

IWL: NOI: 2023

3<sup>rd</sup> November, 2023

The Secretary  
BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 001

The Secretary  
National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E)  
Mumbai 400 051

**Script code: 539083****Script code: INOXWIND****Sub: Transcript of Conference Call held with Investors /Analysts on 27<sup>th</sup> October, 2023**

Dear Sir/Madam,

Pursuant to Regulations 30 and 46(2)(oa) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Conference Call held with Investors/ Analysts on 27<sup>th</sup> October, 2023 post the announcement of the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30<sup>th</sup> September, 2023.

The transcript has been uploaded on the Company's website; [www.inoxwind.com](http://www.inoxwind.com) which can be accessed at the following link:

<https://inoxwind.com/wp-content/uploads/2023/11/2.-Inox-Wind-Investor-Call-Transcript-Q2-FY24.pdf>

You are requested to take the above on record.

Thanking You

Yours faithfully,

**For Inox Wind Limited****Deepak Banga  
Company Secretary**

Encl: As above



# “Inox Wind Limited Q2 FY24 Earnings Conference Call”

**October 27, 2023**



**MANAGEMENT:** **MR. DEVANSH JAIN – EXECUTIVE DIRECTOR,  
INOXGFL GROUP  
MR. KAILASH TARACHANDANI – CHIEF EXECUTIVE  
OFFICER, INOX WIND LIMITED**

**MODERATOR:** **MR. MOHIT KUMAR – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to Inox Wind Limited Q2 FY24 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participants' 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 "\*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Over to you, Mr. Kumar.

**Mohit Kumar:** Good evening. On behalf of ICICI Securities, I would like to thank you for joining us today for the Q2 FY24 Earnings Call of Inox Wind Limited.

Today, we have with us Mr. Devansh Jain – Executive Director, INOXGFL Group; Mr. Kailash Tarachandani – Chief Executive Officer, Inox Wind Limited; and other senior members of the management.

Without much delay, I will now hand over the call to the management to start with the opening remarks. And after that, we will open the call for Q&A. Over to you, sir.

**Kailash Tarachandani:** Good evening, everyone. A very warm welcome to all to the Quarter 2 FY24 Earnings Call of Inox Wind Limited. The company announced its Quarter 2 and half yearly results at its board meeting held on Friday, 27th October. The Results, along with the Earnings Presentation, are available on the stock exchanges as well as on our website.

Let me first take you quickly through the Financial Results for Quarter 2 and H1 of FY24 for the Company.

Continuing our ongoing financial turnaround trajectory, I am delighted to announce that we have achieved cash profit in Quarter 2 following its break-even performance at the EBITDA level in quarter 1 of the current fiscal year. This outstanding performance is noteworthy, especially considering that the second quarter is typically subdued within the industry due to the country-wide impact on the monsoon season. For the quarter on a consolidated basis, Inox Wind has reported revenue of Rs. 384.4 crores in Quarter 2 FY24 versus Rs. 111.9 crores in Quarter 2 FY23, an increase of 250% year over year. EBITDA of Rs. 69.7 crores in Quarter 2 FY24 versus EBITDA loss of Rs. 18.7 crores in Quarter 2 FY23. Cash PAT of Rs. 4.7 crores in Quarter 2 FY24 versus loss of Rs. 111.6 crores in Quarter 2 FY23. For the half year ended 30th September on consolidated basis, Inox Wind has reported revenue of Rs. 729.4 crores in H1 FY24 versus Rs. 323.2 crores in H1 FY23. EBITDA of Rs. 104.6 crores in H1 FY24 versus EBITDA loss of Rs. 44.4 crores in H1 FY23.

The first half revenue of the current fiscal year has almost matched revenue for financial year '23. I believe that the major increment in earnings will be reflected in the second half of the

current financial year. We will have the supplies of our 3.3 mega turbines and complete the action on the strategic front to achieve a net debt free status.

In terms of policy developments, there have been numerous recent announcements at both the central and state levels that will further stimulate investment in the renewable energy sector, with a particular focus on green energy. Starting from October 2023, the renewable energy policies of Gujarat and Rajasthan have come into effect. Gujarat anticipates attractive investment worth Rs. 500,000 crores in the renewable sector through this policy. Meanwhile, Rajasthan has set a target of generating 15 gigawatts from wind and hybrid resources under the same policy. A case of Gujarat which boasts an estimated wind potential of 143 gigawatts, the new policy removes any capacity restriction for establishing renewable energy projects for captive use or for selling power to third-party consumers. The earlier policy had imposed a cap at 50% of the contracted demand. That change has significantly expanded opportunities within the commercial and industrial market, leading to an increased number of enquiries from customers looking to establish such capacities.

