering to the best technological products available globally. Wind energy can only provide RTC requirements where it combines optimally with solar and storage solutions.

This has led to numerous order win over the last month including a large 279 MW order from a large C&I player, another 50 MW order from Navratna CPSU which is NLC India, as well as the recent mega order win of 1,500 MW single largest order from CESC. The CESC order as I said is the single largest wind order ever awarded to any OEM in the country. With order intake of approximately 1,850 MW in the recent months. Taking our total order book to approximately 2.6 GW, provides strong revenue growth visibility and we believe we should deliver more than GW skill annual execution much earlier to what we anticipated. Our efforts have also yielded result in our vendors confidence and backed us with supplies to be able to ramp up our production.

Our customers across PSUs, IPPs, C&I and the retail have also shown confidence and interested us giving us large orders. Our debt levels have also come down drastically and operations are being geared up to position as well for 2 GW of annual execution. We continue to maintain that we will achieve the net debt zero status by H1 of the next financial year. Also, as guided earlier, we will be incrementally looking at increasing equipment supplies to our order book next along with a turnkey. What truly sets us apart is the infrastructure buildup including the high-value project site inventory, which we have built over the time, and I believe we would be one of the largest companies in terms of project site infrastructure ownership which is USP for us.

As it enables us to deliver the turnkey project on plug and play model to our customers. India's renewable target in general and wind in particular, along with Gujarat and Rajasthan Government policies on captive wind plus the carbon tax announced by several economies globally added by the move away from fossil fuels provides a massive opportunity for the wind sector. Inox Wind has put in place all the building blocks to be able to capture a sizable portion of the large opportunities. Over the next 8 to 10 years, India plans to add over 100 GW of wind power capacity on the current base of around 44 GW. The current order book is 2,575 MW and with more orders win expected in the near future provides a strong revenue growth visibility.

The commencement of our 3.3 product supplies, our robust and well-capitalized balance sheet, combined with lean cost structure will add to our strength that we have built over the last few quarters. We have also signed an exclusive licensing agreement for 4 MW series turbines, which we believe will help us address the technological requirement in the onshore wind sector over the next decade. Our O&M

subsidiary Inox Green continues to gain strength, has delivered another good quarter. Listing IGESL separately, I believe was a strategic move to place us strongly for growth, both organically and inorganically. I believe we are on track to reach 6 GW O&M portfolio by FY26. We will discuss the financial of the Inox Green in detail separately right after this call.

With this I would now like to hand over to Mr. Devansh Jain for his brief remarks, after which we will open up the floor for the Q&A session.

Devansh Jain

Thank you, KT. Good evening, everybody. I am pleased to state that all our hard work has paid off, finally, and we have been able to deliver on all the promises we made. The efforts which we have put over the last few quarters have yielded a remarkable turnaround for Inox Wind in Q3, which is reflected in the current order book, the ever-growing order book, and the reported numbers. I firmly believe that we have just embarked on a massive growth journey with all the levers aligned, which includes the strong promoter backing of the company, a robust balance sheet, large and continuously increasing order book which is very well diversified now, ramped up operations, a high-value project development pipeline which is a key moat and USP also for us.

Along with being technologically ready for the next decade, I believe Inox Wind is fully geared to capture the large opportunities that the sector beholds. With our operations ramped up and further being ramped up for 2 GW of annual execution and the large order book, we should achieve more than a GW of annual execution much earlier than what the market could have anticipated and even much earlier than we ourselves could have anticipated. Thank you and let's open the floor to questions.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the Q&A session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. First question comes from Rahul Kothari from Grit Equities. Please go ahead.

Rahul Kothari

Hi, Mr. Devansh Jain. First of all, hearty congratulations to your team for achieving amazing result and standing on your guidance. Also, congrats for winning such a large order of 1,500 MW, again, that's a commendable thing. Sir, we'd like to understand more on the, can you help regarding the guidance, have we revised or can you provide some guidance for FY25 execution front?

Devansh Jain

Thank you so much for your compliments, but I think it goes out to the entire team for all the hard work that has gone over the last several quarters, to be able to enjoy this for where the sector is now placed. Look, I think we guided for certain numbers which we're targeting 500 MW or 600 MW. While I would not want to put out an official number at this point in time.

All that we can say is that, we will be looking at significantly increasing execution from that perspective. The company is gearing up for a GW of annual execution. As you can see, our order book is now excluding LOIs north of 2,500 MW. Clearly, without specifying the exact details at this point in time, I think we would be looking at a very significant ramp up in operations and a significant jump to what the market expects.

Rahul Kothari

Regarding this 4 MW new turbine setup. Can you help us understand more on the, regarding the infrastructure that we have? How does it get into, gel into these current infrastructure, or do we need to set up a new infrastructure? What sort of visibility can we consider about winning some orders on these turbines?

