

16th November 2022.

National Stock Exchange of India Limited,
“Exchange Plaza”,
Bandra-Kurla Complex, Bandra (East),
Mumbai-400051.

BSE Limited,
P.J. Towers,
Dalal Street,
Mumbai-400001.

Dear Sirs,

Sub.: Call on Q2 Results.

In continuation to our earlier communications in the subject matter, enclosed please find the copy of the Transcript, which is also available on the website of the Company (www.suzlon.com).

This is for your information as also for the information of your members and the public at large.

Thanking you,

Yours faithfully,
For Suzlon Energy Limited

Geetanjali S.Vaidya,
Company Secretary.

Encl.: As above.



“Suzlon Energy Limited
Q2 FY ‘23 Earnings Conference Call”

November 11, 2022



MANAGEMENT: **MR. ASHWANI KUMAR – CHIEF EXECUTIVE
OFFICER – SUZLON ENERGY LIMITED**
**MR. HIMANSHU MODY - CHIEF FINANCIAL OFFICER
– SUZLON ENERGY LIMITED**

MODERATOR: **MR. RAHUL MODI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Suzlon Energy Limited Q2 FY '23 Conference Call, 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 and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Modi. Thank you, and over to you.

Rahul Modi: Good morning, friends. On behalf of ICICI Securities, I would like to welcome you all for the Q2 FY '23 Conference Call of Suzlon Energy Limited. From the management, we have with us Mr. Ashwani Kumar, CEO; Mr. Himanshu Mody, CFO. We will begin with the opening remarks and a brief presentation by the management, followed by a Q&A session. Over to you, Mr. Kumar and Mr. Mody. Thank you.

Himanshu Mody: Thank you, Rahul. Good morning, good afternoon, ladies and gentlemen. This is Himanshu Mody, CFO of the company. During this call, we may make certain statements which reflect our outlook for the future, or which could be construed as forward-looking statements. These statements are based on management's current expectations and are associated with uncertainties and risks under a fully detailed in our annual report, which may cause the actual results to differ. And these statements must be reviewed in conjunction with the risks that the company faces. With that, I'd just like to hand over to my colleague, Mr. Ashwani Kumar to make a brief presentation about the industry and the company.

Ashwani Kumar: Good morning, everyone. Renewable energy has been the focus of the government for last few years. And it's been a great success by government policies and the players within the industry. The five-point agenda, the government has put for all of us is a target of 500 gigawatts of renewable energy by 2030, reduction in carbon, net zero target of 2070 and in the energy mix, making it 50% by 2030.

Having said those targets and actually committed it openly to the world. the opportunities which happened for the -- or which come out for the wind sector is that there is a specific now target for wind, which is 140 gigawatt -- not only that, I think so in the subsequent circulars and the policies the government has put, they have actually put a specific wind RPO, which is the wind Renewable Purchase Obligations going forward.

MNRE is also working towards sorting out other issues like repowering potential, like get doing away with e-reverse auction -- and also, if you see the focus has shifted over the last 12 months, though it was not publicly announced by anybody. So, over the last 12 months, the pure solar bids of SECI, which used to be done and on the base of SECI bids have not come out. So, government has realized that the future is hybrid, round the clock and peak power.

So, all the bids that have come out over the last 12 months from SECI from Government of India for purchase of renewable energy or wind or hybrid or RTC, which all of these 3 give enough opportunity for all the wind players to set up capacity. In addition to that,

Government of India announced green energy open access rules a few months back. What that does is that it allows the interstate transmission of green power from one state to another. One of the, I would say, one of the fair highlights are one of the features of wind energy is, whether we like it or not, that it is only in 8 states in India.

So, the other states were not getting advantage of wind energy, except for the utilities who could buy it through SECI bids. Now with this opening up of green access and the rules coming out, most of the industrial customers across India can take advantage of wind energy and purchase wind energy no matter where the projects are installed. And given this favorable market scenario and opportunities, let me talk about what Suzlon's strengths are. Suzlon, as many of you are aware, is over a 25-year-old company. It has been a market leader in the wind energy capacity. So, we have now close to 19,500 megawatts of installed wind energy capacity. We are not only active in India. We have presence in 17 countries. We have around 5,500 people, and our market share in India on a cumulative basis is 33%, which means one out of three turbines in India are Suzlon turbines. -- where we achieve this strength is very simple. One, we are end-to-end service providers.

We have a technology leadership, and the technology leadership comes not only because of the competence of our technology team, but also because we are focused India company. So, unlike some of our competition, who make turbine for the entire world and therefore, different wind regimes, our turbines are designed for Indian wind conditions. And as some of you are aware, the wind conditions differ from country to country and for various geographies.

