STERLING & WILSON

July 18, 2023

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 **Scrip Code: 542760 (Equity)** **Scrip Code: 725032 (CP)**	**National Stock Exchange of India Limited** Exchange Plaza Bandra Kurla Complex Bandra (East), Mumbai – 400 051 **Symbol: SWSOLAR**

Sub.: Investors Call Q1 FY 24- Transcript

Ref.: Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/ Madam,

In continuation to our letters dated July 07, 2023 and July 14, 2023, please find enclosed the Transcript of the Investors Call held on Friday, July 14, 2023 at 12:00 Noon (IST) for the Unaudited Standalone and Consolidated Financial results of the Company for the quarter ended June 30, 2023.

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

Request you to take the same on records.

Thanking you,

Yours faithfully,
For Sterling and Wilson Renewable Energy Limited

Venkata Jagannadha Rao Chunduru
Digitally signed by Venkata Jagannadha Rao Chunduru
Date: 2023.07.18 17:27:23 +05'30'

Jagannadha Rao Ch. V.
Company Secretary and Compliance Officer

Encl.: As above

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"Sterling and Wilson Renewable Energy Limited

Q1 FY'24 Earnings Conference Call"

July 14, 2023

MANAGEMENT: **MR. AMIT JAIN – GLOBAL CHIEF EXECUTIVE OFFICER**
MR. SANDEEP THOMAS MATHEW – HEAD OF INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Sterling and Wilson Renewable Energy Limited Q1 FY24 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Thomas Mathew, Head of Investor Relations. Thank you and over to you.

Sandeep Mathew: Yes, thank you and a very good afternoon to all of you. I welcome you all to our Q1 FY24 Earnings Call. Along with me I have Mr. Amit Jain, our Global CEO and SGA, our Investor Relations Advisor. Our CFO Mr. Bahadur Dastoor is on medical leave and therefore unable to attend the call today. He will be back from the next Earnings Call. We will start the call with an update on the operational highlights for the quarter and the solar industry outlook by Mr. Amit. Thank you and over to you, Amit.

Amit Jain: Hi. Thanks, Sandeep, and a warm welcome to all the participants on this call. I would like to give a quick update on our business operation and outlook on the solar industry.

To begin with, the company announced new orders totaling INR466 crores in Q1FY24, aided by continuing ordering momentum seen in India. We obtained two orders from existing customers, Serentica and Amplus in this quarter. The Serentica order is a 319 megawatt DC project located in Bikaner, Rajasthan, and Amplus is a 72.5 megawatt DC project located in Jhansi, UP.

Our unexecuted order book as on 30th June, 2023, stands at INR4,902 crores with nearly 90% of the order book comprising domestic EPC projects, which are executable over the next 12 to 18 months. With the inclusion of Nigeria MOU that was announced in September 22, our order pipeline is anticipated to enhance significantly. We are working with various stakeholders to finalize the D&EPC agreement for the project by Q2 FY24.

Our order pipeline continues to remain very strong at approximately 22 gigawatt, of which India accounts for 58.4% and Australia 14.8%. Our business development teams are working very hard and remain focused to deliver the strong growth trajectory we are targeting in this year. Our strategic focus is to secure an impressive order booking of three to five gigawatt from the highly promising Indian market. In the international market, while we have been adopting a more cautious approach with new orders, we are beginning to make headway with our clients as well.

As stated in earlier calls, we reiterate that lumpiness in order flow is to be expected with EPC company like ours. The timeline for achieving project closure could vary depending on a host of factors, including finalization of contractual terms, financial closure, etcetera.

In terms of execution, our core operations have begun to show a turnaround, as we have hoped and indicated in the last quarter's call. We have begun to turn back to normalized margins in our EPC segment and hope to maintain a similar trend for the rest of the year.

We should also begin to see a meaningful pickup in revenue when our NTPC project begins to go full steam, which we anticipate from Q3 FY24. We have also been rationalizing overheads, to the extent necessary and the result of these efforts are more likely to be visible from the second half of this fiscal year.

Now moving to industry outlook, we have seen an unprecedented decline in prices of silicon, wafer cells and modules in last six months, with the module price now falling to nearly 18 cents per watt peak and is around the historic lows we have seen during the pandemic times. The recent downward trajectory marks a departure from the prolonged upward trend witnessed post the pandemic. With the significant supply pressure due to emergence of new production capacities in China, industry analysts continue to anticipate module prices to remain depressed for some time.

The time remains ripe for more projects to come on stream aided by lower LCOEs. In its most recent solar market forecast, BloombergNEF projected annual global installation to touch an estimated 344 gigawatt and is already up from 316 gigawatt projected in January 2023.

