

April 18, 2022

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Dear Sir/ Ma’am,

In continuation to our letters dated April 07, 2022 and April 11, 2022, please find enclosed the Transcript of the Investors Call held on Monday, April 11, 2022 at 12:00 noon for the Audited Consolidated and Standalone Financial results of the Company for the quarter and financial year ended March 31, 2022.

The same is available on the Company’s website at www.sterlingandwilsonre.com

Request you to take the same on records.

Yours faithfully,

For Sterling and Wilson Renewable Energy Limited



Jagannadha Rao Ch. V.
Company Secretary and Compliance Officer

Encl.: As above

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“Sterling and Wilson Renewable Energy Ltd
Q4 FY 22 Earnings Conference Call”

April 11, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th April 2022 will prevail.

**MANAGEMENT: MR. AMIT JAIN – GLOBAL CHIEF
EXECUTIVE OFFICER, STERLING & WILSON
RENEWABLE ENERGY LIMITED
MR. BAHADUR DASTOOR - CHIEF FINANCIAL
OFFICER, STERLING & WILSON
RENEWABLE ENERGY LIMITED
MR. VISHAL JAIN – HEAD – IR, STERLING &
WILSON RENEWABLE ENERGY LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Sterling & Wilson Renewable Energy Limited Q4 FY22 earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. Please note that this conference is being recorded.

I now will hand the conference over to Mr. Vishal Jain. Thank you, and over to you, Mr. Jain.

Vishal Jain: Good afternoon, everyone. I welcome you all to Q4 and FY '22 earnings call. Along with me I have Mr. Amit Jain, Global CEO, Mr. Bahadur Dastoor, CFO, and Strategic Growth Advisors, our Investor Relation Advisors. We will start the call with an update on the acquisition of 40% stake by Reliance Group, along with the solar power industry update and the operational highlights for the year by Mr. Amit. This will be followed by financial highlights by Mr. Bahadur, post which we will open the floor for Q&A. Thank you and over to you, Amit.

Amit Jain: Yes. Thanks, Vishal and a warm welcome to all the participants on this call. I would like to give a quick update on the stake acquisition by Reliance Industries, solar power industry, and other allied renewable businesses and status on our business operation. So, the acquisition of 40% stake by Reliance Group has been completed. During Q4 FY '22 Reliance New Energy Limited, a wholly owned subsidiary of Reliance Industries Limited completed acquisition of 40% stake in Sterling and Wilson Renewable Energy Limited via a combination of primary investments, secondary purchase and open offer. Reliance Group has also been classified as a promoter of Sterling and Wilson Renewable Energy Limited along with the existing promoter and promoter group. Reliance Group now holds 40% of the total paid up equity share capital of SWREL, while SP group and KYD Group hold 25.71% and 12.85%, respectively.

Reliance is committed to making India a global leader in green energy based on latest and most cost competitive technologies and development capabilities. SWREL with its engineering talent, deep domain knowledge, global presence and experience of executing some of the most complex projects globally will become an important part of solar value chain of Reliance Group. With the primary infusion done by Reliance Group the company balance sheet has been strengthened. Being a part of Reliance Group has given a lot of confidence to our customers, suppliers, bankers, and other stakeholders, giving us an opportunity to grab a larger share of the global solar market in the coming years.

Now coming to solar EPC industry opportunities, the unprecedented commodity super cycle over two years coupled with COVID has led to entire solar industry suffering huge losses and IPPs choosing to defer their projects by a year wherever possible. The shift in demand can be seen as an aberration and solar industry is well poised for robust growth in the long-term due to strong levers and the fact that LCOE for the solar plant is still cheaper than traditional sources of energy, as well as the renewable sources of energy.

The stronger policy support from government in terms of tax incentives, favorable policies for renewable sectors coupled with ambitious climate targets announced for COP26 are going to drive demand for solar energy to new records worldwide. With the Indian government accelerating its plan for clean energy transition with Prime Minister, Narendra Modi pledging to build 500 gigawatts of renewable energy and ensure that half of our energy requirements will come from renewable resources by 2030, we expect outstanding growth in Indian solar power industry in the years ahead.

In the recent months, global tariffs have also started correcting upwards with the revision in prices and a lot of projects are going to be finalized in FY 23, including in H1. It is estimated that solar PV utility scale market is expected to grow at the rate of 15% over the next few years with growth led by developed markets like U.S., Europe, Australia, as well as Indian market.

Now I will give you updates on our O&M business. Our solar O&M portfolio as of date is 7.42 gigawatts with one third coming out of third party customers. O&M constitute 4.3% of

revenue in FY '22 and stood at INR 220 crore. Reduction in O&M portfolio during FY '22 is primarily on account of sale of plants by clients to customer having their own O&M team. We are focusing on increasing international O&M portfolio through both organic and inorganic route. Our enhanced value to customer through O&M differentiators like drone thermography, strong analytics and predictions, IV curve tracer, underground cable fault finders, etc. will help us to expand our O&M portfolio.