Devansh Jain

Look, first and foremost, I think we've announced a license agreement for the 4.X platform. Now, that's not something that just comes in. If you recall, the 3 MW has taken two to three years to come to fruition. You set up a turbine, you undergo type certification, and then you ramp up supplies and so on and so forth. So, what we've tried to do is we looked at the four building blocks which are required in this business to succeed. One, we needed a strong balance sheet, which we've now positioned ourselves for. Second, we needed a large project site inventory. We are probably the largest project site developers across wind turbine manufacturers today in the country, and we have a very-very strong project development pipeline and plug-and-play infrastructure available.

The third piece which was required was large orders to obviously increase execution, get revenue and a diversified order book. I think we are very happy to share. We have a very diversified, of course, we won one very large order over two to three to four years, but we expect significantly large orders as we keep moving forward. What the technology, and the fourth piece is the technology piece. So, it's not that we're looking at India only from a one-year, two-year, three-year perspective. We looked at where is India heading in the next eight to 10 years. And what we saw is, we must have another larger product in our arsenal from the perspective that there are certain sites where larger rotor diameter blades can go, and to that extent.

I mean, to the extent that we will keep using our 3.3 MW, which is our workhorse, which I believe is ideally suited for the Indian markets. But a 4.X platform is also well suited for certain parts of the Indian market, and we did not want to lose out on those opportunities. So, I think this is something which will play out over the next two, three years. In the meantime, 3 MW is the workhorse. 2 MW, as you know, is a limited play now, given that it's fairly outdated in our scheme of things. But yes, there are certain places where we use the 2 MW as well. But going forward, 3 MW is going to be the workhorse for several years.

Rahul Kothari

Okay. And sir, just one more question. In this cycle, there's this interesting thing of loss of demand orders that we are winning is also split into like core turnkey plus also orders with regards to pure turbine supply. So, how does this help us with significant revenue growth? Is it from the side of the customers who are asking to go for turbine and execute on their own?

Devansh Jain

I'm sorry, I didn't understand. What is your question?

Rahul Kothari

What we are looking is that this time, compared to last cycle, earlier loss of order used to be on the turnkey or pure or complete turnkey kind of orders. And this cycle is like, we are getting turnkey orders also, and plus also pure only equipment supply kind of orders. So, does this help us to quickly ramp up our capacity and more revenue, earlier revenue visibility?

Devansh Jain

Of course, because effectively, we don't want to take the onus of all project development on ourselves. Right? Of course, we have fairly large capacity and capability to develop project pipelines and offer projects even on a plug-and-play basis. But what a split of EPC does is basically other people are developing their sites whenever they are ready, and we are derisking ourselves by having multiple turnkey orders, multiple equipment supply orders.

So naturally, it enables us to scale up business faster. Also, scale up our entire opportunity because assume I could do, say, 1,500 MW turnkey, but I could do 2.5 GW, 3 GW of equipment supply. So, what simply this does is adds onto a project development pipeline. Moving away from a project development pipeline by leveraging five other players who are developing their own projects.

Rahul Kothari

Okay, thank you. Thanks for answering the questions. That's it from my end.

Devansh Jain

Thank you.

Moderator

Thank you. Next question comes from Hardik Shah, an individual investor. Please go ahead, sir. There is no response. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth

Yes, hi. Thank you. So, first of all, big commendation to the management for delivering such numbers and such business. I would love to understand the revenue recognition workflow that this business follows. If someone could share some light on that.

Devansh Jain

Sure. Manish, could you take them through a revenue recognition policy?

Manish Patel

Sure. So, as far as revenue recognition policy are concerned, in terms of supply of goods, we recognize the revenue when the risk and reward got transferred to the customer. That depend upon the contract to contract. And in terms of EPC revenue, we recognize our revenue based upon the commissioning of the WTGs. There are two steps, which we recognize accordingly. In terms of O&M, that is a time-based service which we provide over a period of time and recognize the revenue based upon the time performance of the same.

Prit Nagersheth

So, just to get this right, so equipment supplier, the timing for recognizing the revenue is when the equipment is supplied, and the delivery is completed. Is that what you just meant?

Manish Patel

Yes, that's right.

Prit Nagersheth

Okay. And in terms of EPC, it is on commissioning. So, could it be that, say, if the evacuation takes time or if there are challenges in commissioning, the revenue recognition will get backhanded?

Devansh Jain

Contract to contract. For example, in a limited scope, EPC, if our scope of work doesn't include commissioning. So, we recognize the revenue when the EPC work got completed. Only wherein the commissioning is in our scope, we recognize the revenue based on commissioning of the WTGs.