Given the significant role that renewable energy plays in India's energy transition, an immensely attractive opportunity arises within the solar operation and maintenance (O&M) industry. The India solar footprint has experienced significant growth, expanding from a mere 3.7 gigawatt in 2015 to an impressive 60 gigawatt plus in FY23. Solar operation and maintenance (O&M) sector has emerged as a distinct and highly profitable market, boasting its own unique landscape and dynamics. With the steady rise of operational solar plants, the re-tendering of O&M contracts is becoming a burgeoning prospect for providers such as ourselves. We are consistently expanding our O&M portfolio, placing an enhanced emphasis on third-party O&M within global markets, utilizing both organic and inorganic strategies. With this, I will ask Sandeep to take you through the consolidated financial highlights. Thank you.

Sandeep Mathew: Thank you, Amit. So moving to the financial highlights, revenue for this quarter was INR515 crores. Revenue has improved substantially on a sequential basis aided by higher contribution from the domestic EPC segment. The company has also reported consolidated gross margin of 11.3% this quarter and this is after 9 quarters of losses and this has been primarily aided by the higher contribution from the domestic EPC segment.

Our unexecuted order book which largely comprises domestic projects currently, is likely to help sustain these gross margins going forward. Our domestic EPC margins as you may have seen has improved to 13% and is higher than average in this quarter, compared to our FY23 margin which was around 9.7%. International EPC margins have also moved to the green and in this quarter they were aided by reversal of certain cost and excess provisions that we had earlier made in two projects.

It is also worth noting that we have achieved standalone operational EBITDA break-even in the first quarter. In O&M business which constitute about 9.2% of our revenue, the margin trajectory has begun to significantly improve. However, it still also remains impacted by a few projects where there is cost that is currently being incurred but no revenues have been recognized.

Moving to the balance sheet, as of June 30th, our net debt stands at approximately INR2,100 crores and cash and cash equivalents was about INR63 crores. We had a positive core working capital of about INR140 crores. However, we should note that net working capital would be at a negative INR402 crores, were the indemnity receivables to be excluded. We are targeting to significantly reduce our debt by Q4 FY'24 and this will be achieved through a combination of receivables recovery, indemnity inflows and the negative working capital cycle that we see in our new projects. In terms of outlook for the rest of the year, we hope to achieve commissioning and handover of our legacy international projects without any further delays and costs.

We are optimising our overhead costs which should get reflected in the coming quarters as Amit earlier alluded to. And we also aim to maintain gross margins of about 10% to 11% which should be supported by almost 94% of our currently UOV comprising India orders. With this now we can open the floor to questions and answers.

Moderator: Thank you very much. Our first question is from the line of Mr. Puneet from HSBC. Please go ahead.

Puneet: Yes, thank you so much and congratulations for coming back on recovery path. My first question is with respect to the new projects, which you have taken. Do these projects have fixed price contract or is there a pass-through of module cost there?

Amit Jain: I think can you repeat the question which project you mentioned? We missed that part.

Puneet: So the new project, for example, Serentica, Amplus, that you talked about, and in general, not specifically about these particular projects only, are the new projects which you have taken, do they have a pass-through clause or are they fixed-price contracts with respect to the module prices?

Amit Jain: So, Puneet, to give you a background, that India is a purely BoS market and module supply in all the orders which we have backed, rather NTPC, Serentica or Amplus, the module supply is not in our cost. So, there is no risk on part of modules in our scope and it is being supplied by the client.

All other materials which we are supplying, they are fixed price contracts, and we have placed orders on back-to-back basis to all our vendors. So practically, with respect to all scope of supply in all the projects which are under execution, we have no exposure or no risk on account of any materials at all.

Puneet: Understood. So how would you think that the margins that you've done this year are likely to sustain?

Amit Jain: Definitely, rather margins are likely to sustain or improve with the overhead rationalization and the further quarters, Q3 and Q4, we'll see a significant rise in revenues. So we expect margins to improve.

Puneet: And what are the other payment terms broadly for these orders in terms of advances, etcetera?

Amit Jain: All the orders we remain, as we have explained in various calls earlier also, that all the payment terms are adjusted in such a manner that we remain cash positive throughout the project execution.

Puneet: Understood. That's very helpful. And lastly, any progress on the Reliance projects that you're hearing in terms of execution?

Amit Jain: So, Reliance discussions are progressing. And as you must have read, there is a target to install more than 100 gigawatts by 2030.

So, with that run rate, I think the rollout should start soon and if we take the average rate also, it will be in the range of anywhere plus 10 gigawatts per year. But I will not be able to give you any finite or like any definite timeline to you. We expect the rollout to be announced soon.

Moderator: Thank you. Our next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Yes, congratulations, Amitji, for, you know, coming in black, especially on the GP side, and I hope that this trend continues. My first question pertains to, if we see the 22 gigawatt bid pipeline for you, what sort of success rate that we can perhaps build in for our understanding going forward. So that will be my first question.