Further, the Ministry of Power has proposed the implementation of renewable generation obligation for coal and lignite-fired power plants. The draft proposal mandates that these power plants generate 6% to 10% of their total power output from renewable sources, with their percentages being based on their respective commercial operations dates. Most recently, the Ministry introduced guidelines for the uniform green energy tariff. This development is expected to accelerate the signing of power purchase agreements (PPAs) and boost the addition of renewable energy capacity. Under this policy, a single rate will be calculated for each category of central pool energy sources such as wind, solar, hydro, hybrid, and real-time pricing on a monthly basis by the implementing agency for distribution companies, i.e., Discoms, for upcoming renewable energy projects. This change will benefit projects involving power buyers from multiple states.

I will provide an overview of the recent development at Inox Wind. The past 2 quarters have been incredibly dynamic for us, showcasing notable progress from both operational as well as financial standpoint. In our pursuit of profitability, Inox Wind has achieved cash profit in Quarter 2 building on our EBITDA positive performance in quarter 1 of the financial year 2024. I am confident that our financial performance will continue to strengthen in the future supported by several key factors. The launch of our 3.3-megawatt product supplies, a robust order backlog, clear visibility of order inflows in the near term, a well-capitalized resilient balance sheet, efficient cost management, and favorable market conditions. In August 2023, Inox Wind Limited successfully raised approximately Rs. 460 crores, net of taxes and fees through a promoter stake sale and subsequent capital injection further fortifying our financial position. I want to express my sincere gratitude to the investors who have shown their trust in the company's growth trajectory. Net order book representing 1,276 megawatts provides us with a solid outlook for the future. We have actively participated in various public sector tenders which are at different stages of awarding. In addition, we are engaged in discussion with numerous IPPs (independent power producers) as well as C&I (commercial and industrial) customers regarding potential

orders. We are carefully managing our order intake with a focus on 3 key aspects – profitability, reducing supply chain risks, and enhancing our execution capabilities.

On the execution front, we recently completed commissioning of a 50-megawatt wind farm for NTPC in Dayapar in Gujarat. The execution of the remaining NTPC order is currently in full progress. Our subsidiary Inox Green, specializing in operation and maintenance, has delivered consistent profit over consecutive quarters. The company's portfolio now stands at an impressive over 3.2 gigawatts with cash and cash flow positive business with high EBITDA margin and is well on its way to nearly doubling its wind turbine generator O&M portfolio to 6 gigawatts within the next 3 years. The merger of Inox Energy Limited, the holding company of Inox Wind, which was announced in quarter 1, is progressing smoothly and we anticipate its completion within the current financial year, subject to the necessary regulatory approval. With unwavering support from our promoters, strengthened operations, projected robust cash flows, strategic initiatives, and valuable relationship with all our customers, I am confident that Inox Wind is poised to create significant value for all our stakeholders.

With this, I would now like to hand over the floor to Mr. Devansh Jain for his remarks post which we will take the question & answer session.

**Devansh Jain:**

A warm good evening to the ladies and gentlemen. I would like to express my heartfelt congratulations to the entire team for consistently delivering 2 consecutive quarters of impressive performance. The achievement of a cash profit in the second quarter, following several years of losses, thanks to the painful transition in the sector, is an immensely encouraging development and it reflects the company's commitment to meeting the targets outlined in our previous communications. In the past year, we have undertaken a series of strategic initiatives to rightly position Inox Wind, so as to be able to capitalize on the significant opportunities that lie ahead of us. We have placed a strong emphasis on reinforcing our balance sheet and working towards achieving a net debt free status. I am pleased to report that we are well on track to realize our objectives in this regard, hopefully well before the time we have committed.

As previously communicated in our investor calls, we have announced the divestment of Nani Virani, a 50-megawatt SPV, which has led to a substantial reduction in Inox Wind's debt load and has effectively made its subsidiary, Inox Green, net debt free. All the essential elements including our supply chain, manufacturing facilities, financial resources, and the execution capabilities of our dedicated management team are primed and ready to facilitate the execution of up to 2 gigawatts, as we progressively march towards that number over the next few years. Our plan for the 3.3-megawatt turbine supplies remains on schedule with the commencement expected within the current quarter. These turbines will serve as a cornerstone of our offerings as we enter the next phase of growth beginning in the second half of this fiscal year.

I am confident that Inox Wind's performance will continue to exhibit significant improvements across all the key aspects in the coming quarters. Both the macroeconomic and microeconomic factors appear to be aligned in our favor with a promising trajectory in the tendering process,

high demand from C&I as well as retail customers, favorable cost economics for wind power, and a range of strategic initiatives that we have diligently undertaken over the past year. These initiatives encompass capital infusion, type certification for our 3.3 megawatts turbine, approval of the merger of IWEL, the holding company with IWL, simplifying the operating structure, execution of our robust order book, and maintaining a strong balance sheet. IWL is now well positioned to create substantial value for all our stakeholders throughout the fiscal year 2024 and beyond.

