"Inox Wind Limited

Q4 FY '24 Earnings Conference Call"

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MODERATOR: **MR. NIKHIL ABHYANKAR -- ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Inox Wind Limited Earnings Conference Call on hosted by ICICI Securities. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikhil Abhyankar from ICICI Securities. Thank you. And over to you, sir.

Nikhil Abhyankar: Thanks, Sejal. On behalf of ICICI Securities, I would like to welcome you all to the Q4 FY '24 Earnings Call of Inox Wind Limited. Today, we have with us Mr. Devansh Jain, Executive Director Inox GFL Group; Mr. Kailash Tarachandani, CEO, Inox Wind; Mr. Akhil Jindal, Group CFO Inox GFL Group; Mr. Rahul Roongta, CFO, Inox Wind and other senior members of the management. So without much further ado, I would like to hand over the call to the senior management for their opening remarks, and it will be followed by the Q&A. Over to you, Mr. Rahul Roongta.

Rahul Roongta: Thanks. Good evening, everyone. A very warm welcome to all in the quarter and full year ended 31st March 2024 Earnings Call of Inox Wind Limited. The company announced its results at its Board meeting held today, Friday, 3 May 2024. The results, along with the earnings presentation and press release are available on the stock exchanges as well as on our website.

Let me first take you quickly through the financial results for Q4 and FY '24 for the company. For the quarter, on a consolidated basis, Inox Wind has reported revenue of INR563 crores in Q4 FY '24 versus INR194 crores in Q4 FY '23, an increase of 190% Y-o-Y. EBITDA of INR140 crores in Q4 FY '24 versus EBITDA loss of INR25 crores in Q4 FY '23. Profit after tax of INR38 crores in Q4 FY '24 versus loss after tax of INR115 crores in Q4 FY '23.

Now I will take you through the FY '24 numbers on a consolidated basis. Inox Wind has reported revenue of INR1,799 crores in FY '24 versus INR754 crores in FY '23, an increase of 139% Y-o-Y. EBITDA of INR344 crores in FY '24 versus EBITDA loss of INR242 crores in FY '23, loss after tax of INR51 crores in FY '24 versus a loss after tax of INR697 crores in FY '23.

Our EBITDA run rate for the quarter and our healthy order book of 2.7 gigawatts sets us on a strong footing for FY '25. Further, despite a huge ramp-up in our operations during the year, especially Q4, we have been successfully able to reduce our external net interest bearing debt to INR655 crores as of FY '24 end.

I would now like to hand over the floor to our CEO, Mr. Kailash Tarachandani for his remarks. Thank you.

Kailash Tarachandani: Good evening. As I said before to you today at the end of an action packed FY '24 for Inox Wind, it gives me immense satisfaction to have been able to achieve what we had set out for the start of the year. We had guided to become profitable during FY '24, and we have achieved this feat in quarter 3 itself. Further, quarter 4 has been even a better quarter for us with the ramp-up of the manufacturing of 3-megawatt wind turbine.

The macro outlook continues to be extremely favourable. This year itself, big demand is expected to touch 260 gigawatts, 7% higher than the last year. The pace of power demand growth is expected to remain strong in the coming years, requiring capacity addition at a rapid pace, particularly renewables. Over the next 8 to 10 years, India plans to add around 100 gigawatts of wind power capacity on the current base of around 46 gigawatts.

In FY '24, over 50 gigawatts of renewable capacity was awarded through auctions, including over 15 gigawatts of hybrid RTC/FDRE project and 2.3 gigawatts of plain vanilla wind, resulting in over 10 gigawatts of wind capacity alone to be set up. The macro tailwinds are reflected in the strong order book, which stands at 2.7 gigawatts today.

Our other initiative, including ramping up operations, strengthening our balance sheet coupled with our large order book will translate into higher order execution from FY '25 onwards, relating in a strong growth in profitability. Q4 has been a milestone quarter for the company as we successfully transitioned to 3-megawatt wind turbine production from 2 megawatts. Our Q4 EBITDA run rate places us on a strong footing for FY '25.

We continue to maintain our EBITDA margin guidance at 14% to 15% for full year FY '25, though there could be quarterly volatility. Our debt levels have also come down drastically, and we expect to be net debt free within H1 FY '25. We are now geared up for gigawatt-scale annual execution and are taking further actions to ready ourselves for 2 gigawatt of annual execution in the medium term.