And second on the fixed cost side, we were close to let's say INR400 crores kind of heavy run rate. With the initiatives that we are taking where we want to see it, maybe in FY '24 per se. So that will be really helpful if you could clarify?

Amit Jain: Yes. first of all, thanks to you. And with respect to the expected hit rate, so out of the current pipeline, almost 60% we are expecting it from domestic market, the pipeline which is there. And we have hit rate of 18% to 20% in domestic market, the segment we are addressing. And the cumulative hit rate has been around 14% to 15% historically.

But with the improvement in the domestic market hit rate and the major portion of the orders coming from domestic market, we expect this hit rate to improve. So this year we are expecting 4 to 5 gigawatt from domestic market, and the rest of the orders will be from the markets, strategic international markets like Australia, Middle East, and Africa.

So we expect that we will remain upwards of 15%, which has been traditional. But this will be improved by significant contribution from domestic markets.

Bajrang Bafna: Got it. So INR4,000 crores to INR5,000 crores kind of order we can expect from domestic market.

Amit Jain: Yes. That's what the target is that we are expecting INR4,000 crores to INR5,000 crores orders from the domestic market.

Bajrang Bafna: And similar from the international market except Nigeria.

Amit Jain: Yes, for the order book is we had given a guidance of earlier like we will target close to USD 1 billion - so both domestic and international put together excluding Nigeria. So we are striving to achieve the guidance which we had given in the last quarter.

Bajrang Bafna: Okay and sir if you could just guide us the Nigerian progress a little more because we were anticipating it to be somewhere in the beginning of the quarter, now it is getting little postponed. So any precise reason for that because government is already there?

Amit Jain: So, there is no change in status. In the earlier call also we have guided that it will be either Q1 or Q2. So we are expecting because it's a very large order and it can take a little bit of a few weeks or a month or so delay. So but we are expecting to get it concluded within this quarter towards the later end. So right now, based on our feedback and discussions and interaction we gather is we're likely to conclude it, by the end of this quarter.

Bajrang Bafna: Okay. And so just one clarification on this Nigerian order earlier it was USD1.5 billion project. Now since you already alluded that the module prices have come down significantly and there is a currency devaluation that has happened in Nigeria. So what will be all these things - whether this is going to impact on the value or on our earlier envisaged margins of this 10%, 12%. Any impact of that on our changes?

Amit Jain: No, no. No, sir. Because this project is being funded by Exim Bank of USA, and all the major components of the project are being imported from U.S. So the module prices have come down in China, but with respect to the modules to be supplied for Nigeria, they will not be sourced from China.

Either they will be sourced from, most probably from U.S. only. And in USA market, the module prices more or less remains at the level at which we had considered in our bid. So bid value will not come down. It will stay at the values or the guidance which we have given to the market.

So it stays there. And there will be no impact on our margins. This is a negotiated bid. So all the subcontractor prices after negotiation and whatever the levels they were existing have been considered. And the margins will remain firm at the levels which they were considered.

Bajrang Bafna: Okay, got it, got it. And, sir, if we see the run rate, can we expect still to achieve INR6,000 crores to INR7,000 crores kind of revenue in FY '24? Because the first quarter is a little bit slow. So is it still doable, considering we have a large bid pipeline?

Amit Jain: We are striving for a much higher, like we're striving for this number, but as you know that we have an unexecuted order book of almost INR5,000 crores right now. And we will have book and bill, also which will be added to this number. So we expect the revenue looking to significantly increase in Q3 and Q4, and we are striving for definitely for a much higher number.

Moderator: Thank you. Our next question is from the line of Faisal Zubair Hawa from H G Hawa and Company. Please go ahead.

Faisal Zubair Hawa: In the international strategy, I think the competition will rise due to the low module prices. And the module makers, as such will be very much attracted to doing the EPC themselves, as is the China model. How will you really fight that? Because this is really increasing the competitive intensity?

Amit Jain: Actually Mr. Hawa, I could not hear you clearly. Your voice is breaking and very low. Could you repeat again?

Faisal Zubair Hawa: So, see, the module prices have now come down and this will result in a lot of competitive intensity in bidding for EPC contracts. So how will we now really be placed in the international market? Because what could really happen is that we bid at this time and win in a very competitive scenario and probably get caught again in large time horizon contracts?

Amit Jain: No. Actually, I would say that the correction in the module prices will improve the EPC margins in the international markets. Because earlier, first of all, it will help us on two counts. The contract closure will be much faster, and more and more decisions will be taken due to the low module prices.