Prit Nagersheth

Understood. Okay. The other question I had is regarding the bid pipeline. So, you mentioned 2600 MW of orders, excluding the LOIs. What about the pipeline that is building up? Could you share some light on that?

Devansh Jain

Look, I think there's almost 15 GW of tenders out there which include hybrid, wind, FDRE, fixed dispatch renewable energy tenders which need to be awarded out. This is besides the fact that multiple PSUs are taking out fairly large size tenders. I mean, as we speak, there is an NTPC tender out there. There is an SJVNL tender out there. And given that, we've created a very large order book, of course, there are significant orders in advanced stages of discussion. Keeping in mind some of our targets, which that we are now enhancing, given that we are looking at a far larger volume of supplies and execution as we move forward, we are bidding and participating in most of these tenders.

Prit Nagersheth

I see. Devansh, should we anticipate a different kind of guidance in terms of what you will end up doing for FY25, FY26 than what has been communicated in the past?

Devansh Jain

Look, without specifying on the exact numbers, all I'm saying is whatever has been communicated in the past for FY25 and FY26, we will be significantly higher than that. We will elaborate more on this at an opportune time. All I can say at this point in time is we would be looking at significantly larger numbers.

Prit Nagersheth

Right. One other comment, if you can give me is on, many of these tenders are getting undersubscribed or there are delays or there are land delays. I mean, that's the nature of this business. So, how do you see that impacting both your current bid pipeline as well as the ability to execute some of these numbers that we are talking about?

Devansh Jain

Look, I think there was nothing new about that, that was very visible to us in the past 12 to 15 months. We've seen the pain in the sector for the past five years. So, frankly speaking, it was pretty clear that you need to have a split of turnkey and equipment supply. It is foolish for someone to say that we will do only equipment supply and then blame people that I am not ready, you are not ready, blah, blah, blah, blah. What we have done smartly is we have used a significant chunk of our project pipeline which we continue to replenish and bid on. And we are also smartly taking equipment supply orders, number one.

Number two, we are also taking equipment supply orders from people who we believe are capable of executing. Okay? Now, there can be delays and there can be challenges when you develop infrastructure, but there is also a quality which needs to be looked at. If you notice, we are not taking in orders from start of the mill IPPs and so on and so forth, so called C&I players, who talk of equipment supply because they don't have the wherewithal and the pedigree to do it. And we are completely hedged because we have the turnkey ability.

We today are the largest turnkey wind turbine company in the country, and we are now adding onto equipment supply with genuine and relevant parties. So, there is no point taking orders for the sake of taking orders from people who are not capable of executing them and then blaming them.

Prit Nagersheth

Wonderful. Super. Thank you so much for that and wishing you guys all the very best.

Devansh Jain

Thank you.

Moderator

Thank you. Next question comes from Dhawal Doshi from Dymon Asia. Please go ahead.

Dhawal Doshi

Hi, congratulations team on the good set of numbers and a strong order book. Just wanted to clarify one thing, Devansh, you mentioned 15 GW of bid pipeline. This is in addition to the PSU orders or this includes the PSU orders?

Devansh Jain

No, this is in addition to the PSU orders. These are various. So, PSUs are guys who take out tenders. So, for example, we won three NTPC tenders. We won an NLC tender. Similarly, there are tenders in the public domain by SJVNL and NTPC where we either only supply turbines or in certain tenders we do turnkey projects. Right? That's where Inox Wind submits tenders. And then there is another 15 GW of pipeline out there, which is hybrid, wind, FDRE, et cetera, where, say, people like Adani, Tata, CSE, et cetera, participate.

Dhawal Doshi

Okay. And what would be the current PSU pipeline in addition to this 15 GW that you mentioned?

Devansh Jain

Look, I can only say in the public domain right now, we have 1,000 MW NTPC tender, there's a 300 MW SJVNL tender. This is in the public domain. What we've also seen is NTPCs taken out tenders of BOP for about 2 GW. We know there are various other projects in the pipeline from various PSUs. Kailash?

Kailash Tarachandani

I mean, even like some of the new green hydrogen, green ammonia. Lot of those things are also coming up, which will add to volume over and above.

Devansh Jain

And we have a couple of other PSUs, which we believe are coming out with tenders in the near future or on an ongoing basis.

Dhawal Doshi

Okay.

Devansh Jain

This is much rather than anticipation.

Dhawal Doshi

So, when the government had come up with the plans on wind power, they said almost 10 GW of annual ordering and they've significantly lagged. If you can highlight what are the issues which is leading to this delay and when do we expect that kind of an ordering, at least even 50% of that ordering to start trickling in on annual basis. So, I'm more interested in understanding what are the issues which is hampering the overall execution as well as the ordering cycle.