So there has been an increased focus of countries globally towards clean hydrogen mission after the government of India has launched natural hydrogen mission and announced its decision to transform India into a global house for green hydrogen production. Additionally, the clients are focusing on round the clock renewable energy projects with battery storage, which is going to drive the demand for renewable plants, especially solar plants. U.S., Europe and Australia are the large markets for focusing on large solar PV plus battery energy storage projects. We will leverage our client relationship to gain meaningful market share in these new businesses.

Coming back to our order book and operations as mentioned in our earlier investor calls, there have been significant delays in finalization of orders in FY '22 due to unprecedented increase in module, commodities and freight cost resulting in order finalization getting pushed to FY '23. The entire order book of INR 719 crore in FY '22 is from domestic market due to the sharp reduction in finalizations of orders globally.

Due to unprecedented increase in input prices, the company has been cautious in picking orders in the international market. Our unexecuted order book as on March 31, 2022, stands at INR 3,253 crore, which is mostly executable over next 12 months. This UOV excludes solar EPC orders amounting to INR 2,030 crore, which will now be unviable for developers considering increased module and commodity cost and INR 1,500 crore order relating to waste to energy projects in UK. Post the primary infusion in the company, our focus has shifted to scaling up the solar businesses to meet the huge demand which will be generated due to the strategic investment.

The Board of Directors have taken a decision not to pursue this contract at this point of time and focus our energies on our core business. The module prices, commodities prices, and logistic costs, which had started to soften slightly from January 2022 have again started hardening due to Russia-Ukraine war and we anticipate them to remain elevated. However, the developers are geared up to our projects in FY '23 after factoring the price increase. The opportunity pipeline for finalization during FY '23 looks robust in the domestic and international market. We expect our order booking to return to pre-COVID levels in FY 23.

I would like to state that with our global reach, strong relationship with customers and lenders, as well as induction of Reliance Group as an additional promoter of the company, we are well positioned to capitalize on these growth opportunities.

With this, I will ask Mr. Bahadur, our CFO to take you through the consolidated financial highlights. Thank you very much.

Bahadur Dastoor:

Thank you, Amit, and good afternoon friends. I will take you through the consolidated financials for the year ended March 31, 2022. Revenue for FY '22 increased by 2.3% to INR 5,199 crore, O&M constituted 4.3% of the total revenue in FY '22. Region wise revenue breakup is as follows, Australia 56%, U.S. 21%, India 11%, Latin America 9% and balance 3% by the MENA and Africa region.

Gross margins for FY '22 continue to remain impacted significantly primarily on account of increase in module prices, liquidated damages and increase in overheads and subcontracting costs due to extension in project timelines because of COVID and module delivery delays. Gross margins on unexecuted UOV as at 31 March, 2022 is likely to be between 4% to 6%. Recurring overheads increased by 6% in FY '22 majorly due to office setup in Spain and its associated cost to cater to the European market. The company has decided to invest in its manpower to take advantage of the tremendous growth opportunities in the domestic and international market.

As part of the transaction with Reliance Group, the company has signed an indemnity agreement with SP Group, KYD Group and Reliance Group on December 29, 2021. According to the agreement, the SP and KYD Group would indemnify and reimburse the company and its subsidiaries for a net amount if it exceeds INR 300 crore on settlement of liquidated damages pertaining to past and existing projects, old receivables, direct and indirect tax litigations, as well as certain legal and regulatory matters. These amounts would be settled on 30th September of each succeeding year on the basis of the final settlement amounts with customers, suppliers, and other authorities.

SP Group and KYD Group are consequently entitled to net off the amounts payable with specific counter claims levied and recovered by the company and its subsidiaries on its customers and vendors relating to these matters. The company and its subsidiaries have already made provisions equivalent to INR 300 crore. Thus, there will be no further impact on the results of the company in future in these matters.

Now coming to the balance sheet, as on March 31st, 2022 net worth stood at INR 905 crore and cash and cash equivalents stood at approximately INR 508 crore. The borrowings from banks stood at INR 435 crore and thus the company is net debt free as at 31st March, 2022. Advance and performance bank guarantees encashed by four customers amounted to INR 588 crore. With one customer we have signed the final settlement agreement and the encashed amount of INR 176 crore has been refunded by the customer in January 2022 and additional INR 144 crore towards another project is expected by end of April 2022.

With respect to the balance to customers whose projects are virtually completed the company is confident of a mutually acceptable settlement in the coming quarters. As on March 31, 2022, we had a negative working capital of INR 302 crore as compared to negative working capital of INR 530 crore as in March 2021. Receivables due for more than one year as at March 31, 2022, stood at INR 251 crore. They comprise related party receivables of INR 19 crore, which is net of INR 196 crore that the company needs to pay back to the related party against advance received for the waste to energy project.

With this, we can now open the floor to questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhineet Anand from Emkay Global Financial Services. Please go ahead.

Abhineet Anand: Yes, thanks for the opportunity. My first question is to Mr. Jain, you mentioned in your opening remark that you see your order book going back to pre-COVID times, if you can elaborate on the same and also add upon some of the regional, what you expect in Australia, U.S., etc., in terms of prospects and your hit rate in those regions?