Before I conclude, I would like to extend my sincere appreciation to all our stakeholders and the analyst community for their engagement with our company and for placing the trust and confidence in the exciting journey that Inox Wind has embarked upon. Your support is instrumental to our continued success.

We can now open up the floor for Q&A.

**Moderator:** We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Prit Nagarsheth from Wealth Finvisor. Please go ahead.

**Prit Nagarsheth:** Sir, I wanted to understand how much megawatts of execution was carried out in Quarter 2.

**Devansh Jain:** About 65 megawatts. That's part of our presentation.

**Prit Nagarsheth:** Would we say be able to execute the remaining 500 that we are anticipating for the full year, the guidance that was shared? Is that on track? Because, over the first half, I think the execution was close to (+100) megawatts, right?

**Devansh Jain:** In H1, we have done close to 150 megawatts. Actually, it is 143 megawatts. That's part of our presentation. As you may know and as we stated in our presentation, we have used Q1 to ramp up. Q2, in spite of being peak monsoon, has been higher than Q1. And I think we are well primed. Every quarter, as we said earlier, should be better than the previous quarter. So, I think Q3 and Q4 should be fairly large quarters. Also, our 3.3-megawatt supplies kick in from Q3. I think we have guided for 500 and God willing, we should be on track for that.

**Prit Nagarsheth:** Sir, the question that I wanted to better understand is that this year 500 and can we anticipate a much larger execution for next year given that there is an order book of 1,200 megawatt that's still pending to be executed?

**Devansh Jain:** Certainly. I think as the market keeps growing, we will be doing much more. I think what we set out for ourselves was for the past 5 years, we have really been cleaning up inventory which was stuck on our balance sheet for years when the sector shut down. We have really been an average 100 megawatt operation for the past 5 years. So, naturally we are scaling up multiple times, 5x this year. We will be scaling up significantly next year as well. More importantly, our

profitability will scale up substantially next year because we are completely moving towards the 3 megawatt platform. As we have said, the 2 megawatts, our past orders, which we are completing very select orders because they are not very profitable now since we have not upgraded that technology. Our 3 megawatt is a very profitable turbine. Plus, we also mentioned as we become net debt free, we will certainly ramp up supplies and execution at Inox Wind.

**Prit Nagarsheth:** As a percentage of the balance order book, how much of it would be the 3.3 megawatts turbine?

**Devansh Jain:** Half of it is 3 megawatts and about half of it is 2 megawatts at this point in time. But all incremental bids that we have made, and discussions are all for our 3-megawatt product.

**Prit Nagarsheth:** What's the turnaround time for execution generally that you have? Basically, your order to bill ratio, what does that stand at?

**Devansh Jain:** No, I think it's not that. I think once you get an order today because there's such heavy demand in the market, when we are scaling up, we typically take 6 to 8 months before we start supplies. We have so many orders at this point in time, but otherwise, manufacturing a turbine would be a one-quarter job. In terms of commissioning, yes, of course, it depends whether your common infrastructure is ready. At Inox Wind, we carry almost 1,800 megawatts of common infrastructure which is available for plug and play across Gujarat, across Rajasthan, across the central grid, which I don't think any other player carries, including the central grid. So, to that extent, our execution and turnaround time could be quicker. But we are doing it in a very-very organized manner. It's no longer Q3 or Q4 kind of setup. Everything is happening on a uniform basis.

**Prit Nagarsheth:** Sir, the last question I had is that I think Adani has recently announced a 5.1 megawatts turbine. What is the competition that you anticipate and the impact of such on the business that we have?

**Devansh Jain:** I think the market is too large. I think there aren't many players to fulfill current demand. There are really 3 or 4 players at best in the Indian market today. Frankly, if the market is going to be a 10-gigawatt market in the next 18 to 24 months, I am just wondering, during our peak days until 17, all of us used to be 600-800 megawatts and used to be very profitable. We need 10 players to do a gigawatt. If you look at the US market, there are about 4 players who control 80% of the market. Same for Europe. China, of course, you have got 100 players, but I think the top five control about 75% of the market. I think, broadly, that's happening in India as well. So, frankly, whether it's X or Y or Z, the demand is huge. I don't think there are enough suppliers. Plus, I think we have a very-very strong moat in what we have created given our turnkey execution capabilities which primarily 1 or 2 players in the Indian market offer. I don't think we are too worried about any of that.

**Moderator:** The next question is from the line of Ketan from Avendus Spark. Please go ahead.

**Ketan:** Sir, what have been the wind capacity auctions in 1H FY24, and what has been the ordering of wind turbines in the industry and the Inox Wind's share in it?

