

January 24, 2024

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Scrip Code: 542760	National Stock Exchange of India Limited Exchange Plaza Bandra Kurla Complex Bandra (East), Mumbai – 400 051 Symbol: SWSOLAR
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Dear Sir/ Ma'am,

Sub.: Investors Call Q3 FY 24- Transcript

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

Dear Sir/ Madam,

In continuation to our letter dated January 15, 2024 and January 18, 2024, please find enclosed the Transcript of the Investors Call held on Thursday, January 18, 2024 at 04:00 p.m. for the Unaudited Consolidated and Standalone Financial results of the Company for the quarter and nine months ended December 31, 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

Jagannadha Rao Ch. V.
Company Secretary and Compliance Officer



“Sterling and Wilson Renewable Energy Limited
Q3 FY '24 Earnings Conference Call”

January 18, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 18th January 2024 will prevail.



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

Moderator: Ladies and gentlemen, good day, and welcome to Sterling and Wilson Renewable Energy Limited Q3 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectation of the company as on date of this call. These statements are not 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 Investor Relations, for his opening comments. Thank you, and over to you, sir.

Sandeep Thomas Mathew: Yes. Good afternoon, everyone. Welcome to our Q3 FY '24 Earnings Call. Along with me, I have Mr. Amit Jain, our Global CEO; Mr. Bahadur Dastoor, our CFO; and SGA, IR Advisors. We will start the call with the key operational highlights for the quarter and the industry outlook by Mr. Amit followed by the financial highlights by Mr. Bahadur, post which we will open up for Q&A. Thank you, and over to you Amit.

Amit Jain: Thanks, Sandeep, and a warm welcome to all the participants on this call. I would like to give a quick update on our business operations and outlook on the solar industry, and I will begin with our order book.

The company announced new orders and LOIs totalling approximately INR2,421 crores in Q3 FY '24 aided by continued ordering momentum in India and also the first large international EPC order in nearly 3 years.

Coupled with our order inflow of INR3,106 crores announced in the first half, our total order inflow, including LOIs in first few quarters of FY '24 has now touched approximately INR5,527 crores. We are very excited to announce our first large international BOS order for a 221-megawatt DC project in Spain. Through this project, SWREL has achieved a key breakthrough in the European solar market.

The scope of work include design, engineering, supply, excluding PV modules and transformer, construction, erection, testing and commissioning. The total contract value, including 3 years operation and maintenance is approximately EUR112 million. The order was bagged from ENI Plenitude. This is one of the major European utilities giant with fast-growing presence in the renewable segment.

In the domestic market, we achieved another breakthrough by winning a 220-megawatt DC floating solar project, which also happens to be one of the single-largest floating solar blocks awarded till date in the country. The scope of the project includes modules and EPC work and the project is located in the state of Jharkhand.

We have also been able to leverage the strength of our ongoing relationships by bagging another project from Sembcorp India subsidiary for a 528-megawatt DC project in Rajasthan. This also

happens to be one of the largest projects of our customers in India. We are happy to be able to partner and provide customized solutions for our customers in their large projects being executed across the country.

With these new orders, our unexecuted order book as on 31st December 2023 has increased to approximately INR8,750 crores with nearly 87% of the order book comprising domestic EPC projects, which are executable over the next 12 to 18 months.

With the inclusion of the Nigeria MOU that was announced in September 2022, our order pipeline is anticipated to enhance significantly. We are working with various stakeholders to finalize the D&EPC agreement for the project.

In terms of outlook, our domestic order pricing continues to grow very robustly, and we are expecting almost 40 gigawatt of big pipeline to be bid out in the domestic market alone by FY '25 with the major chunk anticipated to come from PSUs.

The international market is beginning to gather a lot of steam with a slew of projects being bid across geographies as developers look to tap into significantly lower module price environment. In the Middle East alone, we are seeing several gigawatt field projects taking shape across Saudi Arabia, UAE, Oman, et cetera, which should bid out in the next 12 months. We are hopeful of tapping into big opportunity of mega projects subject to them matching our risk profile.

In the international markets, while we have been adopting a more cautious approach with new orders, we are beginning to make headway with clients, as the first order win in Europe shows. Our business development teams are working very hard and remain focused to deliver the strong growth trajectory, we are targeting in this year. As stated in earlier calls, we reiterate that lumpiness in order inflow is to be expected with EPC company like ours and timeline for achieving project closures could vary depending on a host of factors, including finalization of contractual terms, financial closure, et cetera.