Amit Jain: Okay. So as we have reiterated in our previous call that the project pipeline continues to be robust itself, but due to the uncertainties in the market, the order closure by the clients have been shifted. So in international markets, we have a pipeline of close to 12 gigawatts which we are pursuing right now, which remains open in various geographies, USA, Australia, Middle East, LATAM, and Southeast Asia, as far as international geographies are concerned and we are targeting to close this year, close to 1.5 gigawatts of orders valuing between \$700 million to \$1 billion. So that is how our international targets are.

So the U.S. and Europe are going to be around 3 gigawatts our target pipeline is there and we expect to close from these markets somewhere between 400 to 600 megawatts from both the markets. It can be there and we get to know as we approach close to the deal closing so that's what we can expect. So we are fairly sure that we will be having reasonably good success in all the markets and we see the growth coming from all the markets. So that's what our projections from the international markets this year.

Abhineet Anand: In terms of the domestic market, there looks to be some uptick that can be seen for the next few years, I mean, from the domestic side, what's the strategy to maybe gain market share or how do you -- given the increase in the size of the market itself, how do you plan to take more orders?

- Amit Jain:** Yes, we all know that Indian market itself is poised for a great growth and the numbers are going to go big way, but the factors which are impacting international markets are impacting Indian markets as well, the commodity super cycle, and modules. But this year we are sure of closing between INR 1,000 crore to 1,200 crore for the Indian market and both the numbers, which I have given you for international, as well as the domestic market don't include the projects to be done by the number for third parties.
- Abhineet Anand:** Okay.
- Bahadur Dastoor:** So Amit was not very clear towards the end, what he meant was that both these numbers do not include any captive work, which we may get for the Reliance Group.
- Abhineet Anand:** Okay. So this domestic INR 1,000 to 1,200 crore you were saying as an inflow or the revenue is more from that current order book, right?
- Bahadur Dastoor:** I will take that question. Amit is talking about order inflow and not revenue. Generally it depends on which quarter the order comes in. Obviously right now we are projecting the order book for what is given for the full year. Over the succeeding quarters we will be able to give a better revenue guidance.
- Abhineet Anand:** Okay. So basically, as I understand, you are talking about a \$750 million to \$1 billion which is outside India and around INR 1,000 to 1,200 crore inflow in India. Is it right?
- Amit Jain:** These are order booking numbers.
- Abhineet Anand:** Yes. I am talking about order booking only, sir, for '23. Okay. Second thing is to Bahadur sir, in terms of gross margin, I think you did mention in terms of earnings executable order book to have a margin of 4% to 6%, right given our fixed cost below the gross margin, it is fair to say that we will be EBITDA positive on these projects as of now?
- Bahadur Dastoor:** So you can't take the entire gross margin and attribute it to 4% to 6% gross margin on a INR 3,000 crore, because then you would not be EBITDA positive. Obviously after factoring in the revenue inflows from the orders, which Mr. Amit did mention, we would definitely be EBITDA positive.
- Abhineet Anand:** So any ballpark revenue guidance you would like to throw?
- Bahadur Dastoor:** No, not at this stage, Abhineet, maybe by the time we come to the next quarter, we'll be able to give a revenue guidance where we'll actually work out when the order inflows will come in and how much of that will be revenue for the year. So basically what we are trying to say is we are targeting numbers which were close to what we were doing before. Revenue part will just update in the next quarterly call.
- Abhineet Anand:** Okay. Last thing from my side is what I understand from the indemnity agreement and what you did mention is that the company has taken all the provision, anything to do with up and down will be between the RIL, SP and KYD Group and not to the company, there will no hit on the company, right?
- Bahadur Dastoor:** There will be no hit on the company, but if the company's cash flows have been blocked by virtue of this so any cash flows, which come in would come in into the company, there would be no profitability angle in this at all.
- Abhineet Anand:** Okay, thanks. Those were all my questions.
- Moderator:** The next question is from the line of Ankit Gupta from Alchemy Capital Management. Please go ahead.
- Ankit Gupta:** Hi, sir. Sir, I have missed the O&M portfolio size, can you repeat it again?

Moderator: Sir, can you hear us?

Bahadur Dastoor: Yes, you want to know the O&M portfolio as on 31st March it is about 7.4 gigawatts.

Ankit Gupta: And second, sir, the profits in the O&M side has been reducing in Q3 as well as in Q4 drastically. So can we expect the margins to again go up in FY '23 to earlier levels of 30%-35%?

Bahadur Dastoor: See the gross margins on an average on running projects are 35%. As I had explained in Q3 in Q4 there have been certain costs where the revenue could not be recognized, because the O&M will start from the first quarter of FY '23. Once that comes in on running jobs, the gross margin on a blended basis does continue to be 35%.

Ankit Gupta: Okay. That's good to know. And sir just to understand...

Bahadur Dastoor: Am I audible or am I not audible?

Moderator: Yes, sir you are audible.

Ankit Gupta: Yes, sir you are audible.

Bahadur Dastoor: Okay.

Ankit Gupta: Last question on my end, how are the polysilicon prices now, in Q3 you told us that the prices started to come down and they were around down by 10% in January. So what are the prices now after Q4?