Our technical design is designed for Indian conditions, and therefore, in terms of efficiencies and outputs, Indian Suzlon wind turbines have the technology leadership. In addition to that, we also have very, very strong customer relationships. If you see almost all the customers that have put wind projects over the last 25 years have been our customers and have been our repeat customers. This includes global utilities like Enel and Sembcorp, they include the newer setup platform like Renew. They include the domestic players like Adani, they include other corporates like Aditya Birla, Bajaj, ONGC, Shree Cement, Torrent and of course, Indian utilities like Tata Power, Torrent Power, and others.

This set of customers who have been our customers and have given us repeat order gives us the confidence that we have a good relationship with them. In addition to that, we have a very, very strong service base. Over 13,000 megawatts of wind turbines in India are operated by us. This makes us -- if you take it as an operator almost in the top five, maybe third most biggest operator in India after NTPC and one more.

What that does is that our relationship with the grid our understanding of the grid, our understanding of the requirement of Indian power systems is much beyond everybody else. Which also gives us a very, very important insights into our customers because most of these customers of 13,500 megawatts are all existing customers who have future plans. And it also gives us knowledge about what has been the wind records all over India and all the good wind sites over the last 20, 25 years.

So, it's not only a small wind mast data that we talk about, which most can measure, but also, record data over the last 20 years. In terms of our manufacturing base, we have our plants in Daman which is our main nacelle plant. In addition to that, we have blade plants in different geographies, minimizing the need of transport. We have tower plants, both in in the West where the maximum thing is. And our capacities, including our subsidiaries, capacities to produce is over 3,000 megawatts. So, we are well geared without much capex to take advantage of the opportunity that India offers in the wind turbines.

In terms of our product, we have been consistently developing our product. our current largest selling product is S120, which is 120 meters rotor and 2.1 megawatt output -- and we are now commercializing our next product, which is 3 to 3.15 megawatt 144-meter dia and 160 meters height of product. In terms of our order book as on 30th September was 759.2 megawatts. And subsequently, we have announced to the stock exchange another 193 megawatts of orders. So, we have a very strong order pipeline existing as well as under discussions going forward. Given this background of the company and the macroeconomic scenarios of renewable industry, I now hand it over to Himanshu to take us through the financial journey over the past few quarters as well as the current scenario.

Himanshu Mody::

Thank you, Ashwani. Again, good morning, good afternoon, ladies and gentlemen. I would be using Slide #17 of our investor presentation, which has been uploaded on our website as the reference point for my discussion during this presentation. As you can see, this is what we like to title transformation over the last 30 months since March 2020 until September 2022. And this is, of course, this transformation has been a very well laid out plan and thought process of our late founder, Chairman, Shri. Tulsi Tanti. If you can see the numbers on the volume side in March 2020, FY '20, rather, we did 59 megawatts of revenue recognition on the manufacturing side, which in FY '22 has grown to 808 megawatts in terms of the manufacturing. H1 of FY '23 has been higher than H1 of FY '22. So, the FY '22 momentum that we had caught is fairly on track for this financial year as well.

In terms of the revenue numbers, a similar story, approximately INR 2,933 crores consolidated revenue in FY '20 has grown to more than 2.5x to about 6,520 in FY '22. And we are trending along very well in the first half of FY '23 as well with growth of about 15% to 20% over FY '22 H1. On the EBITDA side, what used to be a negative EBITDA company in FY '20 and a significantly negative EBITDA company of negative INR 423 crores. We have been able to deliver a positive EBITDA of INR 828 crores in FY '22. And in this year, first half of this year, is also trending along the similar lines of the previous year.

On the debt side, which has been the large transformation story for the company, the company has been through a few cycles of restructuring with its lenders due to the large debt pile up that had accumulated in FY '19, FY '20, but that has now significantly been reduced from INR 13,000 crores to INR 2,700 crores in H1 of FY '23. Of course, after the successful rights issuance, which was post 30th September 2022 event, another close to INR 600 crores of debt has been reduced as of 4th November and the debt post rights issue stands at INR 2,139 crores. This, of course, brings down the interest costs or the finance costs also significantly down for the company. And I'm happy to report that after a period of five years, Q2 of this financial year FY '23 is the first

quarter wherein the company has been able to report a positive PAT on a purely operational basis.

So, we are well on our way to capitalize further on this transformation. As Ashwani said, the industry outlook looks fairly bright. And from a financial prudence perspective, the balance sheet, P&L and the management are all geared up to participate in the growth story here on. With that, I'd like to conclude my presentation, and we can open the floor for any Q&A that the callers may have. Thank you.

Moderator:

Thank you, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on your touchtone telephone. If you wish to remove your cell from the question queue, you may press star and two. Participants are requested to use handset while asking their question. Ladies and gentlemen, we will wait for a moment while the question que assembles. We have the first question from the line of Chetan Shah from Jeet Capital, please go ahead.

Chetan Shah:

Just two quick questions. One, in terms of our -- if I go back to our slide where you mentioned about our installed capacity, could you actually tell us in terms of the operational capacity, how much exactly is this, I believe, and pardon my numbers, I will check it if I have wrong information but some portion of our capacity because we're not utilized for last three, four years, it needs to do some kind of a tweaking to make it fully operational? And if that is true, then what is the kind of money required to do so? That's my first question.