Now moving to industry outlook. We have witnessed a significant decline in the price of module in the last 12 months, with module price now falling to less than \$0.13 per watt peak. With 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. As stated in earlier calls this year the time remains ripe for more projects to come up onstream aided by a lower LCOE, which should translate into more work for EPC players like us. With a strong balance sheet that has been achieved this quarter, we remain well positioned and are hopeful of achieving our targets set out earlier this year.

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

Bahadur Dastoor:

Thank you, Amit. I will start with an update on the key quarterly results. Revenue from operations for the quarter ended September was INR583 crores. Revenue has improved significantly on a year-on-year basis. However, it was lower sequentially due to the execution challenges we faced from tight working capital conditions seen during the course of the third quarter.

The situation operationally has since improved, aided by 3 key factors: first, the QIP proceeds of approximately INR1,500 crores in December. Second, the promoter indemnity inflows in end of November. And third, proceeds from settlement with a vendor which was received in middle of December.

The company has reported consolidated gross margin of 11.2% in the third quarter FY '24.

Domestic EPC margins in the third quarter were approximately 9.5% and stand at about 10.5% for 9 months FY '24. Our unexecuted order book continues to comprise approximately 87% of domestic EPC business. International EPC margins improved in third quarter FY '24 primarily due to exchange gains. O&M segment margins were approximately 15% for this quarter due to certain one-off expenditures incurred post monsoon. The company reported a second consecutive quarter of positive consolidated EBITDA in the third quarter FY '24. PAT loss during the quarter was INR62 crores.

Now coming to the balance sheet. As on December 31, we had cash and cash equivalents of approximately INR550 crores, and our net debt stood at INR27 crores and our net worth at INR982 crores.

In fact, if we exclude suppliers' credit of approximately INR49 crores, then we had a positive net cash balance. We have repaid a large portion of our debt, including all the overdue debt from the QIP proceeds in December itself and have earmarked deposits for upcoming debt payments. The total repayments as at date, including those with earmarked fixed deposits is about INR1,800 crores. Our working capital situation, which had tightened in Q3 has now started to improve, and our projects continue to operate in a negative working capital cycle.

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

Moderator: Thank you very much. We will now begin question-and-answer session. First question is from the line of Dhawal Doshi from Dymon Asia. Please go ahead, sir.

Dhawal Doshi: Just a few clarifications. I missed the initial comments. You mentioned 40 gigawatt of bid pipeline in the domestic. And in the international, what was the figure?

Amit Jain: 15 gigawatt of pipeline in there itself in Middle East and Africa for this year, and we have roughly 8 gigawatts of pipeline in other geographies. But as we have stated in all of our investor calls and speeches that we are being very cautious with respect to taking international projects.

So, we are evaluating risks and margin profile before bidding and concluding any project. Though pipeline continues to remain very, very robust. And which you'll see, the pipeline there a sudden spurt of projects and module prices coming down, we are hoping that in coming quarters and next fiscal year, will be addressing -- we'll be getting, receiving far more number of bids, which match our risk profile and margin profile, and we'll be able to bid out far more higher numbers than we have done this year.

Dhawal Doshi: Okay. And the order inflow number for this quarter, you said was INR2,700 crores, right? Did I hear you correctly?