Devansh Jain

Look, first and foremost, while the government may have initially anticipated 10 GW of plain wind tenders, don't forget there's 15 GW of tenders out there for which, and 9 GW out of that, if I'm not mistaken, Anshuman is FDRE, right? FDRE needs 9 GW of incremental wind, then you've got plain wind tenders and hybrid tenders. So, yes, the nomenclature may change from NTPC, NHPC, SECI, taking out 2.5 GW, 2.5 GW, 2.5 GW of tenders. But the tenders already in the public domain, be it FDRE or wind or hybrid, which requires a component of wind, is far more than that, number one.

Number two, that there are a lot of people who are playing the C&I game. For example, CFC will require captive. For example, the large IPP with whom we've signed 280 MW. We've done multiple projects with them, repeat customer. They do C&I. They get better returns. They anticipate that they would rather play on the exchanges or sell to retail, industrial, XYZ customers.

So, there is enough demand coming in. But you've got different categories. You've got the C&I, and for that you don't need any tendering. And the third piece is, to some extent, you're seeing that when the government is taking out these tenders, they are kind of a lot of people already have so many tenders, one, or so much C&I demand will they need to fulfill. How much more will they take? Let's put it like this. This is almost ballpark, right? There's 15 GW out there. Let's say another 4 GW or 5 GW is in the pipeline. Let's say 7 GW, 8 GW has been awarded over the past 12 months.

That's almost 27 GW, 28 GW in the past, say, 12 to 18 months. You need to have people who can supply also, don't forget, majority of the sector has gone bust. And even from an execution pipeline perspective, there are probably only two at best. Or three, not even three, I would say two players who do turnkey. So, everyone doesn't have the ability to do project development or project infrastructure. You will gradually have people coming in, or they'll take much longer than experts. And I think to that extent, I think everyone's plate is full at this point in time.

Dhawal Doshi

So, one of the issues, Devansh, which I understand is the implementation or the execution of the project. So, there are a few competitors of yours who are more interested in just giving the turbines and they're not interested in executing it. Given we have that edge, how does it benefit in terms of more orders or more market share? And second question is, if I'm not mistaken, our annual execution capacity is 1 GW given the kind of order book that we have and the pipeline which is there, at what point in time will you foresee us expanding our capacity?

Devansh Jain

Okay, I'll take your second question first, Dhawal. First and foremost, our manufacturing capacity is 2.5 GW. It's not 1 GW. Kailash mentioned in his opening remarks that we are gearing ourselves to be a 2 GW supplier to the Indian market. We are geared to be a GW supplier to the Indian market. These are the three most important points which Kailash mentioned in his opening remarks. Secondly, our capacity is north of 2.5 GW, as I explained to you. So, we don't need to expand capacity till we get closer to those numbers. And if we do, we'll expand because within the existing capacities, we can put up another share and ramp it up. At the end of the day, we've spent about $100 million, INR 800 crores to build a 2.5 GW manufacturing capacity.

So, we've not spent INR 4,000 crores, INR 6,000 crores like some of our competitors at one-fifth, one-sixth, one-seventh costs, we can expand these capacities. Secondly, I think in terms of how are we gearing up to take market share. Look, I've always said, we are historically a 15-20% market share player. Having said that, I don't care about market share. I care about profitability. There is no point from 10 till 17 when the sector was rolling, saying, I'm the largest player, I’m the largest player and lose thousands and thousands of crores or being the second largest player and make 1% margin. We've historically been a 14-15% EBIT company, barring the painful transition period of 17-23%.

I think we have guided and we have said our aim is to get back to those numbers from the coming financial year. So, to that extent, if you look at our order book, it probably is one of the largest order books in the Indian market today. There is a very-very healthy pipeline of orders which we expect in the near future. Across IPPs, across C&I players, we are participating in multiple PSU bases. So, naturally, if you juxtapose some of this, you will be able to figure out what kind of execution and supplies we are gearing up to be a part of in the Indian market.

Dhawal Doshi

So, manufacturing is 2.5 GW. But honestly, if I were to do a complete execution or turnkey, what would that figure be?

Devansh Jain

Look, it's not a question. I mean, ideally, if you want me to do 3 GW, I can. Will I do it? No, I will not do it. What we want to do is 50% turnkey, 50% equipment supply. That's the broad mix. Obviously, it could be 40-60 or 60-40, but just in terms of capability, I'll throw number at you. Until 2015, 2016, 2017, when the sector used to be Q4 dependent, and you have this threat of 31st March.

On average, Inox Wind used to do 50 to 60 turbines every month in the last quarter. Right? Now, whether it's a 2 MW or a 3 MW or a 4 MW turbine, it's the same job. So, you juxtapose that 50 or 60 turbines is 100-120 MW, multiplied into 3.3 MW, you'll be anywhere from 180-200 MW per month. From a capability perspective, we could do north of 2 GW. Do we want to do it? No.