Our healthy order book of 2.7 gigawatts to a mix of all customers, PSUs, IPPs, C&I market and retail market. We are seeing very strong demand from all customer segments, are in advanced stages of discussion with various customers, both existing and new for future orders. We have a healthy mix of turnkey and equipment supply orders. We have also secured a 210-megawatt order from Hero Future Energies. This is a significant win as this is a repeat order from a large marquee C&I player.

Looking at the next decade of opportunities, we have also secured the license of 4.X megawatt wind turbine platform. The 4.X wind turbine -- the megawatt wind turbine with a large rotor diameter will be a revolutionary product in India. Further improving energy yield, reducing levelized cost of energy and offering superior performance to harness low wind sites optimally, thereby setting new benchmarks in the Indian wind industry.

With this, I would now like to open up the floor for question and answers. Thank you.

Moderator: The first question is from the line of Subhadip Mitra from Nuvama Institutional Equities.

Subhadip Mitra: Firstly, I think in your opening remarks, you did mention that we've seen close to 10 gigawatts of wind tendering. Can you please help us understand how much of this did you mention was hybrid and how much was in the loan?

Management: So around 15 gigawatts plus of hybrid FDRE and RTC tenders have been awarded over the course of FY '24 and we believe that out of this 15 gigawatts, roughly around 8 to 9 gigawatts is the effective wind capacity, which needs to be set up for these projects. And in addition to that, there is around 2.3 gigawatts of plain vanilla wind projects which have been awarded. So roughly around 10 to 11 gigawatts is the effective wind capacity, which has been awarded over the course of FY '24.

Subhadip Mitra: Understood. And how do you see this market going ahead. So what I wanted to basically get a sense on is how do you see the FDRE and the C&I bidding market moving ahead, as you're mentioning maybe that number is going to be, let's say, 10 to 12 gigawatts. And on top of that, there is a larger C&I piece, which will add to the wind. If you can just put some colour on that.

Management: If you look at the whole set out where India wants to achieve say 140 gigawatts of wind by 2032, we're looking at a scenario where we want 100 gigawatts being implemented in the next 6 to 8 years. Now that would effectively translate to 12 to 13 gigawatts of wind power supply to the grid.

Now it's very difficult to put a number. Effectively, if you start seeing now what's happening on C&I, if there are more hybrid and RTC and FDRE tenders. Because in FDRE whatever capacity you need to put 2 ways of that on to wind. If that starts happening, potentially, you could have a scenario where the Indian market becomes 15 to 20 gigawatts of wind requirement.

Realistically speaking, that's difficult simply because putting up so much wind within a period of time, onshore within 4 or 5 key wind states become a challenge. But I think realistically speaking, the Indian wind market could be an 8 to 10 gigawatt play per annum comfortably as we move along.

Subhadip Mitra: And on the same line, we did mention that you are preparing yourselves for gigawatt-scale execution and are targeting, I think, 2 gigawatts of execution in the medium term. Would it be possible to show some time lines that are you looking at, let's say, 1 gigawatt in the next 2 years and 2 gigawatts over what period.

Management: Look, I think I'll just leave it at the point that we're scaling up, I think, in a very, very smooth manner, in a well-organized manner. We've taken multiple actions over the course of the year as Kailash touched upon. If you look at some of the guidance figures, if you look at some of the investor reports out there, we talked of 800, 1200 megawatts ranging between those numbers this year, next year, et cetera, et cetera.

I think we are, as a company, virtually in position for the gigawatt scale execution. Naturally, we are gearing up further to be able to have the capability to do 2 gigawatt scale. I would have all to say more than that, but I think our internal targets are higher than what's out there. I believe consistently we're meeting whatever expectations the market has from us. And I hope the whole team put together keeps doing that as we keep looking forward.

Subhadip Mitra: Understood. Understood. And lastly, just wanted to understand that I think the execution for this year, if I remember correctly, the guidance was about, I think 450 megawatts, I think the numbers that have come in have been slightly lower. Is there some spillover that we are seeing, which will show up in the first quarter to second quarter?