Second part is that the EPCs were under a lot of pressure because of the higher module prices. Because of particular committed tariffs, all the developers are pushing EPCs for much lower and competitive numbers. But now, EPC margins will improve. And international bids are generally with module pass-through.

So that's what we have indicated, that we will be either negotiating with the customer for pass through clause - whatever risk comes, we'll be able to claim through customers or we'll be going with much higher bonds with our module suppliers.

So that we are fully protected with respect to module price rate, either by the pass-through to the customer or a higher amount of bonds from the suppliers.

Faisal Zubair Hawa: There are two further areas of concern. One is that the promoters are constantly selling shares on the market. So we are really worried that there could be two promoters who have just come into a marriage where there was no actual synergy. And there could be less skin in the game for the present promoters now. That's one concern.

And the second concern is there is an interview in the press, saying that you would like to even raise more funds through equity. So where do we stand on both?

Amit Jain: So I would like to say there is a complete synergy between both the promoters and both are providing strategic direction to the company. So we don't see any concern on that count. So Mr. Khurshed Daruvala is leading the company, and he's completely guiding us. As far as the complete board, constituting of the earlier promoters and new promoters is giving the direction to the company.

And I don't see any concern there. SP has raised a huge amount of capital recently, and whatever sale might have happened maybe due to address some urgent requirements, but I don't see that happening, and more comments on this can come from promoters.

Sandeep Mathew: Also, just with respect to the equity raise, I think we are looking at all options, keeping all options open at this point of time. That would be the context with respect to, I guess that media article that you are referring to. So, yes, we are keeping all options open, but that does not imply that there is anything impending at this moment at least.

Faisal Zubair Hawa: And third is sir, what is our bank guarantee limit presently? Are we applying for more bank guarantee limits and how will we really get them with a negative net worth?

Amit Jain: Bank guarantee limits, sufficient bank guarantee limits are available with us. Bank guarantees have never been a concern with us, to address whatever amount of bids or orders we are expecting. So historically and even today, we don't feel any concern about that.

The standalone net worth is positive, so in Indian market, to pick orders of any magnitude is not an issue for us. And even in international markets, we are tying up with partners wherever the projects are to be. Otherwise, clients are comfortable to deal with us on a stand-alone basis as well.

So we are strategizing and are able to manage with a negative net worth on the consolidated for international projects.

Moderator: Thank you. Our next question is from the line of Gaurav Shah from Harshad Gandhi Securities. Please go ahead.

Gaurav Shah: Hi. Thanks a lot for the opportunity. I have a couple of questions. Firstly, on note number 7A in your notes to accounts with respect to the legal case pertaining to the wholly owned subsidiary claim of some INR793 odd crores. Sir, is this covered under the indemnity claim/ agreement with the old promoters? First question is that.

And second question is mostly on the sort of lessons we learnt from our legacy orders. Don't you think we require some sort of improvement in the way we draft our legal agreement just to control the risk we face as a company from like customers counterclaims and all that? So just wanted to have your views on that.

Amit Jain: So I think the point number one, Sandeep will address later on point number two, that the contracts were like drafted properly all the time, even in the past and even now, and due diligence is always taken care of. But certain circumstances which took us by surprise, either the pandemic or the complete break of supply chain in international markets, they were not addressed enough.

But since we have learned from those two events, and now we are extremely cautious and revising our risk metrics, and all those elements are properly getting addressed in the contracts we are signing. So we have taken sufficient care, and the contract which we are signing gives us a very good level of protection in terms of various events.

Gaurav Shah: Okay, and on the first question, Sandeep?

Sandeep Mathew: Could you just repeat that, sorry?

Gaurav Shah: Yes, so this particular claim of INR793 odd crores, the case. So is this part of the indemnity agreement we have with our old promoters? It's case pertaining to our wholly owned subsidiary where there is a lack of, we have incurred some cost, overrun cost of INR460 odd crores and there is a counterclaim from the customer like for INR157 crores?

Sandeep Mathew: Yes, we'll get back to you on this. Just give us some time.

Gaurav Shah: Okay. That's it for my side. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Abhineet Anand from Emkay. Please go ahead.

Abhineet Anand: Yes. Just trying to understand this indemnity inflows, what's the timeline this year, how much we are going to get? Let, assume 1H, 2H of this year, and what will left for next year, if you can highlight?

Amit Jain: Yes. See, how the indemnity works is that all the crystallized claims, till September of that particular year is paid by the promoters to the company. And this year, we expect its in the range of approximately upward of INR250 crores, which will get crystallized. And will be paid by the promoters according to the indemnity agreement.

Abhineet Anand: So, this basically will be paid in H2 of this year right? This INR250 crores that you talked about, this will get in second half of this year.

Amit Jain: That's correct, second half of this year.

Abhineet Anand: And again, second half of next year, the rest we will get, is it like that?