**Management:** We have given the details in the presentation as well. If you move to the slide number 13 of our presentation, you will find that over the course of this fiscal year, around 1 gigawatt of pure wind projects have been awarded, and around 2.5 gigawatts of hybrid projects in which at least 40% is either of the two fuels – solar or wind. Around 2 gigawatts plus of wind projects have already been awarded, and the subsequent ordering of turbines related to these projects are done within 3 to 6 months of the LOA. That is where we stand currently. If you look at the overall picture currently, around 3.5 gigawatts of pure wind projects, the tenders related to that are there in the public domain and will be awarded over the course of the next 2 or 3 months. Additionally, around 11 gigawatts plus of hybrid and RTC projects are there in the public domain. And we expect more than 7 to 8 gigawatts out of those 11 gigawatts to be awarded within this fiscal year. Overall, we will be somewhere around 8 to 10 gigawatts in terms of wind capacity being awarded over the course of this year.

**Ketan:** Any numbers on 1H FY24 how much was the ordering in the industry?

**Devansh Jain:** I think we mentioned a gigawatt of wind and about a gigawatt of hybrid. Obviously, that happened in Q1.

**Ketan:** Awarding the ordering?

**Devansh Jain:** It takes 3 to 4 months to get your PPAs and get your financial closure. That's when ordering happens. We don't have an exact number, or we wouldn't know. I don't think anything significant would have happened until now.

**Ketan:** My next question is what percentage of your orders will be having cost pass-through clauses?

**Devansh Jain:** Barring 1 or 2 components, we don't tie up. We just have 1 or 2 components – steel and forex – which are passed through after a certain period of time. Obviously, we are not going to disclose that on the call. But other than that, all our components which we buy have fixed price contracts. We don't have any overruns or cost escalations in any of those components like steel. And forex is covered for a year.

**Ketan:** My last question is, can you explain to me how your working capital works? Is there any retention money clauses or how does the working capital work for an order?

**Devansh Jain:** We don't have any retention money. The last 5% is linked to commissioning where we are doing turnkey or in equipment supply. It's deemed commissioning after a point in time, and within that period, we get our money. Yes, we have to give a performance bank guarantee for, say, 2.5% or 5%, which is a non-fund-based facility for us. We don't need to block cash margins. Again, we have not had restructuring. We are a very strong financial group. Even from a wind perspective,



we are very-very lean on the debt. It's all non-fund-based bank guarantee of 2.5% to 5%, which we issue to get the last 5% to 7% retention money.

**Moderator:** The next question is from the line of Deepak Arora from Kiran Investment Firm. Please go ahead.

**Deepak Arora:** Sir, I just want to know whether we can be net debt free by FY24 end?

**Devansh Jain:** What we stated in Q1 is in the next 12 to 15 months, our aim is to make it a net debt free entity, and I unfortunately cannot give specifics, but I think, God willing, we should be a net debt free entity by that time.

**Moderator:** The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** Devansh, we have downsold our Nani Virani project to, I think, a related party. What are the contours of that SPV? Is it a yield-based platform or what is your thought process on that?

**Devansh Jain:** We are creating a new C&I platform within the group. There's a lot of power requirement across companies and across entities in the group. We don't intend to set up any CAPEX-heavy investments in any of the operating companies. That's being done at the promoter level with certain partners. We feel there are significant returns. It's going to be a mix of selling to third parties, selling to people who take 26% in it, and also to all the group entities. But we don't intend to have any CAPEX going forward in any of our group entities for that.

**Ketan Gandhi:** Basically, it will be given to the group entity so instead of setting up own captive power plant, they can buy power from this?

**Devansh Jain:** It will be given to the group entities, it will be sold to third parties, and it will be sold on exchanges. It's going to be a mix and match of all sorts. But yes, it will also sell to the group companies because the group companies don't intend to do any CAPEX on power assets.

**Ketan Gandhi:** I think that's a very good move as far as Wind is concerned and the Group Company is concerned. Great. Congratulations.

**Devansh Jain:** Because there is huge savings with zero CAPEX. As the companies become stronger and stronger and our entire wind vertical is now turned around, we realize that it makes absolute sense to do this. And we had numerous numbers of people who wanted to partner us on that business.

**Moderator:** The next question is from the line of Bhavya Shah who an individual investor is. Please go ahead.

**Bhavya Shah:** My question is regarding net debt. If you can just help me with what is the net debt of the company as on September end? As per balance sheet, it appears it is Rs. 2,450 crores.