Management: Look, I mean, I don't think we gave any specific -- we've given guidances -- targets for this financial year and the next. Now whether we've done 380 megawatts or 420 megawatts, I mean, I would only urge you to look at where we started from. We've really moved from 70, 80 megawatts over the past 5 years when the sector was dead to now about 380 megawatts, which in itself is almost 5.5, 6x from where we are now. 30, 40 megawatts is -- I wouldn't even call it a spillover. I mean, in any case, I think we should possibly doing much more than what we've guided for. And -- INR100 crores, INR200 crores here and there 1 month here and there is not really going to make much difference in the last few months.

Moderator: The next question is from the line of Smitesh Sheth from Radin Securities.

Smitesh Sheth: Could you please suggest what was the India level wind installation in Q4, sir? Any rough idea about the industry-wise installation happening in Q4?

Management: So over the course of FY '24, installations for wind was around 3.2 gigawatts. And in Q4, if I'm not wrong, it would be roughly around 1 gigawatt.

Moderator: The next question is from the line of Rohan Vora from Envision Capital.

Rohan Vora: The first question was from next year onwards, FY'25 onwards, what could be the hit that we can expect So, if certain new models of windmills come out and we need for wind, what kind of hit bed are we expecting or beyond that?

Management: Not able to understand your question. Your voice is a bit muffled.

Rohan Vora: So what I asking was what kind of

Management: Slightly better. Yes. If you can speak a bit slowly, yes.

Rohan Vora: So what I asking was what kind of heat bed can we expect when we bid for tender. So for example, if 10 gigawatts of tenders come out in FY '25 and we bid for them, what kind of hit rate are we expecting that will be converted into our order book?

Management: See, so we are not developers. So whenever wind projects are awarded, we come in the second stage. So after the award of the project, the projects are then awarded to the OEMs. That's where we come into the picture. And what we've guided is all there in the analyst reports for both FY '25 and '26, you can read through it and get a view on what will be our execution numbers for both FY '25 and '26.

Rohan Vora: What will be our fixed cost per year -- below our contribution, just a ballpark number?

Rahul Roongta: Yes. So overall -- Rohan?

Rohan Vora: Yes.

Rahul Roongta: So fixed cost for the overall Inox is around INR140 crores, INR150 crores for the year.

Moderator: The next question is from the line of Deepak who is an Individual Investor.

Deepak: Congratulations for the outstanding results. My question is, if we see consolidated result, overall basis, we have found around INR56 crores annually and out of this INR35 crores in current quarter. So I would like to know the breakup of this other income, what are the components?

Rahul Roongta: Okay. So this INR35 crores you're talking about the total other income for the Q4, so this includes our overall wind and IGESL and it includes some value-added services into the green and some scrap-related sales or insurance claims. So these are the non-operative incomes.

Deepak: Okay. So there are no interest income and all this in this category?

Rahul Roongta: Yes, again, please come again.

Deepak: I'm saying, is there any interest income kind of thing in this other income or it's a value-added thing other than interest income.

Rahul Roongta: Majorly is value-added services, which would be in a repeated in nature, but as a value-added service and is not digital core operation -- core your revenue items that's how it is classified as other income, and that would be repeated in nature and that is the majority order.

Deepak: Okay. So in future, following quarters also, the kind of income will be -- it's such quantum or it will be lesser or more? Can we expect anything?

Management: It depends on a quarter-on-quarter basis, but majority of the same will keep on coming on the quarter-on-quarter.

Moderator: The next question is from the line of Dhavan Shah from AlfAccurate Advisors.

Dhavan Shah: So my question is on the execution side. I think we were of the estimate that this year would be around roughly 450 megawatts FY '24, but we did roughly 129 megawatts in the last quarter. So again, the question is what led to lower execution for Q4. And on a project-wise I think in the third quarter presentation, you mentioned based on the different orders. So can you share the execution time line based on the different orders like CSC, NTPC, SECI and the other ones? How it would be executed in FY '25?

Kailash Tarachandani: We have not given any official guidance. We have just -- if you see from that point of view, we have grown almost 6x to 7x from that perspective. In general guidance, we are -- we always are looking from -- execute from 600 to 800 megawatts.