- Amit Jain:** This quarter is INR2,421 crores is the order number. And for the next quarter, there is a significant bid pipeline of 6 gigawatts as we have said that orders remains -- order booking remains lumpy based on various quarters. So next quarter itself has a huge bid pipeline, which some of the tenders that have been already submitted, which we are awaiting for reverse auction and a lot of bids are yet to be submitted in this quarter, with quite a few we are expecting to conclude within this quarter.
- Dhawal Doshi:** Okay. So Q4 could actually be quite a sizable number.
- Amit Jain:** It could be sizable in terms of bidding if decision happens timely. So Q4 is -- can be a very, very good quarter.
- Dhawal Doshi:** Okay. Sir, in terms of the timelines for the Nigeria order, I'm assuming 6 gigawatt is excluding the Nigeria project.
- Amit Jain:** So, all the numbers are excluding Nigeria and Reliance projects. These are pure plays like all other our third-party clients, PSU and private IPPs. So, with respect to Nigeria project, we are expecting it to get concluded soon, discussions are -- at very high level are still going on, and we expect to get it concluded soon.
- Dhawal Doshi:** So do we expect something in this quarter itself? Or you think this could further get delayed?
- Amit Jain:** We expect that to happen within this quarter. We expect that to happen. But we are again, having the ministerial level discussion there. So, we'll be able to update you after those discussions. So, what are the timelines we are looking at, but we are expecting it to happen very soon.
- Dhawal Doshi:** And what about Reliance, sir, when do you think the order inflows would start and any...
- Amit Jain:** So, land allocation is happening now -- the land allocation approvals happened. Now, the land allocation process is taking place. And as Reliance have stated, they have a very ambitious plan, and we should see the rollout on ground in coming months.
- Dhawal Doshi:** Okay. But this year's order seems difficult, probably Q1 is what...
- Amit Jain:** No, we are not saying that looks difficult, but I don't want to put definite timeline there. But we may -- we are expecting orders this quarter, but I'm not putting any timeline to it, but saying in coming months, we can see a rollout from that account.
- Dhawal Doshi:** Thank you sir. I have more questions. I'll call back in the queue.
- Amit Jain:** Thank you.
- Moderator:** Thank you. Next question is from the line of Rahul Kothari from Grit Equities. Please go ahead.
- Rahul Kothari:** Yes, hi sir. This is Rahul Kothari. Can you help us understand more -- individually on the sectors like wind where loss of traction is appearing and also into the hybrid and battery energy storage. How Sterling is looking into it?

Amit Jain: So we are -- as you know, we are already working on hybrid projects involving batteries. So in various geographies, we are bidding for those projects and in-house capability exists for stand-alone battery projects or battery projects coupled with solar.

So we are like fully capable of delivering those projects. So that capability exists in the organization. Now as we have stated in our earlier investor calls, we are actively considering, we are looking at what format we can participate in wind BOS projects. So still strategic discussions are going on how to address that particular segment of market - both with respect to EPC as well as O&M.

Rahul Kothari: Okay. And sir, what about green hydrogen.

Amit Jain: Green hydrogen see -- major projects are yet to take off the ground, major action, whatever is happening is right now electrolyser manufacturing space. So whenever the substantial projects start hitting the market, so we'll address that accordingly.

Rahul Kothari: Okay. And sir, just one thing more regarding on the Australia front, can we expect some traction in Australia since we are one of the largest players over there as well?

Amit Jain: Yes. So we are like already received letter for early work in one of the projects. So we are actively engaged with some of the clients. And we can expect traction with respect to stand-alone battery project and the pure solar projects, both in Australia and New Zealand markets.

Rahul Kothari: Okay. That's it. I'll come back in the queue sir. Thank you.

Moderator: Thank you. Next question is from the line of Aejas Lakhani from Unifi Capital Private Limited. Please go ahead.

Aejas Lakhani: Yes, hi, congratulations on the results. Two questions here that point number 1 is in the new orders that you have taken, could you guide what is the gross margin range that you have taken in domestic orders? And for the unexecuted order book that you have, what is the gross margin range that we are thinking about? That's question one.

Bahadur Dastoor: So for the gross margins that we have taken in this quarter, it continues to fall within our domestic range of between 9% to 10%. In the case of the international project, it is -- this project is a slightly higher one. It is lower double digits. As far as our unexecuted order value is concerned, most of it being from the domestic front, continues to remain in that same range, which I have said earlier.

Aejas Lakhani: Got it. Point number 2 is that now since the bulk of our debt is either repaid or is in the process of getting repaid, will the reduction in interest cost be visible from the fourth quarter? Or will the full effects be visible in the first quarter?

Bahadur Dastoor: So, we had roughly INR2,178 crores of debt as on September end. By end of December, we had paid out INR1,600 crores out of that, and we had prepaid another INR125 crores in January, which means that our debt is roughly INR450 crores, of which INR75 crores is protected by

fixed deposits earmarked for that. So, we have a net debt of about INR377 crores, which is a substantial reduction as compared to the INR2,178 crores.

Since all of this has already been accomplished by end December, early Jan, we will definitely be seeing the effects of a reduction of interest in this quarter.

Aejas Lakhani: Perfect. Could you also talk about the 2 events of last quarter, which we had seen in your notes to accounts on the customer with which we had a surety bond assurance. And what is the situation on that because we could enforce that surety bond, but I'm -- my understanding is it was delayed for some reason. So could you comment about that issue specifically?

Amit Jain: So in that regard, litigation is already in process. To give you a brief -- with that particular subcontractor where the surety bond was enforced. So already, we -- there are 2 separate legal matters going on, One against the subcontractor, which defaulted, and second with the surety company. So both -- there was no delay from our end.