- Management:** If you go through our presentation page number 26, we have given the net debt breakup in which our gross debt as on September '23 is Rs. 2,715 crores which is appearing in the balance sheet. Out of it, we have a cash and bank balance of broadly Rs. 300 odd crores. We have a promoter's debt which is nothing, but 0.01% preference share capital which is infused by the promoters of Rs. 1,245 crores. And after net interest bearing debt as of September '23 is broadly Rs. 1,172 crores. The detailed breakup has been given on slide #26.
- Bhavya Shah:** In continuation to this, what is our cost of debt to external borrowings? Because, you explained in the presentation, we will be having Rs. 43 crores quarterly run rate going forward excluding the one-time bank charges. So,  $43 \times 4$  divided by this number comes to around 14.5%.
- Devansh Jain:** No, Bhavya, again I think in finance costs what you also need to include is non-fund-based charges. You need to include one-time annual reset charges. And you need to include the LC/BC charges for the facilities. From a debt perspective, our weighted average debt cost at this point in time would be close to about 10.5%. The remaining are our non-fund-based charges, BG charges, LC opening charges, and annual bank charges. If you do the math, you are looking at say 170 crore run rate. And if you do the math on the debt side of it, that would be close to Rs. 120 crores. So, effectively you are looking at Rs. 50 odd crores of BG charges, LC charges, non-fund-based charges, and annual charges. We also expect this to come down substantially for us as we move forward because historically, banks were charging us 3% plus one-time charges. Interest costs used to be 18%. We are now down to on average 10.5%. Obviously, as we become debt free, all the finance costs go away. But to the extent of the non-fund-based charges, these costs should also come down by at least 30% to 40% as we move forward.
- Moderator:** The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead, sir.
- Nikhil Abhyankar:** My first question is on working capital. Our inventories and trade receivables seem a bit high as compared to our execution currently. When do we expect this to normalize?
- Management:** If you see our inventory levels, as on 31st March inventory and 30th September inventory levels are broadly the same. As we have discussed in the past as well, if you see a normalized year, the inventory level will be normalized by the FY24 end. Since this is a year of the ramp-up and the operations are getting again in a full-fledged way, you are seeing the higher inventory as compared to the revenue. But if you see on an overall normalized year, the inventory level is more or less which we have guided in the public domain.
- Nikhil Abhyankar:** And, sir, you mentioned we have got 2 good government orders in Gujarat. I wanted to understand basically what kind of C&I pipeline we have got.
- Management:** To be honest, just to reply to this, it is not that we are married to any particular C&I customer or anything. The policies are clear in Gujarat, Rajasthan, and many of these people are talking. We

are also talking to different PSUs and independent power producers as the opportunity comes up. But C&I market is getting bigger and bigger. There is no doubt about it.

**Nikhil Abhyankar:** And, sir, should we expect margins on C&I orders relatively more than the government orders?

**Devansh Jain:** No, I don't think so. I think, to be honest, retail orders are the highest margin orders, followed by PSUs, then C&I, and then IPPs.

**Management:** In some sense, the retail markets are much better than some of the PSUs.

**Devansh Jain:** I think PSUs give a lot of stability. Retail is always welcome as markets open up. C&I gives better returns to investors because they are selling at a higher tariff than SECI. But I think we have got a good blend, and we are focused on the right products – PSUs, now retail. We have multiple IPP and C&I platform discussions, we have been at the C&I platform in our order book. But frankly, to say that are we married to only IPPs or only PSUs or only C&I, we are supplying across the board. We have got a good mix of retail, PSU, IPPs, and C&I.

**Nikhil Abhyankar:** Recently in a newspaper article, we read that the government is looking at offshore wind tenders, maybe in the Q4. Can you just give a brief on that as well?

**Devansh Jain:** It's a great, very nice, forward-looking statement by the government. But frankly speaking, first they need to take out base, then they are going to have the seabed auction, you are going to collect data for 4-5 years on the seabed comes in. Frankly speaking, most importantly, as we saw the painful transition in the sector, anything which is subsidized, anything which can't stand on its own feet is not scalable. Cost of offshore power – I am saying cost of energy, not CAPEX – is more than 2x the cost of onshore power. India is very-very well endowed on the onshore side. So, frankly, unless and until we get to 300, 400, or 500 gigawatts of onshore, I don't see offshore becoming anything significant in the Indian landscape.

**Moderator:** The next question is from the line of Koushik Mohan from Ashika Institutional Equities. Please go ahead.

**Koushik Mohan:** Sir, I just wanted to understand one simple thing. How long are we going to take for our merger?

**Management:** We have already guided on this as well that within the next 5 to 6 months.... You can take it within FY24 that we will be....

**Devansh Jain:** I don't think it's in our control. Frankly speaking, I think the ratios are in the public domain. We have got all the banking approvals. We are awaiting the stock exchange approvals. Once we get that we can file the scheme at NCLT. And what I understand from our lawyers is it takes 4 to 5 months at NCLT to get this approval. We hope we can get this done within March. But again, everything is in the public domain. We can't control the routine legal process for this merger. But I hope we are done by year-end; otherwise, maybe a quarter more at best, I suppose.