And second, in terms of the order book mix, which you showed in the slide number 12, there are three part of the order. If you can give us some flavor of the working capital requirement, both in terms of bank guarantee and also the operational working capital, how does that back work as of now? These are the two basic questions I have, sir.

Ashwani Kumar:

Yes, thank you. Let me try to answer the first one, and then I'll -- then Himanshu can answer the working capital part. So, all of our capacity that we have installed, most of it is operational. Many of them have done 20 years operational life. What we are doing with those customers is offering them a solution by which we enhance their life by another five years. Most of our customers have agreed to it.

And some of them which have not agreed, we have handed it over to them. So those are more than 20-year-old turbines. Some of these will be used for repowering as the government of India has announced repowering policy. In terms of your other questions in terms of which I thought is more on manufacturing capabilities I think -- yes, so we have manufacturing capacities, which will not require capex or a lot of capex for even our next series of turbines.

So, our 3,150 megawatt of capacity, which is based on 2.1-megawatt model will require very little capex to increase this capacity. Presently, we are fully geared up in terms of preparedness, both in terms of our suppliers, our designing our prototyping of our three megawatt turbines without any capex requirement. On order book working capital, Himanshu, you can trust...

- Chetan Shah:** Just want one small clarification. This new turbine of 3-plus megawatt, is there any time line in terms of our first prototype will come and how the order flow will happen over there? Apologies to cut you in between.
- Ashwani Kumar:** Yes. So, as I said, the way we -- any new turbine is launched is we start taking smaller orders first rather than a large order for a utility. The smaller orders have already flown in, in terms of those are part of the order book that we have disclosed. And the prototype is, as I said, will be installed in the next couple of months. And the results of that would be -- and as I said, commercialization in terms of we are already offering it for sale. And in the next calendar year, they'll be up and running, the 3.x megawatts of turbine.
- Himanshu Mody:** So, on the working capital for our ability to be able to deliver this order book after the significant debt reduction, as I presented a few minutes back, we are very well placed. We have been in active discussions with a few bankers to provide the working capital facility, and we made significant progress and certain in-principle sanctions also have been received for the same. Additionally, our existing lenders also they have a project-specific funding policy under which they are permitted to provide working capital support for projects such as manufacturing activity such as ourselves. So, we are fairly well placed to be able to deliver these orders in a timely manner from a working capital perspective.
- Moderator:** We have the next question on the line of Yash Agarwal from JM Financial.
- Yash Agarwal:** So, my first question is on the order execution. So last year, second half, I think we did about 520 - 530 megawatts sitting at nearly 1,000-megawatt order book at the moment, what is your assessment? Or what sort of growth could we see in the second half in terms of order execution?
- Ashwani Kumar:** Yes. So, I think you're right on both the numbers in terms of we have a very healthy order book. And last year, we did 450, 500-plus megawatt over the second quarter. This year also, our execution team is confident that they will be able to deliver good results in the next two quarters. So, I didn't want to put a number on it, but I think so, overall, since we have performed better in first half since last year, we expect a healthy performance in the next two quarters also.
- Yash Agarwal:** My second question is, again, on the WTG and the EPC side, which is a standalone entity. So, I think the first half also, the EBITDA margin on the business is hardly 2% to 3%. So, at the moment, whatever we are earning EBITDA, so my assessment is on the O&M subsidiary. So where should this -- what is the target to take it to the EBITDA margin on the execution business? That is the WTG and the EPC part of it.
- Ashwani Kumar:** I think so, given the last few quarters, given the commodity prices variation, EBITDA margins for most OEMs worldwide have taken a hit. -- or in our own case, it was also limited by the volumes that we could do. As you could understand that if you are close to breakeven volume, the EBITDA will be low. As the volumes increase, our EBITDA margin goes up because all your fixed cost is covered by the breakeven volume. So, we expect this EBITDA margin to grow in the forthcoming quarters going forward.