Management: If you see for this year, next financial year, we have guided for 800 and the year after we've guided for 1,200. But also, you have to keep in mind, there could always be a volatility for a quarter or two, there would always be certain slippages. So that old quarter-on-a-quarter basis, what you have to look at is from an annual perspective. So for next year, when you look at it, we have guided for 800 and the year after 1,200. We already have an order book of 2.7, which gives us enough confidence for this kind of an execution and even beat that.

Dhavan Shah: So out of 800-megawatt execution in FY '25, how much it could be from CESC, NTPC and the other orders?

Management: I don't think we can share those details. I think the order book is in the public domain. As we receive orders, we put that out in the public domain. And frankly, we will launch details of who will supply what to in which quarter, but it's going to be a mix of all these customers. And as we win orders, I'm sure you will be keeping track of the fact that there are certain time lines. Some are 18 months, some are 24 months, some are for the coming two quarters. So it's going to be a mix of all these customers.

Dhavan Shah: Okay. I think two months back, there was news that the SECI would again start reverse bidding like it was in FY '17 or '16. So how do you see if that starts for the wind sector itself? Do you see the same kind of challenges what we faced during that time?

Management: No, we don't see any challenges. It was a non-event and this was in fact an internal note which came out and was published by a media agency. But in fact, it was a non-event, even after that, we won another order, a repeat order from Hero around 210 megawatts so it did not matter at all for us.

Kailash Tarachandani: If you look at it, the majority of the orders earlier were already on this path. So it is only the plain vanilla wind orders were where they were discussed on this note. And as we have said in the past, we have come out publicly, this is a non-event. Our order book is very healthy, and we continue to win a lot of orders despite this.

Management: I think we've been on record across all news channels. The 90% of the sector operates on reverse auction, which is RTC hybrid and FDRE. So frankly speaking, 10% of the sector supposedly being on close bidding, whether it happens, doesn't happen makes absolutely no difference whatsoever. I think we've been on record, there have been multiple public statements made by me. And as we continue to see, we continue to win large orders. Current order book is sold out for the next 2.5-odd years. So frankly speaking, at least said multiple times, this is an absolute non-event.

Dhavan Shah: And in the stand-alone accounts, I think for this quarter, we have an ECL provision of roughly INR100 crores. So what is that related to? And for what -- which project?

Rahul Roongta: So as we are transitioning from the 2-megawatt product to 3-megawatt product, on a conservative result, we have taken an additional provision of INR200-odd crores in our books of accounts. But as such, we are very -- that is a non-cash item, and that would -- doesn't have any impact on our cash position.

Dhavan Shah: But I didn't understand. Can you please explain again or in detail?

Rahul Roongta: Yes. So I think you must refer our note number 16a in financials. But broadly, these all are the non-cash line items of INR14 crores, I again repeat noncash line items we have provided for the higher ECL on our debtors as we have completely transitioned from 2 megawatts to 3 megawatts now. Please refer this note of 16a in financials.

Dhavan Shah: Is there any expected losses, which we are foreseeing from the particular customer? And that's why we have provided provision?

Rahul Roongta: No, this is as per regular ECL policy. So since last 5 years we have been doing that, and there is no particular -- like change in that. There is no trigger.

Moderator: The next question is from the line of Shweta Dikshit from Systematix Group.

Shweta Dikshit: On the execution side, I understand there could be some volatility in terms of execution number. First, if we look at the blended realization that has dropped significantly from the first quarter of this year, like we were executed only 2-megawatt turbines in the first and second quarter and our blended realization has dropped from INR5.2 crores per megawatt to INR4.1 crores per megawatt this quarter. So could you please explain this drop in realization?

Management: So if you remember, we have stated in our Q3 call also that we launched our 3-megawatt product commercially and started the supplies in the month of December. And it has taken a quarter for us to ramp up. The supplies are in full swing today. But yes, there may be quarterly variations, which is there. And because there was a ramp-up in this quarter, there were supplies of some of the components, some of the components will be supplied in Q1. So this is something which happens in a normal course of business.

Management: Shweta, if I may answer that because we're transitioning completely from 2 to 3 megawatts, obviously, there is -- it could not be perfectly timed. You can't have all the nacelles, the blades, all the towers going on at the same point in time. Yes, we had that going to the extent of 90% accuracy in our 2-megawatt product but now on the 3-megawatt product over this and the next quarter, we make it uniform. So to that extent, what you're seeing in revenue realization is not gone down, but basically, there are certain blades and towers, which have not been built.