- Koushik Mohan:** Currently, NCLT is the only place that we are there?
- Devansh Jain:** We are awaiting the BSE/NSE approval. Once that comes in, then we can file at NCLT. The scheme is already in the public domain. And then NCLT needs an administrative 4 or 5 months to wrap it up. We have got all our banking approvals, all the creditor approvals. So, frankly, it's really an administrative job if you ask us.
- Koushik Mohan:** Sir, another question. I think post the merger happening and numbers will flow on a consolidated level, that means that we will be converting our entire losses into profit, I hope so. That will be like FY25, the complete year will be a profitable year, and we will also be a cash debt net free. Am I right with my assumptions?
- Devansh Jain:** But if it comes to profitability, I think we have said we have already turned cash PAT level and I think....
- Koushik Mohan:** Now, cash PAT is positive, yes.
- Devansh Jain:** Q3 and Q4, we should be a profitable company within this financial year. Of course, next year should be a very-very profitable year. From a debt perspective, again, I think we did guide in Q1 in 12 to 15 months, we will be net debt free. We hope to be able to do that way before that target.
- Koushik Mohan:** Sir, post the merger, what kind of ROCE numbers that we will be looking at?
- Management:** Historically, our ROCE and ROE are broadly in the range of 22%. And post even the merger, after the full-fledged year of FY24, you will see the ROCE or ROE at somewhere around 20% plus levels.
- Moderator:** The next question is from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.
- Bharani Vijay Kumar:** I was trying to understand how a technical contract with your customer works. For example, if you have a 1-megawatt order worth Rs. 6 crores is it that all the Rs. 6 crores that you get? Or some participant asked what is the cost pass-through kind of mechanism that is built in in this. What if the prices of components escalated in this period? How is it taken care of? How is this contract hedging you from price risk between the time you get the order through the delivery of the order?
- Management:** I think we need to understand your question better. But what I understood, typically these contracts are fixed contracts, and we are supposed to do sort of.... especially in the case of turnkey, we have certain timelines to execute. So, whatever numbers we agreed, we deliver on that. Of course, as Devansh highlighted earlier, in case the contracts are beyond 1 year and all that, some of those things we are taking pass-through. But within 1 year, most of the contracts what we have got are fixed contracts as such.

The O&M is a separate thing. There you have escalations, etc., but in executing, these projects are quite fixed ones.

**Bharani Vijay Kumar:** So, for a year, the price is fixed?

**Management:** Mostly; it depends from contract to contract, but yes.

**Bharani Vijay Kumar:** My second question is some basics on how the cash inflow and your working capital work. Again, taking a 1-megawatt example, let's say after a year you supply, you get Rs. 6 crores, for example. How does from the beginning this cash flow works? How much do you give as performance guarantee or how much will you take as working capital?

**Devansh Jain:** I think it's a pretty straightforward thing. When you sell a turbine for Rs. 6 crores turnkey and you execute it, you get paid the full money. It's not that after 1 year what will come, after 2 years what will come? Everything comes. We supply the goods, we'll get paid; we erect the goods, we'll get paid; we commission the turbine, we'll get paid. It's as simple as that. I did mention from a performance perspective, we simply give 2.5%. In retail, we don't give any performance guarantees whatsoever. In larger IPP orders, we give 2.5% to 5% PBGs which is a non-fund-based facility, and we get our last 2.5% to 5% against that.

**Bharani Vijay Kumar:** So, essentially, in the beginning, you have to have a non-fund-based limit with banks for the tune of 2.5%?

**Devansh Jain:** Yes, as I mentioned, we obviously have non-fund-based facilities. And I think we have adequate non-fund-based facilities at the Wind level.

**Moderator:** The next question is from the line of Prit Nagarsheth from Wealth Finvisor. Please go ahead.

**Prit Nagarsheth:** Just a couple of follow-up questions. One is, should I assume that the 2-megawatt platform is going for around Rs. 5 crores per megawatt while the 3.3-megawatt platform will go around, say Rs. 7 crores? Is that a fair assumption on my end?

**Devansh Jain:** It depends whether you are talking equipment supply or you are talking turnkey.

**Prit Nagarsheth:** Sir, you suggest.

**Devansh Jain:** Okay, let's say on a turnkey basis, you typically sell a 2-megawatt turbine at about Rs. 6 crores to Rs. 6.5 crores. And you sell a 3-megawatt platform at about Rs. 7.5 crores to Rs. 8 crores. That's how you sell a turnkey project.