- Yash Agarwal:** Is there any breakeven EBITDA number beyond which our margin -- sorry, a volume number beyond which our margin is in higher single digits.
- Ashwani Kumar:** You are all financial analysts; you can calculate that given our numbers so far over the past quarter.
- Yash Agarwal:** I had a few, again, bookkeeping questions. In the annual report, there's the subsidiary called Suzlon Gujarat Wind Power Park or something, which is actually leaking INR 300 crores for you. What exactly are the operations done in this? And is this expected to continue -- the sort of losses that we're seeing there?
- Himanshu Mody:** Yes. So that is -- the interest is due to certain intercompany transactions. We obviously going forward due to implementation of certain merger schemes, you'll see a much more streamlined balance sheet on a consol and a standalone of SGWPL as well -- and of course, at a consol level, it has no impact due to it being intercompany.
- Yash Agarwal:** And the interest cost for the last.
- Himanshu Mody:** Yash, with due respect, I think we have a -- if you have any questions, please write to us off-line because we do -- to be fair to others in the queue. I request all callers to limit their questions to two or three, please, so that we do justice to all the other questions. Yash, we can take your follow-up questions off-line, please.
- Moderator:** We have the next question of the line of Gautam C Jain from GCJ Financial Advisors.
- Gautam Jain:** My question pertains to your wind turbine revenue. That is highly inconsistent quarter-on-quarter. And you said in the presentation that the current capacity of India is 40 gigawatt, it go to 140 next eight, nine years. So what order book we are looking at every year from now to next six, seven years?
- Ashwani Kumar:** So what has happened, as I described in the macroeconomic scenario, there were pre-2017, it was only state-wise wind capacity addition based on the tariffs given by each of the states. What changed from 2018-19, a bidding wind regime came, initially as was expected because solar was very low volume, the most of the bids were solar bids. That has changed over the last one year, where the solar pure solar bids have stopped and hybrid and wind bids have come.
- We expect hybrid and wind bids capacity in terms of opportunity will be close to 3 to 4000 megawatts every year. In addition to that, what has also happened recently is many of the industries including the PSUs have started putting up wind power projects because of the inter-state transmission that has been allowed. If you see our order book, there is a significant portion of captive retail PSUs of almost 285 megawatts.
- This number used to be very-very low if you take even two years to three years back. So we would expect this market segment also to be a very large market segment going forward. Government in fact, is announcing both for energy consumers, which is the large steel things having their RPO obligation, including a specific wind obligations.

Two, government is also saying that many of the existing coal generators by name has to also generate renewable energy going forward. Having said both of these, we expect this market size to grow. We are still awaiting the things, but we are under active discussion with many of the industrial customers in India for these orders. So 140 gigawatt government target is, I would say, government has put a lot of mind into it. And the wind sector in terms of production capacity, in terms of the site and execution capabilities is capable of delivering that. It will happen, I would say, not in a bulk chunk starting immediately, but it will have a steady growth over the next two, three, four years.

Gautam Jain: What is our executable capacity, every year or per year?

Ashwani Kumar: Yes. So presently, given 2.1 megawatt turbine, we can make around 3,000 megawatts we can supply. This will increase as we increase the turbine size because, as you know, the capacities is in terms of the nacelle, the big unit. So we produced let's say, 50 to 60 units per month. And that can go up, the moment the megawatt size has increased, this capacity will increase automatically.

Gautam Jain: And my second question pertains to your AMC business, which is quite stagnant for many years. So how do you see that business stepping up in the future?

Ashwani Kumar: So the AMC business is stagnant in terms of the increase in megawatt is reflective since the parent company did not supply much turbines, there was not much turbines added in the AMC business. Now that the turbine supplies last year was 800-plus megawatt. This year continues to be a good performance and going forward much more that automatically adds to the growth of the AMC business.

One of the things that we do because we are end-to-end service provider is that when we supply the turbine, we ensure that the AMC business remains with us. So automatically, as our turbine sales grow, AMC growth is also there. However, if you take actually the five year scenario in pure AMC business, while the top line may not have changed much, the efficiencies and our work on it ensure that the EBITDA has gone up substantially over the last few years on the AMC side.

Gautam Jain: Yea, that's true. Thank you so much

Moderator: We have the next question from the line of Piyush Thakkar from Autus.

Piyush Thakkar: Yes. First of all, I congratulate for a very good results this quarter, we come in profit actually. So my question is what is the reasonable amount of debt you see if you sit in the balance sheet can be serviced without any challenge, number one? And how and when we can target to achieve that actually? My second question is when we are thinking to free our pledged shares actually is 100%, right now?

Ashwani Kumar: So let me answer the first question, Piyush. I got that. So essentially, if you see our consolidated debt, as I presented to you earlier, is close to about INR 2,139 crores after the rights issue. And if you look at the consolidated EBITDA, if you even annualize the EBITDA and you look at the FY '22 last year, we are sort of close to about a little over 2x debt-to-EBITDA in terms of ratio.

So I think these debt levels is something that we can more than comfortably service through the free cash flow that is available with the company. Having said that, of course, we are working on further optimization plans to see how we can further bring the debt down. And the rights issue was, of course, the first step in that right direction.

Himanshu Mody: To answer your second question, the pledge of the shares of the promoters, Lion's share of that pledge has been done to the lenders of the company, which is REC and IREDA for the facilities that have been borrowed by the company. So it is the Lion's share of the pledge is for the INR 2,200 crores of borrowing that the company has.

Moderator: We have the next question from the line of Aman Sonthalia from Mugi Constructions Private Limited.

Aman Sonthalia: Sir, what are the noncore assets, which can be monetized?