Amit Jain: So prices of polysilicon are highly volatile, so they are continuously fluctuating in the market. So as we have told during our speech that they started stabilizing, but the volatility has started again and we'll get to know the trend going next one quarter in which direction they are moving.

Ankit Gupta: So because of this volatility, can we expect...

Moderator: Sorry to interrupt you, your voice is not coming very clear, may I request you to speak through the handset?

Ankit Gupta: Yes, just a second. Is it okay now?

Moderator: Yes, sir, thank you.

Ankit Gupta: Yes, just last question. So, because this increase in prices, should we expect the finalization of projects to even get delayed to second half of FY '23?

Amit Jain: We are tracking the situation because some of the places even the tariffs are going well, but we expect we have to watch the situation very closely and some of the order closing may shift to H2.

Ankit Gupta: In H2. Okay. And sir, you talked about this captive project from Reliance, any idea what would be the scale of these projects? And they will be given entirely to SP Group only, or they will also be like will have to wait for them?

Amit Jain: So both the companies are still working on the strategy and we are still under discussion and we'll come up with more clarity and guidance on that during our next quarter call. So we are in discussion and still that is work under progress and we are still finalizing what would be the volume.

Ankit Gupta: Okay, thank you, sir. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.
- Puneet Gulati:** Yes. Thank you so much. My question again is on your captive order, have you been asked to keep some spare capacity separate for Reliance orders or are you free to use whatever capabilities that you have for all your global orders?
- Amit Jain:** No, so that's what I said, that's something which we are discussing and strategizing, how to address that. In any case, considering the strong growth in Indian markets, we are always in a full position of capacity building and we can address the significant market. So we'll come out with the more details during our next quarter call.
- Puneet Gulati:** Okay. And in terms of order margins, is there an agreement as to what margins you will get or is that also based on each project?
- Amit Jain:** I will request Mr. Bahadur to take that question.
- Bahadur Dastoor:** This will be discussed on a case-to-case basis. There is nothing we can add at the moment right now. We have sufficient teams to cater to both the present order capacity, as well as what we may need to do for Reliance in future, though we have been asked to gear up for large volumes.
- Puneet Gulati:** So from the margin perspective there is no transfer of pricing formula, which has already been defined as yet.
- Bahadur Dastoor:** Obviously, there would have to be some kind of formula, but it is at early stages of discussion. I would say rather it is at a good stage of discussion.
- Puneet Gulati:** Okay, understood. And theoretically, if I were to say, what would be your capabilities in terms of executing orders in a single year in terms of gigawatts?
- Bahadur Dastoor:** So let's just go back a few years and you will see that the same company had got turnovers of INR 6,500 crore, INR 8,300 crore. So turnover is not the issue, gigawatts is not the issue. There is sufficient capacity within the organization and wherever we would need to augment, we would be able to do so and ramp up capacities.
- Puneet Gulati:** Understood, that's all from my side. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Keval Ashar from DSP Investment Managers. Please go ahead.
- Keval Ashar:** Am I audible?
- Moderator:** Yes, sir.
- Keval Asher:** Yes. So I just wanted to understand the BCD on imports of solar module and solar cells in India. Do you see project prices to increase significantly as well as how do you foresee the demand scenario for utility scale projects in India post implementation of basic custom duty?
- Amit Jain:** Could you please repeat the last line of the question?
- Keval Asher:** How do you foresee the demand scenario for utility scale projects in India post the implementation of BCD that is on modules and cells?
- Amit Jain:** Yes, so I would like to say that the current projections we have and the plans government of India has announced so there is no doubt the demand for utility scale project irrespective of any duty regime is bound to go up significantly. But -- this question of BCD, there are various discussions are going on, but I don't see that there will be any significant impact, but the volumes will be significantly high. And all the domestic corporates are working to the addition of significant in-house manufacturing capacities the various PLI schemes have been

announced by Government of India. So I think going forward that will take care of all the duty issues and we see that the demand for utility scale project will continue to be on upward trend only.

Keval Ashar:

Okay, sure. Thank you so much and all the best for the coming years.

Moderator:

Thank you. The next question is from the line of Pritesh Vora from Mission Holdings Private Limited. Please go ahead.

Pritesh Vora:

Hello, sir, can you hear me?

Vishal Jain:

Yes, you are audible.

Pritesh Vora:

Yes. So I just want to understand how is the structure of contract worked out in this industry, like when you take a EPC contract would not be the material cost which you would not make any modules and other things is back to back passed on to the customer. I do not understand why there is a gross margin negative in this industry. So generally, EPC industry when material is back to back billed to the client. So what had happened in the past where you have a gross margin negative? And can we understand that this has passed now and now all the contract, which you will execute will have a back to back arrangement of material cost transferred to the client?