**Prit Nagarsheth:** And the other option that you suggested?

- Devansh Jain:** On an equipment supply, you remove about Rs. 1.5 crores on either side, which is the EPC cost per megawatt. You remove that and that gives you the equipment supply price on a per megawatt basis. So, it'll typically be about Rs. 5 crores and this would be close to about Rs. 6 crores.
- Prit Nagarsheth:** Sir, the blended rate, what should we assume for the balance of the order that we have?
- Devansh Jain:** What we said is as we are moving towards 3 megawatts, for example, the next financial year, will all be 3 megawatts. We are not looking at 2 now. It's the new technology, it's the new model. From this financial year perspective, we have broadly guided it's going to be a mix of 2 and 3, obviously, as we bring in 3 and we ramp it up from this quarter, but it's blended. This year, you should take a blend and the next year is all 3.
- Prit Nagarsheth:** I meant between turnkey and equipment supply.
- Devansh Jain:** I think you should take a blend for the next year; half equipment and half turnkey. And I think for this year, it should possibly be about 66:33 broadly; 66 turnkey and 33 equipment.
- Prit Nagarsheth:** The other question is regarding the O&M part. I am assuming that there is a 2-year free O&M that is given to the customer. Is it carried out by Inox Wind, or will that be carried out by Inox Green?
- Management:** Basically, this question pertains to Inox Green. So, we can take it in that call which is right after this. But for the first 2 years, the services are provided by Inox Green. So, we book the revenue in the P&L of Inox Green itself.
- Moderator:** The next question is from the line of Akhilesh Bhandari from ICICI Prudential AMC. Please go ahead.
- Akhilesh Bhandari:** Sir, you mentioned that the inventory is expected to normalize by the end of FY24. Can we expect a similar thing for receivables as well? Because currently the operating cash flow is negative for the first half.
- Devansh Jain:** Actually, broadly yes. 1) What's going to happen is by end of the financial year, the inventory will reflect the 60 odd days of inventory we carry as well for goods as well as the 60 odd days of project side inventory which we carry because when you see a larger top line, then it will look more meaningful as opposed to selling 100 megawatts and carrying Rs. 500 crores of common infrastructure inventory on the balance sheet. 2) On the receivables side, if I may be very candid, you would expect a big chunk of that normalizing. But I would say by Q1, this would be completely normalized simply because we have a significant ramp-up happening over Q3 and Q4.
- Akhilesh Bhandari:** And sir, there is Rs. 18 odd crores of exceptional item. Any further matter which is pending or this is all done now?

- Management:** Akhilesh, this is kind of advances which we have given to one of our subsidiary companies and against which we have created a provision of Rs. 18 crores in this quarter as well. Now, all the provision whatever we need to make has already been taken care of. And if you see in the consolidated numbers, this provision doesn't reflect.
- Akhilesh Bhandari:** Yes, that part I understood. I just was looking at....
- Devansh Jain:** Specific one-time cost. These are accounting entries but are utilizing each other. We don't have incremental provisions kicking in.
- Management:** That is within a group company that we have given a certain advance to one of the subsidiaries of Inox Wind Limited against which based upon the accounting principles, we have created a one-time accounting provision which has got reversed in the consolidated numbers.
- Moderator:** The next question is from the line of Rahul Kothari from Grit Equities. Please go ahead.
- Rahul Kothari:** Sir, I have a couple of questions. One of it is that how do we look into the nature of order win? What kind of order we prefer? Whether it's more on the turnkey front or more on the equipment supply considering, as you mentioned, we have land bank also with us? Also, I just wanted to understand in both of these categories, do we have any competitive edge or differentiating factor that help us make much bigger order win in the domain?
- Management:** To be honest, we are working in all three segments if you have to ask me. On one side, we are working on turnkey which is **with PSUs**; another, retail customers which is a mix of sometime larger retail on captive side, could be with equipment supply or could be on turnkey as well. And while most of the IPPs today are working more on equipment supply. Both have their pluses and minuses. But we like to believe more where we sort of balance out, as we said, ease of operation, looking at profitability, from all those angles from that point of view. If you see from the point of view of turnkey, you have very limited suppliers in India who are doing the turnkey which we are doing. We are big enough to do that, and we have that kind of pipeline, which we can do that. But at the same time, ramping up along with equipment supplies where independent power producers are taking the risk of developing is also sort of welcome. So, we are at present trying to mix it up so that we have a better ease of execution as well as profitability.
- Rahul Kothari:** And, sir, one more thing regarding the capacity that we have; when do we expect to have a full capacity utilization? And secondly, any CAPEX ramping up plan or something like that?
- Devansh Jain:** I don't think we can tell you when we will get to 2 gigawatts. But the only larger picture is we are continuously ramping up. Every quarter is better than the previous quarter. I think the next year is going to be bigger than this financial year. And as the market really moves towards the 10-gigawatt market, which is looking like a very-very clear reality and the government is walking the talk, I don't think we are too far behind from getting our capacities up to full utilization.