Himanshu Mody: So Aman, there are two noncore assets, which we have identified for monetization. One is, of course, the real estate, which sits on the stand-alone books of the company, which is our corporate office in Pune, that's an 11-acre campus. Of course, due to COVID and all of these reasons over the last two or three years, commercial real estate has been slow, but that is an asset which has been identified for monetization.

And the other, of course, is we've been talking about is SE Forge, which is a 100% subsidiary of the company. So that is something that we will look. Of course, the timing of monetization of these assets, we'll have to be tactical about. But those are essentially noncore to the business. SE Forge can say it's a backward integration for the company's manufacturing facilities. So we will keep our eye on the ball to see and capture the right timing for monetization of these assets.

Aman Sonthalia: Sir, one more question that, we are expecting that the market of wind power will be increased from 40,000 megawatts to 1,40,000 megawatts by 2030. How realistic is the target, sir?

Ashwani Kumar: From whatever I expect the government to perform. So like government, if you remember, had given a target of 175 gigawatts by 2022. As of 30th September, as of their own performance, it's already achieved 166. So, government does plan properly is our view. We, as an industry, will keep supporting government's vision and ensure these targets are achieved. In terms of the wind potential of the country, it is definitely much more than 140 gigawatts, if you include all the wind potential of the country.

So we do not expect either in terms of the availability of sites and wind sites in India. There is a problem. We do not expect that we, as an industry player and along with our friendly competitors are geared up to do it. And the third, which is very important, which people tend to forget is that the ecosystem of wind projects has been developed over years. And unlike some of the other industries, almost 80% to 90% of the components for wind industries are produced in India.

So in both in terms of our readiness, our self-sufficiency and availability of sites, I think so all of that is there in India. So that's all, I think, I have to say in terms of now and I've been an optimistic positive person, we would definitely support government to achieve these targets.

- Aman Sonthalia:** And sir, one last question. What is the margin in AMC business?
- Ashwani Kumar:** So margin in AMC business, if you take the EBITDA, et cetera, has been over 40% over the last many quarters in the last few years.
- Moderator:** We have the next question from the line of Ketan Karani from Ketan Karani Global Research.
- Ketan Karani:** This is Ketan oven here, congratulations for the good result. And certainly, we share the pain of demise of Tulsibhai. Coming to the results, I just want to know the noncore asset, as you said, there are two real estate and SE Forge. Can we just have a ballpark figure of what kind of amount of money we are looking at? That's the first question. And the one question was what are the targets of production for the year 2023, '24 and '25, if there has to be internal target? And what are we looking at if we can be either megawatt or rupees whatever, please think you can clarify on those lines.
- Ashwani Kumar:** So on the first question, why do you want us to go public with our expectations and tell all the prospective bidders on what our targets of achieving those numbers.
- Ketan Karani:** You can be over optimistic also.
- Ashwani Kumar:** If I'm over-optimistic, you will say you did not achieve the target you said...
- Ketan Karani:** I just want a ballpark figure, if you are looking at INR 1,000 crores or INR 1,500 crores, we also if you give a range, we know what kind of debt reduction we are looking at. That's the only reason I'm asking...
- Ashwani Kumar:** Let me answer that. I think that part I can answer. It will take care of a significant portion of our debt current debt today, both these assets combined.
- Ketan Karani:** What will be the production targets for -- or maybe the sales targets?
- Ashwani Kumar:** In terms of production target, I think so it would be fair to say that whatever the country installs over the next three years, we will try to achieve our market share of 30-plus percentage in each of those years, etcetera. Our targets, internal targets are pretty strong. As of now, we have decided not to give these guidance numbers. But I'm sure, going forward, we will start sharing this with analysts.
- Ketan Karani:** That would be very nice and I certainly would like to end with congratulation for the great turnaround and hoping for the good days back, which was there 10, 15 years ago. Thank you.
- Moderator:** We have the next question from the line of Abhinav an Individual Investor.
- Abhinav:** My congratulations as well for a good turnaround in this quarter. I have two questions, probably both of you for Ashwani. One is our current manufacturing capacity utilization is around 800 megawatt per year against the capacity of 3.1 gigawatt per year. Are we looking to continue with the current utilization or looking to increase the utilization and deliver on order book faster. And

the second question is with our debt now coming to sustainable levels. What do we think will increase profitability from here on?

Ashwani Kumar: So on the first question, what we did was, while our capacity capabilities remained over 3 gigawatt, we ensured over the last few years that we cut down on our costs to make sure our breakeven point reduces to a much lower level. So having achieved that, we will grow as the market grows in India. So far, last year and last to last year and even the last for last two, three years, Indian wind market has not been much, but that has changed given the number of bids that have come out in recent months. So we will achieve a much better capacity utilization going forward. In terms of the...

Abhinav: Ashwani the second question was with our debt coming to sustainable levels. What do you see will increase our profitability going forward?