Amit Jain:

So I will answer your question. Basically it all depends upon what kind of marketing and what type of client you are closing the contract and contract format can be very different depending upon the market requirements. So, so far what we have seen, excluding the periods of this super community cycle we have seen that the module prices and the material prices were pretty constant, and we could predict what is the volatility is going to be in the market and the same was priced in our contracts. So during the last two years for like of extreme volatility and no EPC company could have predicted that and that's the reason the kind of the contract structure, which we were signing and it's not that in all the contracts we were taking on the risk. And so contracts were mixed where we are passing on the risk, the module prices were passed through, and some of the contracts we had taken on the risk. So that was a mixed model.

But going forward, we'll be open to both the structure in which we'll be signing the passing on the risk back to our client and somewhere we'll be accepting the risk with the proper mitigation strategies and risk sharing with the client as well as with our suppliers. So we have to address the contract structure going forward based on what the market conditions are, how the commodity prices are moving. So we have to address based on that and in the market where the non-recourse funded projects are there and that's in most of the Western and the Middle East market. So there is no option, but we have to go for complete EPC projects and there is no mechanism for pass through model, but in all those kind of contracts we are working out strategies with our clients and vendors to mitigate those risks going forward.

Pritesh Vora:

So how does the industry function in this? Suppose you get a D date, zero date you get an order from the client, would you not place the order back to back to the vendor at the same price? How does the time lag happens and why there is a erosion in terms of -- I mean, why there is negative gross margin? I mean, how does it happen?

Amit Jain:

So, no, actually you are right, we have the strategy for placing the orders on back to back prices for most of the materials and that's the basis we have worked on, but in the recent years, most of the Chinese suppliers have reneged on the signed contract and they have not respected or honored the contracts which we have signed and that's the major reason we have taken the hit on our margins. And not only that, they have also delayed the supplies, which has led to the erosion of margins and our prices.

So all what you are saying has already been like part of our strategy, the orders are placed back on back, we take care of the pricing, but it is due the renegeing of contracts by Chinese supplier which has created this situation, which has led to increase in prices and our overhead costs. But with other suppliers like cables, inverters and other miscellaneous suppliers, they honour their contract and there we have been able to withstand any kind of price variations.

- Pritesh Vora:** Okay. So how we are sure, sir, that going forward, this will not get repeated, like how we assure that Chinese supplier now onwards will be able to honor the contract and we will not have a problem in fulfilling the EPC order?
- Amit Jain:** So in that case, if we take those risks with the Chinese suppliers, the contracts will be backed by much higher amounts of the performance guarantees. So they will be far more bankable and we'll be signing far more stringent contract. So that's what -- if that strategy is there and we'll try to involve our clients in finalizing the orders so that they are under pressure both from the developer, as well as the EPC and they are backing up their contract with much higher amounts of the bonds.
- Pritesh Vora:** Okay. My last question is sir, what can be considered the EBITDA margin, steady EBITDA margin in this business? What is the current -- I mean, if you consider, everything is back to normal, what can be considered steady, steady EBITDA margin in this business?
- Bahadur Dastoor:** I will take this question. So if you look at our gross margins in the past, they were between 10% to 11% and if we are looking at overheads to be between 5% to 6% or even lesser than that, your steady state EBITDA margin could be anywhere between 5% to 7%, more likely a 5% to 6% EBITDA margin is what we are looking. They may slightly go up also, but I am just being a little conservative when I say a number like this.
- Pritesh Vora:** All right, sir, wish you all the best. Thank you very much.
- Bahadur Dastoor:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H.G. Hawa and Company. Please go ahead.
- Faisal Hawa:** Hello.
- Moderator:** Sir, sorry, we are unable to hear you, your voice is breaking.
- Faisal Hawa:** Can you hear me now?
- Moderator:** Yes, sir.
- Faisal Hawa:** So we are starting out with a very small order book this year. So, will we not find it very difficult to recover down from here onwards?
- Bahadur Dastoor:** You are not very clear.
- Moderator:** Mr. Hawa we lost your audio in the end of the question.
- Faisal Hawa:** So, we are starting out with a very small order book at the beginning of the year. So will it not be very difficult to really have any kind of a traction in this year for revenue growth? That is one, and secondly, will we ever get into kind of steady rate of manufacturing processes for say green hydrogen or even solar panels for that matter?
- Amit Jain:** Yes. So Mr. Hawa, I would say you are correct. So this year we will not be able to match the revenues of FY '22. So there will be reduction in revenues for the year FY '23. Could you repeat last part of your question again?
- Faisal Hawa:** So will we ever be getting into any kind of manufacturing for say green hydrogen or even for solar panel to cut out the risk of suppliers not -- timely?
- Amit Jain:** Not at this point of time we will not be entering into any kind of manufacturing, but we'll be supported on our project going forward, because as you must have heard Reliance has planned for giga factories for panels, batteries, and hydrolyzers as well. So going future, if

we go into the projects we will be supported by the products of Reliance, and there'll be no dependency on China for our projects.

Bahadur Dastoor: Just to add to what Mr. Amit said, this is more like the year of consolidation. So it is actually FY '24 which will be good with the order inflow of '23 plus the captive business that we've been talking about.

Faisal Hawa: '23 plus what?

Bahadur Dastoor: It'll be FY '24 which will be the real year of growth with the order inflow carry forward of FY '23 that we have targeted plus captive business, which is what we are talking about.