Dhawal Doshi

In terms of the profitability and the revenue aspect, can you differentiate how would a pure equipment supply order be and how would a turnkey project be?

Devansh Jain

I'm sorry, I missed your question. I'm sorry, I lost you. Could you repeat it?

Dhawal Doshi

So, I'm just trying to understand the revenue and the profitability profile between a turnkey project and a pure equipment supply.

Devansh Jain

I'm not going to share those numbers.

Dhawal Doshi

No, I don't want specifics. I don’t want specifics. If you can, just probably give this rough.

Devansh Jain

In terms of absolute profitability, turnkey gives you a little higher, obviously gives you higher because you're taking more headache and more risk. Right? From a percentage point, it may be on par with equipment supply because your denominator is lower. Right? But it's not a question of. You have to take some easy businesses and you have to take some turnkey businesses. So, it's not a question of why don't you just do all turnkey? Because it's complicated. You need to build lines, you need to acquire land, you need to solve ROW issues. It's not possible to just take all the dirt and leave them alive for our competitors. Hello?

Moderator

Yes, sir. Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Akhilesh B, an Individual investor. Please go ahead.

Akhilesh B

Yes, congratulations to the whole team. As a shareholder, I'm really happy to see all the positive developments around our company and our sharp focus on profitable growth, which will be really important going ahead. My question is around the merger with Inox Wind Energy Limited. In late December, we got approvals from the exchanges. So, where does that process stand now? Have we filed a case in NCLT and any tentative timeline that we see for completion of the same?

Kailash Tarachandani

Yes. So, as we have stated through a press release in December that we have already received the approval from both the exchanges after which we have filed the case, our scheme in NCLT as well at the Chandigarh bench. Now we await the listing of the hearing and it may take time because as you know, NCLT is a time taking process. However, we don't have any guidance as of now, but what we expect that we should get it within the next two to three quarters.

Akhilesh B

Okay. Thank you.

Moderator

Thank you. Next question comes from Abhishek Dutta from Anand Rathi. Please go ahead.

Abhishek Dutta

Hello, sir. Congratulations on great set of numbers and great outlook. Sir, I just wanted to understand, like, you have manufacturing capacity of 2.5 GW and you have sizable order backlog order book. So, can you just throw some light as to when do you expect this 1 GW order execution in the near future?

Kailash Tarachandani

It's very difficult to say any exact timeline. But we are definitely gearing up, as Devan also said, we are building up the capacity and capacity in the sense of the order intakes and all that. And we will gradually over the quarter, the timeline in such a way that we can execute those.

Abhishek Dutta

Okay. Second question is on, when you say that you have one of the largest common infrastructure among the players, how do you quantify it? Is it part of our gross block that stands at around INR 2,000 crores? How much is the common infrastructure part?

Devansh Jain

How we talk of the common infrastructure is the access to a project sites, transmission lines, land banks, substations. That's how we quantify that we are one of the largest project site inventories and that's what enables us to get projects which can be done on a plug-and-play basis as opposed to starting from scratch, which would be a three to four to five-year process.

Abhishek Dutta

Okay, that's fine. But how do you quantify it? Like in terms of you have spent money to create that asset pool. So, in the 2004 gross block of FY23, how much that represents?

Kailash Tarachandani

In terms of the investment which we have made in common infrastructure is broadly in the range of INR 400 crores and INR 500 crores rupees, which is lying in our CWIP or the fixed block.

Abhishek Dutta

So, is it the same like other financial assets, noncurrent financial assets of INR 470 crores, which is there, is that is what you are referring to the common infrastructure part or the unbilled generally?

Kailash Tarachandani

So, lies in our books of accounts and gives the right to use to our customers. And we'll apportion over a period of time. The other non-current financial assets which you are seeing is towards the unbilled revenue towards the O&M business. As per the accounting rules, we need to straight line our O&M contract over a period of time and the initial two years of free O&M period is shown as unbilled revenue.

Abhishek Dutta

Just telling about the fixed assets.

Kailash Tarachandani

Fixed assets?

Abhishek Dutta

Capitalized.

Devansh Jain

Capitalize in our fixed asset block in PPE.

Abhishek Dutta

Can you just explain that part? Like of the INR 1300 crores gross block of Inox Green, how do you buy **[Inaudible 0:36:10]**?

Devansh Jain

This is not a question of Inox Green. Could I suggest you get off on a separate call and they can explain it to you. Because there is straight lining revenue and there is also fixed assets where the gross block part of it is Inox Green and part of it is in Resco.

Moderator

I'm sorry to interrupt you, sir. Abhishek sir, could you please join back the queue, sir?

Abhishek Dutta

Just one question.