Himanshu Mody: This is Himanshu here. In terms of debt, as I said, coming to sustainable levels are, as I said, the first quarter in Q2 is PAT positive after many years, and we expect this trend to continue or even further better from here.

Ashwani Kumar: I mean, again, you guys are analysts. You can see, if you take the same Slide 17, our FY '20 debt of INR 13,000 crores, what is the finance cost of debt versus what will be the finance cost of INR 2,139 or, whatever interest rates you may choose to keep. And that is definitely the savings and that is directly to the shareholders.

Abhinav: I meant that we might not achieve much further savings through debt reduction because it's coming down to optimal levels now, and I think there would be other avenues to now increase profitability. That's what I am trying to understand.

Himanshu Mody: I agree with you there a bit, in fact, as we also look at further increasing our order book, there would be an increased uptake on our working capital side also, which may add to the overall finance cost. But for only that is -- that increase in finance costs would only be linked to the increased volumes that we may generate. Your understanding is right that further optimization in the P&L through interest cost may be minimal.

Moderator: We have the next question from the line of Chetan Shah from Jeet Capital.

Chetan Shah: Just one small question, in your opening remark, you kind of explained us about the government opening up of power intrastate from one corner to another corner, and I believe we have some time line restricted by government up to 26 or something, is that true or this is like can keep renewing? Just wanted to get a sense on that.

Ashwani Kumar: So there are two portions of it. One is there is something called green energy open access rules. These rules basically say that if you put green energy, solar, wind at one corner of India and take it down on the other corner, you are allowed to do so, and Power Grid and others are making rules regarding how to apply what to do, etcetera, for doing that. That is allowed now. That is, doesn't have any time line associated with it. What government is doing in addition to this is for

the projects that come till 2025, there is a 100% waiver of transmission charges to encourage green energy and the green energy user usage by industries all over India.

They have given 100% waiver till June 2025, and that waiver will keep reducing every year. So what they are saying is, please put your green energy now. So I'm just, again, theoretically, if there is a, I would say, there's an aluminum or steel plant in Jharkhand, which was not a windy-state, they want to purchase power from a project which is in Gujarat or Tamil Nadu or Karnataka, they can do so now under the new rules. And as if they set up the capacity before June 25, they do not have to pay any money to power grid for transmission charges. So it is encouraging them to set it up before a certain time line. That is what the time line is about.

Chetan Shah: Sir, just a small clarification, these waiver of charges are perpetual, if I put up a capacity before 2025. Is that the right understanding?

Ashwani Kumar: Yes. So once you set it up, and most of them like SECI bids, etcetera, once you sign a contract, then it will remain for the life of that contract. These charges will remain zero.

Moderator: We have the next question from the line of Sushithal from Samatva Investments.

Sushithal: I just add some couple of book-keeping question. I just wanted to understand what is the right now, current order book we have, are you taking this...

Moderator: Sir, your audio is not very clear. Could you come closer to the mic or go off the speaker phone?

Sushithal: Okay. Sir, I just wanted a couple of book-keeping questions. I wanted to understand what is the current O&M gigawatts and turbines which we have right now? And what is the value of the current order book?

Himanshu Mody: So we have close to about 12 gigawatts of turbines under our active maintenance. And the sort of contract validity of those is over five years for most of these. And the average life of these turbines would be close to about 13 years. So that's the overview on the O&M business in terms of when assets under maintenance with us.

Sushithal: And once we receive any new orders, when does the actual O&M kick in? And like when does the money actually come from this O&M? Like, do you have any grace period so far before which we start receiving money from the O&M business?

Ashwani Kumar: Yes. So during the warranty period, we what, we supply, OMS is free for the customer. We build it in our sales price initially itself. And after two years, for majority of contracts and in some contracts, it may vary that term. It will then go into full revenue earnings to our OMS business.

Sushithal: Sir, how do you see the business of O&M like in the last three, four years, a lot of individual contractors have actually started taking this business. So do you see like Suzlon actually taking over this business from your erstwhile clients? What does the general landscape look like?

Ashwani Kumar: So presently, I think we are proud to have that most of Suzlon's customers continue to remain with us, given our technical expertise and our size of operations. None of the individual operators

of OMS are not even one-tenth of the size of us. So while they have just come up recently, but I think we remain the largest of OMS provider for wind turbines, in terms of, in India. Two things why we are doing that. One is the, given our experience, our performance in terms of the machine availability, the energy availability to the customer remains better than most things. And second thing is we are one of the few which provide comprehensive OMS. So what we call retailer customers, the headache has now shifted from you to us. And that comprehensive OMS service is what we provide to all our customers. So given these two of our OMS strengths, most of the customers remain with us. And while some of the new players have come up, which have started doing OMS, I think so those are much smaller compared to what we do.

Sushithal: But as an organization, are we strategically looking at acquiring, entering that space aggressively as well?