Faisal Hawa: Sir, any progress on the batteries front, are you developing any kind of proprietary technology with batteries?

Amit Jain: Mr. Hawa, your voice is not clear. Can you repeat your question again?

Faisal Hawa: Any progress on the battery front, where we get any kind of proprietary technology on the battery front from Reliance and we implement that end to end?

Amit Jain: No, actually, as we have said, because we are still discussing with Reliance and we are not fairly up to speed on what kind of work which Reliance is doing on battery technology, but to give an update on our battery energy storage business, we are technology agnostic and we are bidding for EPC projects in all our international geographies of Australia, UK, Latin America, USA and Australia. So we are there, currently, we have a big pipeline of 500 megawatt hours which is valued over \$125 million and we see pretty robust growth in this market and we are addressing internationally this market and with the RTC tenders due from Government of India in coming years we see a robust growth in Indian market with respect to battery energy and storage space. But as far as the manufacturing is concerned, we are not going to get in into any manufacturing on our own.

Faisal Hawa: So, now that we are broadly debt free, are we changing banks and are we getting some more bank guarantee limits also from our bank?

Bahadur Dastoor: That is a work in progress. We are working towards ensuring that we have all the limits that we need for the business that we are looking at for FY '23 as well as FY 24. We are in the process of talking to newer bankers to increase our consortium size, both within and outside India.

Faisal Hawa: Okay. Thanks a lot for answering all my questions.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital Services. Please go ahead.

Akshay Kothari: Good afternoon, sir. Which are the geographies where we are facing aggressive bidding, if you may put some light on that?

Amit Jain: So I would say all the geographies are competitive, but with the Chinese coming in, the Middle East and Africa are the markets we see the most fierce and aggressive bidding. So Middle East and Africa still continue to be dominated by Chinese with the kind of very, very low prices. But we see that in coming quarters or coming years we may see the course correction even in these markets because the players which have backed the orders at very low prices are not able to deliver, are not able to perform. So as of now, the Middle East and Africa, they are the most price aggressive markets.

Akshay Kothari: Okay. And on the second front, like where the Chinese suppliers have not honored their contracts, so are we taking some damages from them or what are we doing regarding that?

- Amit Jain:** So, we are working on that, wherever they have not honored the contract, we are working on recovering damages or re-negotiation or how we can be compensated against the impact wherever they have reneged the contract.
- Akshay Kothari:** Okay, thanks a lot. All the best.
- Moderator:** Thank you. The next question is from the line of Alok Ranjan from IIFL Asset Management. Please go ahead.
- Alok Ranjan:** Hi, good afternoon, sir. Just a couple of clarifications, so in terms of unexecuted order value movement you have mentioned that INR 2,030 crore of contract is now unviable. So whether there is any claims which will be made by developers to us, or is it the developer only who cancelled the INR 2,030 crore of orders?
- Bahadur Dastoor:** So it is broken up into two parts, in the case of part of it, the developer himself has said that the order is unviable and has cancelled it. In another part we are also in discussions with the developer to say that it is unviable for you and unviable for us. Discussions are presently ongoing on that front, but we have excluded it out of being conservative to say that we believe that it is at the present not going to be executable.
- Alok Ranjan:** But sir if we have to execute that portion, then that will be executed at the losses in terms of if the developer goes ahead with the project, right?
- Bahadur Dastoor:** No, the developer will not be going ahead with the project. That's why we said we are under discussions with him. At the present, even he's suffering on various other grounds, not just the EPC part.
- Alok Ranjan:** Got it, sir. And in terms of cost in the normal scenario, you mentioned that 35% is a gross margin and then in that case...
- Bahadur Dastoor:** For O&M, you mean.
- Alok Ranjan:** Okay. And 15% for the projects, right?
- Bahadur Dastoor:** No, no. I never said 15%. I said it is between 10% to 11% was what it was, which included the O&M. So if you were to just look at EPC, it could range depending on which geography you are somewhere between 8% to 10% would be our EPC margin.
- Alok Ranjan:** Got it, sir, so I just wanted to understand this 90%, which we procure from outside, what is the cost inflation that we have seen over there last let's say 18 months?
- Bahadur Dastoor:** Sorry, could you repeat that 90% of what that we get from outside?
- Alok Ranjan:** So the COGS part, which is let's say 90%, what is the inflation that we have seen the overall basket?
- Bahadur Dastoor:** So it is not really a COGS because we do not supply goods here, we are into project manufacturing. If you see our investor presentation and Slide number 9, we have given the inflationary trends for steel, for logistics, as well as for module prices over there.
- Alok Ranjan:** So can we say that the inflation have been close to 50%, 60% around that in that overall basket blended?
- Bahadur Dastoor:** No, it is different. So your module prices, which were \$0.17, \$0.18 have gone up all the way up to \$0.27, \$0.28, cooled down and now gone up again. Logistics pricing, which has freight, which has been somewhere around \$2,500 per 40 foot container have gone up all the way up to \$17,000 plus per container before cooling down. Same is the case with LME as well as with the steel and other commodities. So there is no one ratio that will fit all. There are different increases happening for different items of cost.