- Moderator:** The next question is from the line of Amol Kotak from Techpro Ventures. Please go ahead.
- Amol Kotak:** I just had one question. The SPV which you sold to the promoter company, has that money been received and what would be the utilization of that?
- Devansh Jain:** It's going to take us about 3 to 4 months because there have to be connectivity transfers and the debt is lying on Inox Green's balance sheet at this point in time. Once we get those approvals over the coming quarter or so, this would get transferred out from the balance sheet. Plus because it being a related party transaction, we would disclose that in the Inox Green results today and we have got the board approvals. We need to carry out an AGM which will probably take another 30 days. Once we get the AGM approval, then we can officially apply for the connectivity transfer and the bank debt transfers. In the next 3 to 4 months, this transaction should get culminated.
- Amol Kotak:** So, this entire Rs. 300 crores will be coming by March end?
- Devansh Jain:** That's right, yes.
- Amol Kotak:** And then this will be utilized for reducing the debt?
- Devansh Jain:** Yes.
- Amol Kotak:** So, Inox Green's level will become cash-rich balance sheet when we will have Rs. 300 crores less?
- Devansh Jain:** I think what's going to happen is Green will become a net debt free company; of course, cash with accruals, but yes, net debt free. And I think at the Wind level as Anshuman had taken you through, we are at about Rs. 1,150 odd crores if Rs. 300 crores goes away from that. And there are some strategic actions which we may initiate as we move forward. But yes, clearly we are on track and target to achieve our guidance if we want to be net debt free. We said that in Q1 that over the next 12 to 15 months, we want to be net debt free. As we have reiterated again, hopefully we should be able to do that before that.
- Amol Kotak:** This 12 to 15 months' target of becoming net debt free is from today, right? Because, earlier we were saying somewhere in June quarter also similar kind of thing.
- Devansh Jain:** We said 12 to 15 months from Q1. So, 12 months would be Q1 of FY24 or if it's 15 months, then it would be Q2 of the next financial year. But, as I also mentioned, that's the target. Hopefully, we should be able to do it prior to that.
- Amol Kotak:** When do we get some details on the strategic actions which you were mentioning?
- Devansh Jain:** As the board approves and as we decide, we will put that out in the public domain.



- Moderator:** Our next question is from the line of Dhruwal Shah from Redant Capital. Please go ahead.
- Dhruwal Shah:** Sir, with regard to the 3.3-megawatt wind turbine, we were about to start the supplies this quarter. Are we on track?
- Devansh Jain:** Yes, we are. That's stated in our presentation as well.
- Moderator:** The next question is from the line of Shweta Dikshit from Systematix Group. Please go ahead.
- Shweta Dikshit:** My first question was on the execution side. You said it was 65 megawatts this quarter. And 1H, it was 143 megawatts. But if I'm not wrong, it was 66 megawatts in the first quarter.
- Management:** It's a total of 143 megawatts in H1 is what you can take. That's the number which we have given in our presentation as well.
- Shweta Dikshit:** The second question was, with the 3-megawatt WTGs ramping up, if we are maintaining the guidance at 500-megawatt execution this year, what could be the split between 2 and 3 megawatt WTGs for the year?
- Devansh Jain:** It's very hard to give an exact split, but broadly, I think it should be 55:45 kind of a thumb rule for this financial year.
- Shweta Dikshit:** The last question is regarding the promoter debt as per the Slide #26 on the presentation. It says it's Rs. 1,245 crores. Could you just tell me the split of this? Was there any movement in promoter debt during the quarter?
- Devansh Jain:** If you look at it from a math perspective, broadly, we have Rs. 650 crores which had been infused initially as 0.01 preferential cap from the promoters. And then we have another Rs. 500 odd crores which came in from the stake sale in August. That's about Rs. 1,150 odd crores. There was another Rs. 70-80 crores that the promoters had given over the past year or even prior to that. But that's broadly the same. Nothing else has changed.
- Management:** Broadly, the only movement which has been happening in the promoter debt is towards the Rs. 500 crores of block which we have done, and the money has been re-infused back into the company. That's how the promoter debt number has been increased up to that extent.
- Shweta Dikshit:** One last question. Any update on the 500-megawatt LOI from Adani?
- Devansh Jain:** When we have any specific update, we will share that with you.
- Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for the day. I would like to hand over the call to Mr. Mohit Kumar from ICICI Securities for the closing comments. Over to you, sir.

**Mohit Kumar:** I would like to thank the management for giving us an opportunity to host the call. Thanks everyone for participating in the call. With this, we will close this call.

**Management:** Thank you everyone for participating.

**Moderator:** On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.