Ashwani Kumar: So in terms of, if you're asking, if we want to operate turbines of other manufacturers, we have already started doing that at a very small scale. And as that business grows, we will continue to look for that business also. We have the technical capabilities, having been in the wind turbine business for over 25 years to operate all the turbines that are currently available. And as and when we get these opportunities of people wanting to shift their operators, we will look at those opportunities.

Moderator: We have the next question from the line of Sudhakar Prabhu from Netesoft.

Sudhakar Prabhu: I have three questions. So my first question is can you give us some sense on the industry? I mean, what is the total industry capacity some sense on pricing? Because earlier, I believe to install 1 megawatt, it used to cost INR 5 crores to INR 6 crores. So how has been the pricing for the last three, four years, some sense on that?

Ashwani Kumar: Yes. So the industry's capacity, as I said, the manufacturing capacity remains in India is over 10 gigawatts to 15 gigawatts, all the OEMs put together. The cost of wind turbines have not gone up from the numbers that you talked about, INR 5 crores to INR 6 crores per megawatt, why, that is because of the efficiencies done by most OEMs. So, once you have a larger size turbine, which means only 1 tower producing instead of 1.5 megawatt, which used to be the norm, close to 3 megawatt, the overall cost per megawatt does not increase too much. Yes, some of the commodity cycle in terms of steel and other pricing as did go up in the recent past, but those are starting to look better. The numbers, of course, what you are talking about, what I'm talking about are excluding tax as well as excluding many of the installation costs, which will vary from the various sites and other things.

Sudhakar Prabhu: And sir, in terms of PLF, wind used to do around 20%, 25% PLF, how are the PLF? I mean with the new generation turbines coming up, do you see the PLF can go up to 30%, 40%?

Ashwani Kumar: Most of our new generation turbines are between 35% to 40% given the sites.

Sudhakar Prabhu: And secondly, sir, I believe previously, Suzlon had all the land available, but I think the grid connectivity was real issue, so how is Suzlon faced right now in terms of grid connectivity? And

with your existing land bank, what kind of total capacity can Suzlon execute over a period of years?

Ashwani Kumar: As I said, one of the Suzlon's strength has been we are end-to-end service provider. So, we have access to land. We have access to connectivity. What has happened over the last few years is that the government on their own is setting up all this power evacuation infrastructure. And that will give us and the industry overall, a much better connectivity situation than it has been over the past few years. So why the people come to us. One of them is, again, they don't have to go to a land person separately, an evacuation person separately and installation person separately and an OMS person separately and buy only turbine from a manufacturer. We are the one which do end-to-end service, and we continue to have, I would say, the best access to the wind sites in terms of whether it is in terms of data, land, connectivity, all the things put together than any other player in the country.

Sudhakar Prabhu: So, you are saying that your existing land bank is already well connected with the grid capacity is my understanding right?

Ashwani Kumar: I think so there is a whole development cycle in any project. It starts off with setting up of a wind mast. So, while we know that this is a windy site. What we do in terms of we set up a wind mast first. Suzlon has been a leader in wind mast in India by far. Once the wind mast starts giving data, that gives us and therefore, any investor, which comes into the wind industry, enough data on what the likely generation from that site is going to be.

After having the years of wind data, we start acquiring land. The land could be private land, revenue land or any other land that we start acquiring each one of them have their own processes. Once we have a good visibility of the land in that area where the wind has been there. We start applying for connectivity. The connectivity approvals have now been streamlined by power grid as well as by state transmission companies.

Some of the work they have to do in case they have to upgrade the transmission infrastructure, which might take 12 to 18 months. So, what this does is that there is no number as such. So, the number at the initial level of the windy side looks a very, very high number. But it's a rolling basis pipeline that we keep building. And that has been our strength over the last many years that the rolling basis pipeline that we keep building, we keep putting new mast, we keep acquiring new land, we keep acquiring new connectivity and keeping the areas and sites ready for our customers. I hope that gives you a better understanding of the process.

Sudhakar Prabhu: It's very clear, sir. And my last question is, sir, on your rights issue. You have -- I mean you have only made a partial recall of the first right first call. And I believe another INR 600 crores is due. So, when do you stand to raise this money...

Himanshu Mody: So difficult for us to commit a timeline. But obviously, as per the prevalent norms, the Board can give the shareholders a 14 days' notice to call the subsequent call or calls at any point in time. So, as we get close to the new financial year in the next few months in FY '24, we are also

getting into our budgeting planning exercises. So as part of that, we will, as management discuss this with the board and decide at the appropriate time.

Moderator: We have the next question from the line of Ketan Karani from Ketan Karani Global Research.

Ketan Karani: Just wanted to know one more thing as the government has already planned for 140 gigawatts of power from wind power, and that is one of the highest addition among the new alternative power arrangements. We would be, as you said, to earlier questions, over 30% is our thing was we are planning to achieve out of that. So that's a huge output, which will be generated by Suzlon. And there is a possibility that the 140 gigawatt 30% share will increase to 40%, 42% or maybe 45% also, as you are becoming much more stronger with time.