- Alok Ranjan:** Got it, sir. I was just trying to understand the price variation INR 325 crore approval that you have got, will it be catering to the unexecuted order value at the end of 31st March, which you have, at least it will be catering to what inflation that we have seen, or there will be impact, which will be continuing like the way you have mentioned '23 are consolidated year or something?
- Bahadur Dastoor:** The price variations which have been considered are those which have already been approved. They were part of the order book, some of which has seen revenue in the year FY '22 and some of which will remain in the UOV, the balance portion will remain in the UOV for FY '23.
- Alok Ranjan:** Got it. And sir, in terms of receivables, the way you have mentioned for more than one year INR 251 crore is there, can you help me understand this 49% Argentina, INR 123 crore which is there, you have mentioned that this is covered under promoter.
- Bahadur Dastoor:** Your voice has once again cracked, I missed you after Argentina.
- Alok Ranjan:** Help me understand this INR 123 crore portion out of INR 251 crore, whether there is any impact on the company that can happen if this INR 123 crore cannot be recovered?
- Bahadur Dastoor:** No, there will be no impact on the company. As we have mentioned before, this is covered under the indemnity agreement and therefore anything beyond INR 300 crore the impact doesn't fall on the company, all provisions up for INR 300 crore have already been made. So therefore, anything happening on this Argentina front or even the matter under NCLAT front will not affect the profit and loss account of the company.
- Alok Ranjan:** Got it, perfect, sir. Just last question from my side, in case of China, the kind of the contract dishonoring that we have seen, is it like it happened across the Chinese solar companies or it was with few weaker companies in the China, which we might be dealing with in the last year?
- Bahadur Dastoor:** I will just start off and then Mr. Amit will add, first of all, we do not deal with any weak module manufacturers. The ones we deal with are all the top tier one module manufacturers only, because that is the kind of module manufacturers that even our global clientele look for. The renegeing has happened across the board with a number of EPC contractors and developers. Mr. Amit can add further if I have missed anything.
- Amit Jain:** Mr. Bahadur you have perfectly stated the right position that we use only tier one contractors, the renegeing was across the board and we are not the only one who suffered. So we have seen that phenomena globally across other EPCs, as well as our clients in multiple geographies, which they have suffered by renegeing of contracts by tier one Chinese module manufacturers.
- Alok Ranjan:** Sir just to follow up to that, in such kind scenario where the contracts are not getting honored by Chinese companies, how global counterparts for you, like developers are imposing any condition that you have to procure from a part of that from ex-China or something in the new contract?
- Amit Jain:** No, that's what we told that both developers as well as EPC are working together. So we are working together with our clients to develop any strategy where the modules have to be procured by us and various new mechanisms are being included in the contract, wherever EPCs have to buy these modules directly from Chinese suppliers.
- Alok Ranjan:** Got it, sir. That's all from my side.
- Amit Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhinav Bhandari from Nippon Life Asset Management. Please go ahead.

- Abhinav Bhandari:** Yes, thanks for the opportunity, couple of questions. One is while one understands that you are not giving a revenue guidance for FY '23 because of things getting decided, just to understand on the overhead side, where we had exceptional items the entire last year, obviously there was that extra expense because of Spain office setup as well, how should one look at overheads for FY '23?
- Bahadur Dastoor:** Overhead should be slightly higher, maybe 10% to 15% higher that is what we presently envisage as compared to FY '22.
- Abhinav Bhandari:** Sure. And any specific areas where we are investing more because FY '22 base itself was quite high so just understanding that, and most of the provisions you have already taken, which are in that base actually.
- Bahadur Dastoor:** Correct, Abhinav, so what is happening is the company is not going to invest too much in the development cycle that we are looking at in certain markets like U.S. and Spain, those expenses are not expected to be high. However, at the same time, you will understand that there is always inflation, increase in remuneration, etc., which happens from time to time and there is also the captive business of Reliance, which we have to gear up for. So keeping all this in mind, we believe that we will have to build up overheads, especially keeping FY '24 in mind.
- Abhinav Bhandari:** Got that.
- Bahadur Dastoor:** The percentage will gradually fall as the revenue goes up, right now it is 6% on INR 5,000 crore, obviously in FY '24 when things are much, much better as we believe they would be your overhead to revenue percentage would be much lower.
- Abhinav Bhandari:** Sure. And just on the working capital cycle as well, since there are lot of stuck items in the working capital cycle sitting in both the receivables, as well as other current assets, would this release be sufficient to take care of our requirements for FY '23, given that we are any which way not looking for a bigger growth here in FY '23?
- Bahadur Dastoor:** Release of you mean all of these items, which are stuck, it will take some amount of time, because...
- Abhinav Bhandari:** Part itself, I think...
- Bahadur Dastoor:** Sorry, say that again, Abhinav.
- Abhinav Bhandari:** So I was saying part of this itself should be good enough for us to understand?
- Bahadur Dastoor:** It may not be... The company would need to borrow in the near-term just to ensure that, it takes care of its cash requirements for ongoing projects, as well as overhead. If all of it were to be released, obviously it is far more than enough than the company requires.
- Abhinav Bhandari:** Yes, sure. Got that, sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mohit from DAM Capital Advisors. Please go ahead.
- Mohit Jalan:** Good morning, sir. Two questions, sir, first is any color on when do you expect the captive model capacity available for us to meet the domestic and global demand?
- Amit Jain:** I would say that is still under discussion and Reliance is working on the plans. So we will update you on this particular aspect in coming quarters.
- Mohit Jalan:** Understood, sir. My second question is, sir, given that let's say your captive model capacity is functioning for FY '23, will you be able to supply that module for your global demand? Do

you think there will be some gestation period before you demonstrate the new product so that the product will have a greater acceptability with the clients?