Amit Jain: Whatever amount gets crystallized, that will be paid accordingly in terms of the indemnity agreement.

Sandeep Mathew: So, Abhineet, the indemnity amounts get crystallized on September 30th of every year and this amount that will be crystallized this time around will be essentially billed on September 30, and then promoters have I think, a month or so to make the payment. So it will definitely happen in Q3 or earlier than that.

Abhineet Anand: So by which financial year this gets zero?

Sandeep Thomas Mathew: We would expect it to get fully crystallized in maybe in another hopefully by 2024 or 2025. Another year or so. Another year or two. Most of it will get crystallized - bulk of the amount will get crystallized by September 2024.

Abhineet Anand: Okay. Second is, let's assume, this is hypothetical stuff. So Reliance wants to do some 100 gigawatt by 2030. Now, even though let's assume that they do a 10 gigawatt every year, first point one is that do we have execution capabilities for doing a 5 gigawatt to 6 gigawatt beyond a India opportunity that is there? And obviously Reliance will diversify by giving it to three, four players, right? So does that mean that if Reliance's market is 10 gigawatt as in tender, for us it implies around 3 gigawatt to 4 gigawatt. Is this understanding right or if you can throw some light on that?

Amit Jain: So, see Reliance, that you are right. Once the Reliance rollout happens, it will be a massive rollout. And we are fully geared to handle the rollout when it is planned. So our ramp-up plans are already in place. The execution strategy for that kind of rollout is already in place. So whatever volume comes to us, we are fully geared up to handle and ramp-up can be done quickly. So the ramp-up plans are already in place, which we had already started earlier. So that's not an issue with us.

Now, what is the finally the strategy adopted by Reliance? I will not be able to comment on that, but we are very hopeful that we will be there as strategic partner for the either complete or the major portion of the rollout.

Abhineet Anand: Okay, and on this Nigeria contract, I just wanted some more details, sir. In terms of let's assume 2Q, we get this contract. And let us assume for the simplicity, it's USD1.5 billion. So I mean, in terms of revenue, if you can just split that into the next three years, four years, and now what percentage comes in 25 years? A very broad number, so that we really help such in that sense.

Amit Jain: We will sign the project in September, but then the financial closure with the US EXIM bank will take some time. So either there will be very minimal portion of revenue this year, if it happens. But the bulk of the revenue will be booked in FY '25 and FY '26.

Abhineet Anand: So that's a two-year project only you're saying?

Management: Yes. Majority of the booking will take in FY '25 and FY '26.

Abhineet Anand: Okay. And in terms of risk to the module, there also, it will be a fixed price or module, how it will happen, sir?

Amit Jain No, it is that the provisions are sufficiently built in to take care of ,if there is any price variation happens. So, that has been addressed in the contract and we have sufficiently covered for the module price variations there.

Abhineet Anand: Okay, because it is a long gestation period, so I was just hoping that everything, so all pass-throughs will be there, especially from the module side, right?

Amit Jain: Pardon, again?

Abhineet Anand: I'm saying all, any high price of module will be a pass-through in that contract?

Amit Jain: Yes. Absolutely, we are completely protected on that front.

Abhineet Anand: Okay, sir. Thanks. Those were the questions. Thank you.

Moderator: Thank you. Our next question is from the line of Rabindranath Nayak from Sunidhi Securities. Please go ahead.

Rabindranath Nayak: Thank you for the opportunity and congratulations for a positive gross margin in the quarter. So whether we have started the execution of the NTPC order or part of the NTPC order in this quarter or it is expected to start within the coming quarters?

Amit Jain: No, NTPC -- we have got two orders for NTPC. First order, the work has already started. We are fully mobilized on ground and all the orders have been placed. So work is going on, on the site for the first part. The second part, also the engineering has started. And we are starting the process of order placement and site mobilization for NTPC-2 project as well. But the major revenue will start coming in the first month in Q3 and Q4. Major revenue will be booked in the last two quarters for both NTPC projects.

Rabindranath Nayak: Okay. And sir, we come to understand that in India, as compared to the past, the solar EPC contractors are now insulated from majority of the project risk, how far is it true, in your view, as far as the Indian market is concerned?

Amit Jain: Could you repeat your question again, please?

Rabindranath Nayak: So far as the majority of project risk for the EPC contractor for the solar project, they are up to some extent insulated on the major project risk. We have to just come to understand this, is it true? So you can give some views on this.

Amit Jain: So, there are two parts to it because the most of the like, in India is a BOS market and the modules are supplied by the developers. So, we are completely insulated from the module price risk. We do not undertake the land aggregation risk on any project in India. So with respect to these are the two major risks in India which we are completely insulated from. Rest, we have very, very strong execution capabilities in India and have an extremely good vendor relationship. So that keeps us insulated from most of the project risks in India. And we have so far have been very, very successful in delivering projects in India.