And going forward, you may have a scenario where you may actually see higher realization because you'll have more blades and towers and less nacelles. But this will neutralize and make itself aligned over the next 1 to 2 quarters. But certainly, the realization in 3-megawatt is more, that is why we're getting to a very strong profitability scenario, otherwise we would have been struggling on the profitability front with the 2-megawatt product.

Shweta Dikshit: I understand. But I -- even though we are -- it is a milestone and component wise breakup, but still sub component wise also aren't 3-megawatt component expected to be set higher realizations, on a stand-alone basis also it's around INR3.6 crores per megawatt, if you look at 129 megawatts of execution. So I just wish to understand like what kind of realization do we build up, especially for FY '25 considering there could be volatility in terms of the execution guidance?

Management: You may have volatility in terms of quarterly. In terms of the full year guidance, we've given an 800-megawatt guidance and we've given EBITDA guidance of 14% to 15%. So from a full year basis, we are not suggesting volatility. We're suggesting volatility on a quarterly basis, number one. Number two, we -- I mean you have a mix of turnkey, you've got a mix of equipment supply, you've got a mix of equipment supply with some value-added services. So as a thumb rule, it's good to take a INR6 crores number, so that broadly means if we do 800 megawatts of INR4,800-odd crores top line number, it's a very realistic scenario to look at.

Shweta Dikshit: Sir, if I heard it correctly, the net interest bearing debt as of end of FY '24 was INR655 crores, if I'm not wrong?

Management: Yes, you're right. Given the breakup in our quarterly presentation also, if you would refer to the second last slide of the presentation, the breakup is given for your reference.

Moderator: The next question is from the line of Mohammed Nameer from Fairdeal Petrochemicals.

Mohammed Nameer: I had only one question, what is the reason behind issuing the bonus?

Management: Yes. So, I think it was -- if I may jump in, because we were receiving a lot of feedbacks from the investors. And in terms of the price that has really run up in the last one year, we felt it is important that we consider investor feedback and we understand their intention behind the shares to be more liquid and to be now in a fair reach of most of the retail investors. And with that feedback and background, the company decided it is appropriate to look at the bonus as one of the key elements of rewarding the shareholders.

And that is where the Board has decided to issue the bonus. And clearly, from INR150 to INR600 journey is something that was unprecedented, and it was one of the best performing stocks in this segment. And that's why the Board took a cumulative decision and wisdom also the people from the investors decided to go down that path.

Moderator: The next question is from the line of Praduman Choudhari from J M Financial.

Praduman Choudhari: Congratulations on a great set of numbers. So just wanted one clarity. We have around 2.5 gigawatt capacity, right?

Management: Yes, that's correct.

Praduman Choudhari: So why -- like, of course, maybe we are being a bit conservative, but why are we suggesting an execution of 800 megawatts for FY '25 and 1,200 megawatts for FY '26 considering the order wins seem to be there?

Management: I wish we could do 2.5 gigawatts and say that, yes, we are doing that, but you must appreciate, we've been at about 70 to 100 megawatts for the past five years. We are probably the only company which has come out of five years of brutality in this sector without a single rupee of haircut. The only other key guy is survived with the INR14,000 crores haircut.

Now effectively, if you're going to ramp up from a top line of INR500 crores to INR5,000 crores in a speed of 12 to 15 months, I think that is massive. It's not that we can press a button and go from INR500 to INR20,000 crores. If you look at us going to about 1,200 megawatts, that would be a top line of almost INR10,000 crores. So looking at a scenario where a company is going from INR500 crores to INR10,000 crores in two years.

We do not want to bite more than we can chew. We don't want to take in orders where we take them for the sake of taking them and then fail. We've seen this over the past 12 months as well. A few of our competitors have taken orders, and then there have been challenges in their supply chain, in their delivery, in their execution.

And I think we want to be extremely conservative. These are very, very large numbers we're talking about. We've also been candid enough to keep updating our guidance's. And we have said, as we move along the way, as we feel appropriate, we will take on more. So I would leave it at that.

Praduman Choudhari: Understood. But where exactly would you say is the bottleneck? Like -- are we a bit concerned on the working capital side? Or is it just that we had a bit concern maybe in case of any future changes in terms of regulatory, which might come along, like exactly is this...