Devansh Jain

Okay, go ahead.

Abhishek Dutta

After total promoter infusion, what is the level of interest bearing debt right now?

Devansh Jain

The interest bearing debt as of 31st December would be about INR 450 crores-odd would be the interest bearing debt in the company.

Abhishek Dutta

Okay, sir. Thank you so much and best of luck.

Kailash Tarachandani

We can explain all those queries offline. Yes.

Moderator

Thank you, sir. I request the participants to restrict with one question in the initial round and join back to queue for more questions. Next question comes from Diwakar Rana from Prudent Equity. Please go ahead.

Diwakar Rana

Good evening, sir. Basically, all my question has been answered. Just one question. What will be the normalized interest cost from the Q4 onwards?

Devansh Jain

Look, I think when you look at these numbers, our fundraising happened in middle of November when we got the proceeds and we started using them. All our one-time charges are coming down, banks are going off cost. But I think on a rolling basis, we are on a INR 30 crores-odd run rate at this point in time. INR 30 crores-odd, Rahul?

Rahul Roongta

Yes. So, we will be on the run rate of INR 30-35 crores in Q4, probably. And another INR 30 crores, this amount which has been introduced by the promoter. This was done in November and the effect of this has come into December. So probably, from Q4 we'll be able to see the INR 30 crores run rate.

Devansh Jain

Excluding the one-time charges. Given that a lot of entities are being repaid, debts are being repaid and those have charges because we are breaking them from the three-year, four-year, five-year terms which we had taken from the bankers.

Diwakar Rana

Yes. Okay, sir, that's all from my side.

Devansh Jain

Thank you.

Moderator

Thank you. Next question comes from Darshit Shah from Nirvana Capital. Please go ahead.

Darshit Shah

Yes, sir, thanks for the opportunity. I just would like to know out of this total order book of 2.6 GW, roughly how much would be for the new 3 MW turbines?

Kailash Tarachandani

I think very few 2 MW orders are left. I think you're talking about 350 MW of 2 MW orders.

Darshit Shah

I couldn't hear you.

Devansh Jain

350 MW-odd is 2 MW. Everything else is 3.3 MW turbines.

Darshit Shah

Okay. As we had seen on earlier call, so this 3 MW turbines fetch compared to the earlier technology?

Devansh Jain

Look, our earlier technology was outdated. When the sector shut down, we had a lot of inventory, et cetera. So, we've not upgraded our turbines, because till you don't sell the old inventory or clean up the old inventory, how are you going to move to larger turbines. And from that perspective, yes, the 3 MW are sold at a higher price, but then they are much larger rotor. They are much higher in terms of tower height. What is important is cost of energy, not CapEx. And this 3.3 MW platform reduces the cost of energy compared to our earlier 2 MW turbine by virtually 35-40%.

Moderator

Thank you, sir. Next question comes from Yashvardhan Sarda from SKP securities. Please go ahead.

Yashvardhan Sarda

Hi, sir. Congratulations on a great set of numbers. Could you please tell me a little more clarity on the Inox Green merger and what the timeline is like?

Kailash Tarachandani

No, it's not Inox Green. It's Inox Wind Energy Limited, which is a promoter of Inox Wind getting reverse merger. In one of the previous questions I answered that we have already filed the scheme in NCLT. And however, we can't tell you the exact timelines, but what we expect is that within the next two to three quarters, we should get the approval from the NCLT.

Yashvardhan Sarda

Sure, sir. Thank you so much.

Moderator

Thank you. Next question comes from Bharani Vijay from Avendus. Please go ahead.

Bharani Vijay

Good evening, gentlemen. Am I audible?

Devansh Jain

Yes.

Bharani Vijay

Yes. I just want to understand working capital, how it works for your equipment business and your turnkey business. So, how much of inventory typically would be kept and what will be the time before the client pays, et cetera, that kind of details for, say, separately, turnkey business and equipment business. Thank you very much.

Devansh Jain

Look, I think, very simply put, I mean, the past should not be a barometer of the future, given that the sector shut down. But in a normalized scenario, say, FY25, which would be the first full year of normalized operations, and all the debt issues out and 3 MW kicking in and the sector feed and tariff issues behind us, what we would be guiding for is about 90 days of working capital cycle. When you typically supply a turbine, as Manish and Kailash may have explained, or Rahul may have explained, when you supply a turbine and equipment supply, we supply the turbine, the risk reward gets passed and we get paid. That would typically be in 45-60 days.

And in a turnkey contract, obviously, again, when you supply the turbine, you get paid the supply price. But the EPC piece, which is about 25% of the turbine cost, also, you get paid in different, different, different milestones, so that depends on what the contract are. But that typically comes over a period of one year. But 90 days is a good barometer in terms of working capital cycle guidance for the consolidated business.