Rabindranath Nayak: Okay. So then do you see the competitive space for the Indian utility solar market? A lot of players are going to enter in this market going ahead or it is not that case you are looking at?

Amit Jain: Again, I have to request you to repeat again.

Rabindranath Nayak: So the question is that if the Indian market is becoming favorable, because in the EPC contract, a lot of EPC contractors will enter into the market, particularly in utility solar, whether do you see this things emerging or it is not likely?

Amit Jain: So they, a lot of people looking at the lucrative market may try to enter, but we have been there for the last one decade as the leading solar player in India. And we have consistently maintained our market share. And with our reputation, most of the new and established companies like to work with Sterling Wilson. So I expect, the market to grow. It is a growing market. We expect our market share to rather go up considerably than we have in the past.

Rabindranath Nayak: So you have stated that 60% of the business will come from India, right?

Amit Jaint: Yes, more than 50%. This year, the 60% of the pipeline is from India. And right now, the current unexecuted order book, more than 90% is from India.

Rabindranath Nayak: Okay. And sir, about the indemnity that you mentioned the INR250 crores you are expecting this year. So, as per your estimate, because all the indemnity is related to the past projects, so if we might have considered that all the past projects, where we have done work, then what is the expected indemnity proceed now we are working in? So far, in the consolidated basis, likely to get by FY '25 or FY '26.

Amit Jain: So I think, I will request Sandeep to answer that question.

Sandeep Mathew: So, see, indemnity inflows, as Amit had earlier alluded to, this September, by this September, what is crystallized as of now is roughly about INR270-odd crores, right. And there is obviously another quarter to go. So whatever that final amount is, that will be billed to the promoters as of this September. There are multiple events happening in the background as well. There are some arbitration cases etcetera going on where we hope that there will be some favorable judgments etcetera coming in very soon. So that amount could go up as well by this particular September itself for example.

But however, because there are multiple cases etcetera that are going on, the timing of these will only be decided once we have a final decision as such. And you should be very clear that this amount will come from either the client or the promoter. It is not just the promoter that is liable. So if we are able to recover it from the client then we will do it at the earliest from them. So these settlement agreements are going on. There are negotiations happening. A large amount of the amounts are liquidated damages related etcetera. Once the projects are completed and handed over, which we expect will happen very soon, especially in the international market, then we will be able to sit across the table, get those agreements in place and get those monies back.

Rabindranath Nayak: No, that I understand, sir. Actually, I want to know, it is an ongoing process, it will continue. But the thing is that, where we are favorably get the order, get the money. So what is the amount? As of now, we have calculated that this will be the favorable judgment, to a favorable understanding from the company. This is the amount we will get. But it will subject to change when the time passes with the arbitration, what is that amount you are working on? Can you please give us a highlight on this?

Sandeep Mathew: So are you referring to the total amount that is under…

Rabindranath Nayak: Yes. Where we are favourably placed, what is the total amount we should expect?

Sandeep Mathew: Yes, it is about INR1,100 crores. The total amount that is in question.

Rabindranath Nayak: Okay. And sir, in reference to note number 6, is it your understanding right, that the stated amount cannot be recovered from the promoter unless the Supreme Court adjudicates?

Sandeep Mathew: Sorry, which was this particular thing that you are referring to?

Rabindranath Nayak: Referring, it is note number six. Is it the understanding that…

Amit Jain: I have already clarified that. Till the time that it is crystallized and the dispute is completely settled at whatever level it is. So the dispute or like the client, once the matter is finally settled and accepted by the company. So it is the company which comes into play whether we have accepted the decision or where we want to escalate the dispute or the matter which has not been settled. And an appropriate forum, whenever it is decided the amount gets crystalized.

Rabindranath Nayak: Okay, now this amount again, NCLT has gone against us. So we have gone to the Supreme Court for this. It is on note number six. You might be referring to note number seven, or eight. I am not referring to number seven, eight. So you have answered that. But note number six, there is an understanding that the recovered amount, the NCLT has dismissed the case against us. So whether we will not get recovery for this amount or it is still we can go ahead with the recovery of the amount.

Sandeep Mathew: So, we will be…

Amit Jain: Yes, Sandeep, please continue.

Sandeep Mathew: Yes. So, these amounts, there is no question of them not coming to the company, right. It is just a matter of when the case gets finally settled. And we are trying to expedite and get these amounts at the earliest. So, this particular case that we filed in the Supreme Court is just to essentially expedite the whole process of recoveries.

Rabindranath Nayak: Okay, sir. Thank you and all the best for the future. Thank you.

Management: Thank you.