Management: I think the whole challenge lies on execution on the ground. It doesn't in working capital, it's a net -- will be a free cash flow company from this year -- significantly free cash flow company. Banking is not a challenge for us. Manufacturing turbines is the least of the challenge. So while you ask me, we are manufacturing capacity is 2.5 gigawatts. If we were making caustic soda, if we were making steel, yes, we would be running at a 100% utilization -- possibly 110% utilization.

Unfortunately, in the wind sector, we have to -- whether we are doing turnkey or whether we're doing the equipment supply. At the end of the day, someone still needs to execute. And if you look at what's happening in India, the biggest constraint is who will execute with. There are only two wind players in the country today who survive who do turnkey.

And everybody is flocking for turnkey solutions. So the challenge remains how do you do so much turnkey, multiple lines, ROWs, acquiring land, transmission infrastructure at the same time. If that gets resolved, which is not a piece of cake, -- to that extent, if people can resolve that and do that, certainly, we'll supply more turbines.

I mean, if you look at it from one year ago to this year, and if you look at our order book, it's now transition from virtually 95%, 100% turnkey to virtually 70-30 or maybe 60-40 now with the Hero order. And our stated goal was to be roughly 50-50. So as long as people can execute, we are more than happy to supply turbines to them.

Moderator: The next question is from the line of Pramod Bhutra from Reliance Industries.

Pramod Bhutra: Many congratulations for posting great set of numbers. My query is are you looking for offshore wind projects?

Management: No, we are not looking at offshore at this point in time. We have access to that. In fact, our 3.3 is capable of being onshore and soft offshore. Our 4x platform is also capable of being onshore and soft offshore. However, as I've said multiple times in the past, and I reiterate, the cost of energy in offshore wind is 2.5x the cost of onshore wind. You don't go offshore just because it sounds sexy to say I'm going offshore. There has to be an economic rationale and reason.

In India, we are very well endowed on the onshore front. I mean, looking at whichever study you pickup come from Garad Hassan to Lawrence Berkeley to NIWE all for potential ranges from 300 gigawatts right up to 1,100 gigawatts. And currently, we have 40 gigawatts. So I think for the next multi-decades, I don't think we need to bother about that.

And in a country such as ours, which is very progressive, developing a lot, and it's a great place to be in, probably the hottest investment destination in the globe. But the flip side of that also is we are a poor country. Power INR3, INR4, INR2. No one is going to buy power at INR7, INR8. So barring demonstration projects, showing technological progress, I see no reason for offshore to take off.

Moderator: The next question is from the line of Dhananjai Bagrodia from ASK.

Dhananjai Bagrodia: You mentioned that you are the only player who hasn't taken a haircut and has managed to survive in a competitive industry like this. Could you just give us specific reasons why? Because we've always looked at this as more -- let's say, a competitive commoditized industry. What have you all done so differently?

Management: It's the management philosophy People operate at 3% margins, 4% margins historically. People operated with 6,000, 8,000 debt. I frankly don't know. I can't answer about them, but all I can say is across the Inox GFL Group companies, we are profit leaders in whichever segment we operate it. We are very, very conscious of the capital we spend.

A simple point in place, our entire capex on this 2.5 gigawatt of manufacturing capacity was close to INR600 crores to INR700 crores. Competitors would have spent INR2,000 crores to INR3,000 crores. So I'm not sure where it goes, what they do wrong. All I can say is we are very conscious about capital spend. We are very conscious about costs. And that's probably the only reason why we survived. While we had to pump in INR700 crores, INR800 crores from the promoter family to survive, we did have INR5,000 crores, INR8,000 crores, INR10,000 crores, INR15,000 crores of debt, had we had that we would have been in NCLT as well.

Dhananjai Bagrodia: Okay. And going ahead, let's say now, we are left 2 players, us and other player. What would you see is going to be, let's say, our win rate? Or is that too tough to give a call in terms of how bidding goes and stuff like that. Would that be something where...

Management: No, I don't think you can do that. I think it's as simple as that. The longest lead time you get to execute a project is 24 months. PSUs give you 24 months. IPPs give you 12 to 18 months. Retail gives you about 3 to 6 months. So today, if we put out 800 and 1,200 as guidances in the public domain and our order book is 2,700-odd megawatt, we're anyway sold out for the next 2.5 years. So it's not about a question of him winning, we winning, who winning. We have taken as much as we want. I mean, yes, if we wanted to do more, we'll take more. But I think we are chock-a-block with respect to the next 2 years.