Bharani Vijay

So, it will be higher for EPC business, and it will be lower for equipment business.

Devansh Jain

Not necessarily. Again, like I said, your supply payments come in. It's the smaller part, which comes in different milestones, and those milestones are, say, over 12 months because you supply turbines, you're doing foundations, you're erecting, you get paid something on foundation, you get paid something on erection, you get paid something on USS, something on charging of the line, something on final commissioning, something on STPT. So, it's a process, that could be for 3%, which may come after three months, or 4%, which may come after five months. But broadly, as I said, it's very hard to say, will this be 81 days and will this be 96 days. As I said, broadly, 90 days is a good barometer for the consolidated business.

Bharani Vijay

So, what will be the shortest time within which you can supply equipment and shortest time within which you can execute a turnkey project?

Devansh Jain

Look, if I'm in love with you, I can supply a turbine due tomorrow and probably commission it for you in 30 days. But let's look at it practically. I think inventories are more or less consumed now. We are now building on inventories because the 2 MW is out and you are now ramping up your 3 MW supplies. So, we have a lot of orders which we've taken. Kailash, I think you have different timelines. Now, I mean, frankly, if you were to accept an order today, it would be for FY26. We would not be supplying any incremental turbines giving such a large order book for FY25.

Bharani Vijay

Sure. Okay.

Moderator

Dear participants, kindly stay connected while we connect the management team back on the call. I welcome back the management team. Please go ahead, sir.

Kailash Tarachandani

Can you please ask the participant to repeat his question?

Moderator

Yes, sure. Bharani sir, your line unmuted. Please go ahead, sir.

Bharani Vijay

I thought my session got over. Anyway, that answered my question. Just that you are telling if you take an order now, you will be able to supply equipment only for 2026, right?

Devansh Jain

That's right. Because we have a very large order book at this point in time. I mean, of course, Kailash, you can put more light.

Kailash Tarachandani

I think, as we were telling that time when call got disconnected, I think most of the timelines have gone up. I think in past we used to execute in three months, six months, those kind of timelines. But today, most of the large customer, and if you see we have all I would say what you can call top shots or the very-very sophisticated marquee customers, big ones. So, these typically, all of them plan project execution anywhere from 12 to 15 to 18 months. So, if I am talking today for you and turbine supply, mostly I'll talk to you not this financial year or not even coming, maybe most probably in the financial year after. So, it will be most probably 25, 26 or so.

Bharani Vijay

Okay. And it will be same for turnkey project also, meaning you will commit to execute a project by turnkey naturally by 2026.

Kailash Tarachandani

In fact, yes. Equipment supply could even be faster, but turnkey will definitely take longer time. For sure, we'll plan accordingly.

Bharani Vijay

Great. Thank you, gentlemen. All the best. We'll hope to talk to you in future. Bye.

Devansh Jain

Thank you.

Moderator

Thank you. Next person comes from Kanv Garg from Garg advisors. Please go ahead.

Kanv Garg

Good evening, sir. Firstly, I would like to thank for all the steps that you have taken to make Inox Wind balance sheet such great. I think you have given a 0% interest loan. I think in last 15 years, I've been investing. I've never found any management doing that. So, I thought I should congratulate you for doing all the good things for the shareholders. Sir, I just have one question.

So, my question is, if I look at the order book of let's say Suzlon, I mean, the largest competitor, and yourself, right? What I see is that there is no capacity for both the companies to supply wind turbines for, let's say, FY25, right? Now my question is, given that so many orders are coming from the government, do we see any changes in the pricing of the turbines, or is there any possibility of expansion of margins, let's say, when we onboard, or take new contracts?

Devansh Jain

Look, I think we've already taken a very significant number of orders for FY25. If you look at our form order book, excluding LOIs, it's now north of 2,500 MW. There are certain other commitments which we have, which are in different stages of advanced stages of closure of which we bid for. So, from that perspective, I think Kailash mentioned, I don't think the team is planning to take any turnkey orders whatsoever for 2025. For 2026, also a very limited chunk, I think. I don't know, Kailash, you would know better. I mean, are we taking more for 2026 turnkey?

Kailash Tarachandani

Not for the next financial year, only year after. And that too, very limited.

Devansh Jain

I think limited. I think it's more on the equipment supply side. Yes, we have the potential, of course, we have the manufacturing capacity, so we could. But I think we're choosing our customers selectively. As I mentioned in two of my earlier conference calls, what's important is ease of doing business as well and the customer intent to pay. There is no point taking orders people who've just come up today or put a motley group of three, four people, and they believe they can execute. We are very selective and focused on the guys from whom we are taking equipment supply. And to that extent, I think, as we've said, we ourselves anticipate GW scale execution much faster. But we are gearing up to be a 2 GW supplier to the Indian market. That's all that we can say at this point in time.