So, what we are seeing is the turnaround already started, will it become a pronounced one though it's a forward-looking question. I just want to know from a 4- to 5-year perspective only, and that's nothing to know with next quarter. We are on the right path to becoming one of the best companies in the world again. Hopefully, we will not commit the same mistakes like what we want to commit everything. But I believe that this is a possibility. Just wanted to know your feeling and understanding as you are running the company, what kind of future you visualize for shareholder wealth creation.

Ashwani Kumar: Thank you for your kind words, Ketan. The only thing I would say is that there is no better time to be a renewable energy company in India than now. And we, as management, are fully committed to utilize this opportunity for the benefit of all our stakeholders and shareholders, I would say, shareholders' wealth and shareholders' opinions are very dear to us. Thank you very much.

Ketan Karani: Just I would like to conclude by requesting that we let the shareholders also be aware of the planning, which we are going to undertake whenever it become feasible to you talk about it? Because I think one of the concerns everybody would be having as a shareholder, as a future shareholder is. The promoters take it very low and if I just take into account Sun Pharma family together, then it's okay, but otherwise, I think in the future, if we are -- it will be more happier to see the promoter work creating wealth for all of us create wealth for themselves also, so by increasing the stake from 15%, 16% to 26% or maybe 30%. I am a person who will be very, very happy if the promoters do that.

Himanshu Mody: That's well noted, Ketan bhai and we will be working on all sorts of strategic initiatives. On part of the management, I can assure you that there has been a quiet period for Suzlon for the last few years. But now we will engage actively with all our investors and shareholders. We now have an active investor relations team that we've put in place who will be in touch with you even despite outside the quarterly results. And of course, both Ashwani and I remain available to meet with the analysts, shareholders and investors, not only during the quarterly calls, but even during the year at any point in time.

- Ketan Karani:** My best of luck to Suzlon. And with the confidence not from my side and hoping to achieve overachieving what I'm saying, let it be another, again, blue-chip what it was 15, 20 years ago, all the best to you, all of us, and all the best to all of us and good luck to all of us.
- Moderator:** We have the next question from the line of Anshuman.
- Anshuman:** Sir, the first question is what is the current cost of borrowing? And given that now we have become operationally profitable at the bottom line as well. So, what the trajectory that you see for the cost of borrowing, what you said exactly?
- Himanshu Mody:** So Anshuman, currently, the cost of borrowing is approximately about 10%. Of course, this was the deal which was refinancing that was done in May 2022. Subsequent to that, the interest rates, as we all know, have increased. And I think we might also face the brunt of that in the short to medium term. So that's where we are. Of course, this is other than the working capital or the enhanced working capital costs that also brings certain finance costs into the finance line. Of course, those would be only as a result of any confirmed order book visibility that we have.
- Anshuman:** Sir, do we have any accumulated losses on our books currently? Could you quantify that number?
- Himanshu Mody:** So, there are certain accumulated losses, of course, as a result of the several previous year's operations. So, it's difficult for me to quantify, but I would say that tax shield is available to the company for anywhere between two to three year period.
- Anshuman:** So, he was trying to understand on that perspective. Sir, one final question. So, sir, given the thrust on offshore wind and repowering policy also which has recently come up, what is the opportunity size which you foresee over the next six months to one year, which we are also targeting?
- Ashwani Kumar:** So, the offshore in India is still at a very nascent stage because even the onshore potential is not being fully utilized in the country. So offshore, I won't say anything will come up in the next six months to one year. However, government has given a specific offshore target, which is a 2030 target as part of their 140 gigawatts. In terms of the repowering, there was a huge activity in 1999, 2000, 2001, of setting up wind capacities. Those are all, I would say, completing 20 years.
- So government has come out, as you may be aware of draft repowering policy last month and asked for the views once the draft repowering policies become established, each of the states will start selecting sites for repowering and that will be a good opportunity for us as being the largest player in the market and especially during the time when these projects were set up, we inherently have a better sense of what these repowering of 20, 25 gigawatt where and what it is going to be.
- Anshuman:** Sir, do we have the capacity to install offshore. Do you have that capability? And have we ever done offshore installations?

Ashwani Kumar: So Suzlon in its previous history used to own companies and our design and technology team did contribute to installation of offshore turbines outside of India. We will use that design and technological expertise as and when the offshore market opens up in India.

Moderator: Thank you. That was the last question. I would now like to hand it over to the management for closing comments.

Himanshu Mody: Thank you, everyone, for the participation and joining the call at a little bit of a short notice. As I said, going forward, we will be now starting an active IR program. We have now a dedicated team available. And we will now take the opportunity to speak with all of you on a quarter-on-quarter basis. And in the interim, if there are any questions, please reach out to us through the e-mail ID available on our website, and we'll make sure we'll be swift to respond. With that, thank you very much, and have a good weekend.

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