Dhananjai Bagrodia: Sure. And would you be -- would it be safe to say that these are at the margins which would be comfortable to you? And we see that, let's say, this bottoming out and there could be scope of margin improvement from here?

Management: So we guided for 14% to 15%, and I'll stick to that. Yes, there could be scope to improve further, there could be scope to go down 1%. But I think keeping all those thoughts in mind, currently, we are guiding for 14% to 15%. As we move along the way, if we have guidance, new products come in, et cetera, et cetera, we may have this.

Dhananjai Bagrodia: Okay. And just last question. And the working capital is something we're confident on would be in the same and not deteriorate further, right?

Management: Yes. So for working capital, we are guiding for 90 days. Though net working capital eventually will be 45 days, but on a conservative basis to all of our investors, we are guiding for 90 days of working capital cycle.

Dhananjai Bagrodia: Okay. So fantastic, I think then at least the next 1.5 years, everything seems to be placed. And lastly, would there be any risk which we could then -- of course, see 1.5 years we are secured for. So any other risk which we might -- so I'm saying next 1.5 years we are secure in orders and margins and working capital also looks good. Is there any risks which could be there, which we've not mentioned?

Management: I think let's put it like this, we've got all the building blocks in place when you look at our presentation. We've got a strong balance sheet. We've got a lot of orders. We've reached the management team. We have our supply chain in place. So frankly speaking, after 5 years of hell, there has to be -- the sun has to rise some day. now is our time. So let's the next decade be our time. There are normal business risks which are part and parcel of any business, quarter here and there, percentage here and there, receivables 30 days here and there, which is part and parcel of this business. Nothing out of the ordinary.

Moderator: Thank you. The next question is from the line of Sidhhant K from Tusk Investments. Please go ahead.

Sidhhant K: I just wanted one clarification. So on a blended basis, the revenue net of taxes per megawatt, what should be the benchmark?

Management: Net of taxes, INR6 crores is the number which Mr. Devansh has said, is on a gross basis. So broadly on a net basis, you need to divide this by 1.15%. So broadly net of taxes and revenue per megawatt would be somewhere around INR5.2 crores.

Sidhhant K: This time, it's coming around INR4.2 crores for the stand-alone number. So any reason for that?

Management: So as explained, this INR5.2 crores comprises of Nacelle, Blade, Towers, EPC components, but there will always be quarter-to-quarter variation in this number which might be in some quarters, you will see the higher number. But on a yearly basis -- in a normalized year, which will be FY '25, this number should come -- will come.

Moderator: Thank you. The next question is from the line of Vishal Gupta from Emerge Capital. Please go ahead.

Vishal Gupta: Yes. All of my questions have been answered. Just to understand. Do we see any other exceptional items coming in FY '25 like we have seen for the Q4?

Management: Yes. How will anybody know whether any exceptional item will come? How can you know that today? It's impossible to know that. I think on a -- I think what we've done as a company is kept operation straightforward. I think you could have exceptional gains, you could have exceptional

-- I mean that's how we see it. I think we've been very conservative in terms of the balance sheet approach, in terms of provisions. And I think to that extent, it's impossible to predict exceptional items, but I don't see anything fundamentally changing from here on.

Moderator: Thank you. The next question is from the line of Abhishek Datt from Anand Rathi. Please go ahead.

Abhishek Datt: I just wanted to know, like in Note #16b, it mentions about the -- we have transmission capacity of 1.9 gigawatts in 2 states of Gujarat and Rajasthan. What exactly is this -- does this refer to like if you can explain?

Management: What this means is basically all the wind capacity we've set up to date. And if you look at that note, it says particularly currently Gujarat and Rajasthan, hybrid policies have come out, which enable us to use a common infrastructure to the extent of 50% more capacity. So on the existing infra, which has been fully utilized and spent out, we are now allowed to lose 50% more power and we are developing hybrid across multiple customers and multiple customers want us to give them the connectivity.