Amit Jain: Actually, that part is being handled by Reliance. As I already said, that we will be able to share more details on this particular aspect in next few quarters. At this point of time, all the discussions are happening, but we are not in a position to share more details at this point of time.

Mohit Jalan: And so can I expect by the next quarter results, or do you think it'll take some more time?

Amit Jain: I am not sure by the next quarter because that's a process, which like the plants are being set up so we are not sure about the details as and when the discussions with the clients conclude on that front, we will come back to you, maybe next or maybe Q1 or Q2 call that we are not sure of, but as and when we have updates, we'll definitely come back to you.

Mohit Jalan: Understood, sir. Thank you and best of luck. Thank you.

Amit Jain: Thank you.

Moderator: Thank you. The next question is from line of Abhineet Anand from Emkay Global Financial Services. Please go ahead.

Abhineet Anand: Yes, thanks for the opportunity again. What I understand that the domestic EPC strategy that we had, we never bid for projects where land, etc., was involved. Correct me if I am wrong. And, so with Reliance, as one of the promoters, is there a change in our domestic EPC strategy?

Amit Jain: So as of now, our strategy with respect to land continue to be the same, but if there is any development after discussion or change in strategy, we'll re-configure our strategy, but as of now, we'll continue without the land risk on our domestic EPC market.

Abhineet Anand: Okay. Secondly, you did mention that Middle East and Africa market has become very competitive largely from the Chinese side. So I mean, this competition, I am just trying to maybe dissect in terms of are these because the module guys itself are competing or basically that the EPC guy is making a 0% or 1% margin and being very competitive? So which end of that competition, is it the EPC guy or the module guy who is basically sacrificing the margin for that?

Amit Jain: I would say that the EPC guy is highly subsidizing the numbers, which they are quoting to various developers and what we would have seen in the market trends in last two years is that Chinese EPC players taking huge hits in this market. So that is very significant that they have taken very aggressive calls, bidding without margins, or sometimes at negative margins and now we see that even on those numbers, there is a huge, huge hit they are taking and lot of projects are under performing. So that's very clear from that where it is coming from.

Abhineet Anand: So it's fair to understand that that policy of theirs will not survive for medium term, right? It might be a near-term strategy because of whatever reasons, but it is fair to understand when this market stabilizes because we have done good work in this region earlier, just trying to understand whether this in a medium term remains as a good opportunity size for Sterling.

Amit Jain: Absolutely, we are hoping for that, but because most of the major players are not able to deliver in this market on the scale of project, which we have delivered in the past. So we remain very hopeful and optimistic that this market will come back to us and we have to just wait and watch maybe next few quarter or next year, that's difficult to comment on. But definitely we remain a strong contender for this market and it is definitely going to come back to us. And what we see that even the market size would grow significantly in Middle East because of the green hydrogen. And Chinese would not be able to address everything in any scenario. So, let's see how the things unfold and we remain like very bullish for future quarters or years for this market.

Abhineet Anand: And lastly from me, you did mention the captive from RIL, is the green hydrogen part also going to be billed with the EPC arm for that, or it is too early to state?

Amit Jain: As you have said yourself, it is too early to comment on green hydrogen part.

Abhineet Anand: Okay, thanks a lot.

Moderator: Thank you very much. I now hand the conference over to Mr. Amit Jain for closing comments.

Amit Jain: Thank you. With the robust backing of Reliance Group and Shapoorji Pallonji Group, we endeavor to accelerate our growth trajectory by aggressively pursuing large international markets, that is U.S. and Europe where we foresee a huge potential of growth. India too has reached an inflection point from where we anticipate the growth of solar power industry to garner further pace and momentum. We would like to reiterate that the opportunity pipeline for finalization during FY '23 looks robust in the domestic and international market and we expect our order booking to return to pre-COVID levels in FY '23.

With our deep rooted client relationship, global presence, ability to provide customized solution, strong track record of executing complex and large scale projects supported by robust balance sheet and strong parentage of Reliance Group and Shapoorji Pallonji Group we are confident of regaining our leadership position. I would like to thank everybody for joining the call. I hope we have been able to address all your queries. For any further information kindly get in touch with Mr. Vishal Jain, or Strategic Growth Advisor, our Investor Relation Advisors. Thank you once again and have a great day. Thank you.

Moderator: Thank you very much. On behalf of Sterling and Wilson Renewable Energy Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.