Moderator

Thank you. Next question comes from Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah

Hi, sir. Congratulations for very good set of numbers, and thanks for the opportunity. So, what is the timeline for execution of this CESC order?

Devansh Jain

This is a binding agreement which we've entered into, which is spread over three to four years.

Vipulkumar Shah

Spread over three to four years. When are we going to launch this new 4 MW turbine and what will be energy saving of that turbine over 3 MW?

Kailash Tarachandani

To be honest, we are right now focusing on 3 MW. 4 MW is basically for the future. This is what we are planning. And I think in one of the comments, Devansh explained that it's a process which we will go through. We'll do the detailed prototype, go for RLMM testing, and all that. So possibly it will take another two to three years before it becomes commercially available.

Moderator

Thank you. Next question comes from Pratik Kapoor, an individual investor. Please go ahead.

Pratik Kapoor

My question have been answered.

Moderator

Okay, sir. Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We have a follow-up question from Rahul Kothari from Grit Equities. Please go ahead. I repeat. Question comes from Rahul Kothari. Please go ahead.

Rahul Kothari

With the demand of the wind industry expanding multifold, how is the availability of the cranes coping up since the 3 MW turbines are new and require different set of cranes? And secondly, for the equipment supply industry to grow. I understand there should be external BOP players. So, can you shed some light on whether the Indian industry, there are players who are providing the BOP services for the same?

Devansh Jain

First and foremost, on the cranes, there's no shortage of cranes. I mean, if you don't plan and suddenly ask for a crane, you won't get it. I think from our organization perspective there is no challenge. We've anticipated what we need. We've got all of them in place. And for our future, we'll tie it up well in process and when we need it. I can't comment about others. Secondary, with respect to other BOP service providers. There are a few small guys, let's put it like that, unorganized or maybe one or two organized players who are doing this. They have the ability to give two 300 MW, 400 MW in a year, not beyond that and in a certain state, they're not Pan India players.

So, I think, as I would say, execution turnkey is something which we believe is a very strong USP, a very strong moat at Inox and we will leverage it to the hilt. I can't comment with respect to other players in the market, the large IPPs, some of the very large IPPs have the capability to do it. They are doing it to some extent. Some of them have failed to do it because that's not their core competence. But yes, there is a significant shortage of quality BOP service providers in the market.

Kailash Tarachandani

Just to add that we have a good partnership of many of our crane suppliers and BOP service providers. So, typically they know in advance how we are building up, what sites are coming up, where we are executing. So, this shouldn't become a concern at all from that point of view.

Rahul Kothari

Okay. Thank you. Thank you, sir.

Moderator

Thank you. Next question comes from Chirag from Catamaran. Please go ahead.

Chirag

Thank you for the opportunity and congratulations on a good set of numbers. Just a couple of bookkeeping questions. Can you share the execution MW number for the quarter? Also, the closing net debt, the interest bearing net debt, if you can.

Kailash Tarachandani

So, the execution was over 100 MW of the quarter, precisely around 104 MW. As the net debt as we had Informed in an earlier question, is around INR 450 crores to INR 500 crores. This is the net interest bearing debt which is there now.

Devansh Jain

No, don't get colored by the current interest because the money came in November. And also, a lot of the prepayments are happening. These were NCDs long-term debt. So, it's a bilateral negotiation. These weren't CC loans which we could repay. So, there are exceptional charges which are coming in the one-time cost. So, the interest cost of 60 is not the cost at which we are. We are potentially today at about INR 30 crores which we expect to virtually become zero over the next two-odd quarters.

Chirag

Right. And there will be bank guarantee charges which will be around INR 20 crores to INR 25 crores. Sorry, INR 50 crores-odd annually, right, if I understand it?

Devansh Jain

So, that's part of this whole thing. Right. That's why I said if you're going to be roughly on INR 30 crores, that includes the interest bearing debt. That includes your one-time bank charges, LC charges, BC charges, and BG charges. What we anticipate is over the next two quarters, potentially earlier, but over the two quarters, we are net debt free. A lot of the bank charges are going to further come down as we are moving forward given the strengthened operations and the profitability profile which bankers are seeing as we move forward.

Chirag

Right. Now what I was trying to address is two or three quarters down the line, when the entire debt, sort of interest bearing debt gets paid down, there'll be a INR 50 crores-odd of annual Bank guarantee charges, right? That's the broad number we should work with.

Devansh Jain

The annual Bank guarantee charges would be close to INR 10 crores per annum.

Chirag

Okay. Thank you so much.

Devansh Jain

Thank you.

Moderator

Thank you. That would be the last question for the day. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

Note: 1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.