So while we don't do solar if we can, we don't provide for that. Many of the customers are coming to look on to these transmission lines. And to that extent, we are almost 1 gigawatt worth of capacity, which has been created, which will be sold out. And that's the reason for the reinstatement in intangible asset.

Abhishek Datt: And when you talk about this intangible -- like a land bank of 5 gigawatts. So this is the total capacity or this is the incremental opportunity which is there?

Management: Incremental opportunity. This is the capacity in Rajasthan and Gujarat basically.

Abhishek Datt: No, I'm talking about the overall...

Management: The 5 gigawatt is the incremental capacity, the 1.9 is the already operational utilized capacity on which now we can add approximately 50% more, thanks to the hybrid policies in these 2 states. Will be an opportunity for future projects as well.

Abhishek Datt: And what is the -- what was the capex for the year? And what do you expect for FY 25 and '26?

Management: We've guided capex going forward will be about INR50 crores to INR75 crores for the new molds, which we keep getting. Other than that, we don't need any capex. I think for the current year as well, it would have been close to about INR50 crores to INR70 crores.

Abhishek Datt: And this -- in the cash flow statement, it shows capex of around INR750 crores, including change...

Management: It is on a common infrastructure which we have built on various sites, right? So basically, this we will realise from the customers. So as per the Ind AS that need to be capitalized, but that is not an optical capex which the company incurs. So basically, that will be realized over a period of time. And on one side, you will see the fixed asset and on the other side, you will see the liability over a period of time. So the optical capex for production also running our operations are around INR50 crores to INR70 crores.

Abhishek Datt: And this will be to -- I mean change the molds and all?

Management: Yes, change of molds or change of -- require anything for the 3-megawatt WTGs.

Abhishek Datt: And this Hero purchase will also be -- is it an equipment contract? Or is it a C2C contract?

Management: No, it is mainly equipment supply, but along with some value-added services.

Abhishek Datt: And this will be executed over what time?

Management: This is to be executed over next -- probably 15 to 18 months.

Moderator: Thank you. The next question is from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth: Yes, sir. So I want to understand we setup for the 3-megawatt execution. The question -- by asking this what I'm trying to understand this our level of readiness, the molds that need to be in place. Does it mean that from Q1 onwards, we should be able to have a more execution than what we've executed in Q4? Could someone shed some light on this.

Management: Yes. So obviously, the Q4 quarter was the one in which we ramped up the 3-megawatt production. Going ahead as we’ve stated multiple times, 800-megawatt is the execution target for FY'25. Now naturally, the ramp-up is going on. So Q1, Q2, Q3, Q4, you will be seeing gradually more execution. But FY'25 is completely transitioned towards the 3-megawatt product. And out of the 800 megawatt, it will be majorly the 800-megawatt -- the 3-megawatt turbine which will be executed. So obviously, over Q4, you will see gradual ramp-up in our execution.

Prit Nagersheth: Okay. This question here was that being net debt free by the first half. But if I look at the kind of EBITDA and the kind of margins and the cash flow that could potentially come from next year, at the end of the first half, how are you planning to see INR600 crores plus money being generated, including say depreciation that you could utilize to pay off the debt? Or is there some plan?

Management: We are gunning for being net debt-free by H1. And I think we have multiple options in front of us in the company. We'll look at that as we keep moving forward. I don't think we'll be able to shed more light on that at this point in time. But yes, operationally, over the course of the full financial year, with 800-megawatt institution, I think there should be much larger free cash flow than the INR600 crores, which we need to pay down debt.

Prit Nagersheth: Right. So what I was trying to get to the answer is that are there some kind of stake sale, additional stake sale being planned or it's going to be fully seen...

Management: Impossible to answer at this point in time. All the options are open in front of us. I think the balance sheet is very strong. We've come down from about INR3,000-odd crores of interest-bearing debt in advances now to about INR600-odd crores. So frankly speaking, we're gunning to be net debt-free in H1. And I think we're confident.

We have multiple strategies in place. We have our O&M company in play. We have multiple options. We have multiple things being discussed at the Board level and also at the operating level. But all I can say is operationally itself our free cash flows in the manufacturing business will be much larger than the 600-odd which we carried on the books. I won't be able to share more than that at this point in time.

Moderator: Ladies and gentlemen, we will take that as the last question for the day. We would now like to conclude this conference. On the behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.