Moderator: Thank you. Our next question is from the line of Iqbal Khan from Nuvama. Please go ahead. Mr. Iqbal Khan, your line has been unmuted. You can go ahead with your question.

Iqbal Khan: Yes, hi. Sir, firstly, congratulations on the good set of results. Just one, I mean, all the questions are almost answered. One question I had is on the Indian project, you mentioned that you're targeting around 4 gigawatts to 5 gigawatts. So any work in progress that is happening in this 4 gigawatts to 5 gigawatt project that you're looking upon, can you just throw some light or picture on this?

And similarly, for the international project, are you currently actively bidding somewhere or any thought process on those lines?

Amit Jain: So yes. So as we brief, we are targeting 4 gigawatt to 5 gigawatt in this market. And out of 22 gigawatt, almost 60% of the project pipeline is from India, which is 13 gigawatts to 14 gigawatts. So we are actively working on the bids. For likes for the Q2 itself, we are working for more than 4 gigawatt of bids.

More and more projects are getting announced. And we expect public sector entities this year to announce more than 13 gigawatt of bids, which we are likely to see this quarter onwards. So market is robust and we are working on all the fronts and we see the sufficient market, the project pipeline is there, which will help us in achieving our targets.

Iqbal Khan: Okay. So if I may just slip in one more question. The indemnity you mentioned, upwards of INR250 crores will get crystallized. So will this entirely be booked to the promoters, or it will be a mix of promoters and the customers?

Amit Jain: So INR250 crores, which has been crystallized, will be paid by promoters.

Iqbal Khan: All right…

Sandeep Mathew: So Iqbal, the amount that has crystallized as of June is about INR270 crores, which is essentially the amount that are likely to be paid by the promoters. There will be, as I said, other cases that are going on. And we are, in fact, expecting some favorable outcomes as early as, let say, even this month. So if those do materialize as expected, that amount can go up as well. And as they crystallize, we can recover it either from the customer or from the promoter. So INR270 crores is the number as of June.

Iqbal Khan: All right. Thank you so much.

Moderator: Thank you. Our next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: Yes. Hello, most of the questions has been answered. Just one query on the Nigerian side. So after there is a change in government, whether there is some, like, will that have some impact or will there be some again re-evaluation or some stage, which may now come into play because of the change in the government?

Amit Jain: No, actually, in Nigeria, the same party, which was earlier in power, has been re-elected. And the policies and the thrust is going to be the same. The current government is also very bullish on renewable projects. And they have introduced some more favorable amendments for the implementation of renewable projects. So a new government is also equally bullish on new energy projects. And we don't see any problem with respect to the projects, with respect to the new government. It's not a change in the government because same parties with the same policies continuing in power.

Subrata Sarkar: Yes, but there is a change in the President, yes, sir?

Amit Jain: Yes, change in the President.is there, but the policies remain the same and it is receiving the same amount of traction and US Government is also strongly backing the project. So we don't see any problem at all there.

Subrata Sarkar: Okay, sir.

Moderator: Thank you. Our next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Hello sir. Thank you for the opportunity. Two questions from my side sir. Just like first is this NTPC order book, what is the timeline of executing the same once the work starts and also the same, once we wrap up our Nigerian project, I mean add it to our order book, what would be the timeline of executing the Nigerian project as well?

Second question is, I wanted to understand would Nigerian project have gross margins in range of 11% to 12%?

Amit Jain: Could you repeat the last part of the question?

Vignesh Iyer: Yes, so the Nigerian project, I just wanted to understand, since international projects, we have lower gross margins, I wanted to understand, would Nigeria have the same level of gross margins or would it be like higher around 12%?

Amit Jain: Yes. To start with NTPC orders, as explained in my earlier reply, that, NTPC-1 project execution has already started. Site has been fully mobilized, and we have placed majority of the orders. The bulk of the revenue from NTPC-1 and NTPC-2 projects will be coming in Q3 and Q4 of this year. The project execution has a timeline of almost 18 months, and we expect to complete by second half of next year. So both the NTPC projects will be completed.

Coming to Nigeria, the majority of the revenue for Nigeria projects will be booked in FY '25 and FY '26. So Nigeria project is a negotiated project, and we expect margin in Nigeria project to be in line with our domestic project. So, we expect better margin than other international projects in Nigeria project.

Vignesh Iyer: Sir, what is the timeline of the execution for Nigerian project?

Amit Jain: Nigeria project, we expect to sign in by end of Q2, and then there is a period of financial closure. So, we expect the major execution will happen in FY '25 and FY '26, and bulk of revenue will also be booked in FY '25 and FY '26.

Vignesh Iyer: Okay, sir. Thank you. That's all from my side. All the best, sir.

Amit Jain: Thank you.

Moderator: Thank you. Our next question is from the line of Vikram from Niveshaay Investment Advisors. Please go ahead.

Vikram: Yes, hi, sir. Thank you for the opportunity. So my question was, the current EPC order book of INR4,900 crores we have, so what is order book in megawatt terms? And also I wanted to know, like what kind of EBITDA per megawatt we are targeting in our domestic business, sir?

Amit Jain: So, as we have said that EBITDA, we are targeting in the range of 10% to 11% in domestic market and the order book in terms of gigawatt is upward of 4 gigawatts as of now.

Vikram: Approx?

Amit Jain: Approx 4 gigawatts.

Vikram: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Thanks for the follow-up opportunity. Sir, the question pertains to, we are a formidable player in the solar side. We also talked about, in your some media interactions about wind, BoS and as well as battery storage and management services. So if you could just guide us that, when we are targeting, how these opportunities can crystallize for us and by when we expect some traction there.

So those are I know that, those are the futuristic opportunities for us but any progress that we have made so far in that direction will be really helpful for us to understand and whether any capital or the capex requirements will be there to come up in those areas. So if you could guide on that, it will be really helpful?

And second is that, we are talking about 4 gigawatts to 5 gigawatts kind of opportunity in India. So suppose, we are talking about 13 gigawatts, 14 gigawatts could be the award this year, but going by the government targets, they are talking about very tall numbers going into next couple of years. So what kind of capacity, we can cater to? Suppose tomorrow, if we are given an opportunity to go for 20 gigawatts in a year, are we prepared for that, including Reliance or something like that? What is that capacity constraint, that is there in this business, just to understand from a scalability perspective? Thank you, sir.

Amit Jain: Okay, so what was the first part of your question? Like I think the question has become too lengthy. Can you repeat the first part of your question?

Bajrang Bafna: So two angles to first part. The wind, BoS opportunity, and the…

Amit Jain: So let me start with the new areas. So as far as battery energy storage systems is there, we have already executed small projects in international markets for battery energy storage systems. And in various international markets, huge standalone projects and projects coupled with solar facilities have started coming up.

We are already working on multiple bids in Australia, with respect to battery energy storage system projects. And one of the projects, we are very close, or in the final stages of negotiation with the client. So within this financial year, you can see us closing one of the big projects in international market with respect to battery energy storage systems.

As far as the BoS for wind is concerned, so multiple hybrid projects are getting announced in India. We are working with our customers. So any opportunity on the wind project associated with hybrid projects, we'll pitch for that and that's the plan. And we hope that, within this fiscal year, we may land up that opportunity in India, with respect to wind BoS.

So, we are purely EPC and there will not be any significant capex requirement for entering into both the businesses. So, we'll be sourcing the batteries or like and BoS is there, so the wind turbine manufacturer or the client will undertake all those responsibilities. We'll remain restricted to pure play EPC segment. So only with respect to adding more manpower and asking our engineering teams, we don't see much bigger capex on those two counts.

As far as the capacity addition, we view to address the enhancement or explosion of new bids in Indian market. So we are keeping constant eye on, what the market rollout is.

So we are expecting this year, it will be 14 gigawatts to 15 gigawatts from which, we'll be able to bag 4 gigawatts to 5 gigawatts. We have sufficient capacity at this point of time to address that kind of rollout. But as and when, we see that market is expanding, so we are fully geared up to enhance or ramp up our execution and engineering teams.

Most of the execution on the ground is carried out by subcontractors. So we have a huge subcontractor base, which can also be very quickly ramped up to address the rollout on ground. We have mapped the complete manufacturing from our vendors for supply of those products. So, we are very confident that, even with that much more capacity addition happening in Indian market, we are fully geared up to address the market.

Bajrang Bafna: Got it. Thank you, sir, for a beautiful explanation. Thank you very much and all the very best, sir.

Amit Jain: Thank you.

Moderator: Thank you. Our next question is from the line of Dhyey from Niveshaay Investment. Please go ahead.

Dhyey: Congratulations for the great gross margin, sir. My only question is that, are we looking for any collaboration, when we go for the Wind BoP and are we prepared for the subcontractors' agreement already?

Amit Jain: Yes, see, as I was saying, we will address at this point of time, the wind BoS opportunity coupled with hybrid projects. So, we have in-house like engineering capability and we understand how the contracts work with respect to BoS associated with the wind and we are prepared for that.

Dhyey: Okay. Thank you all the best for the future, sir.

Management: Thank you.

Moderator: Thank you. That was the last question of our question and answer session. I would now like to hand the conference over to Mr. Amit Jain for closing comments.

Amit Jain: 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. Sandeep ThomasMathew or SGA, our investor relation advisors. Thank you once again and have a great day. Thank you.

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