It was the delay from the end of the surety company, the company which issued the bond, and we are in litigation with that. Some of the favourable decisions have come and it is proceeding in the courts in USA. And there is an arbitration which is separately proceeding for which the arbitration hearing will start in Q3 FY '25.

Aejas Lakhani: Okay. Okay. And the other matter was where 2 customers that invoked bank guarantees -- I mean, I mention...

Amit Jain: That was our customer in USA. So it was one customer for which we were executing 2 projects. And there also, matter is proceeding in the local courts. One is in Washington and Oregon. So, we have filed liens on the projects and filed separate complaints in the local courts, and both the matters are under litigation.

Aejas Lakhani: Okay. So basically, any resolution from that will help in incremental cash flow to the company in FY '25? Is that understanding correct?

Amit Jain: Absolutely, we have been cashed out on all those accounts. So any gain from those resolution of these issues will further add to cash flows of the company.

Aejas Lakhani: Perfect. And just if you could speak with regards to the O&M business and how that is scaling up, what was the one-off that took place in -- because we understood that margins are 25%, 30%. So could you call out what was that one-off? And how do you see the O&M trends?

Bahadur Dastoor: The one-offs were essentially a high cost of cleaning, grass cutting, et cetera, post monsoon, which always happens. Thus, there were other CIEG and other one-off expenses, which had to be incurred as part of the compliance, which went to depress the margin. If those one-offs were excluded, the margins would have been upwards of 20%, and that is the reason for this suppression in this particular quarter.

- Aejas Lakhani:** Got it. And could you just call out how the India market is evolving today, if there is any qualitative aspect that you can call out or how the market is shaping up, what speed it is picking up, anything on that front?
- Amit Jain:** Can you repeat your question, please?
- Aejas Lakhani:** Yes, I just wanted to understand how is the India domestic market shaping up? Is there any qualitative comments you have on the shape up of the India market?
- Amit Jain:** Absolutely. So India markets have -- I think there is an extremely robust growth and we see, like this year, we have addressable market of 15 gigawatts to the projects which come and which are in our range, which we are going to address and bid for that. That will increase from 15 gigawatts in FY '24 to 24 gigawatts in FY '25. So total bid pipeline we expect in next 5 quarters is more than 40 gigawatts.
- So market is going to be extremely exciting and our addressable market size is also increasing substantially. So it is 15 to 24, so there is a huge growth of the 60% in our addressable market as well. So we are very excited about Indian market going forward.
- Aejas Lakhani:** Got it. And anything on the pledge for the principal shareholders coming down? Is there any scope for that in this year?
- Bahadur Dastoor:** Pledge by the principal shareholders, which is essentially, Shapoorji Pallonji, is for loans which they have taken against which those shares have been pledged. We have no information as to whether those pledges will get reduced because those are long-term loans. So while the expectation is they will continue to remain pledged. We do not have any definitive answer on this question.
- Aejas Lakhani:** Noted. Thanks and done.
- Moderator:** Thank you. Next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Hi, good evening. So hope, I'm audible.
- Amit Jain:** Yes. You're audible.
- Darshil Jhaveri:** Yes, hi. Thank you so much for taking my question. It was just a wonderful commentary. So from what I could understand, the next 5 quarters, we are going to be a lot bullish in terms of our partaking. So just wanted to know, next year, we would be able to breakeven -- because you would also have -- substantially reduced our interest cost and you would be on track, right?
- Bahadur Dastoor:** So I will start off by saying that things that are being planned right now. We do believe that this quarter itself will be a profitable one. And once this quarter is a profitable one, I think it is fair to say what will happen in the next financial year.
- Darshil Jhaveri:** Perfect. That's great to hear, sir. And sir, our current unexecuted pipeline of around INR8,700 crores. That would -- what would be the timeline to execute that, sir?

- Amit Jain:** That will be next 12 to 18 months, this order book plus whatever we book this quarter - will be executed in next 12 to 18 months.
- Darshil Jhaveri:** That's great to hear. So I just wanted to ask question -- sir, in terms of our revenue recognition, we would be recognizing revenue as we complete the project or in terms of percentage completion, sir?
- Bahadur Dastoor:** That's percentage completion only. So the standard way to recognize revenue for an EPC contract is percentage completion as the project progresses.
- Darshil Jhaveri:** So we would be able to see uptick in terms of revenue as the quarters go by. So if that would be -- and what kind of OPM margins could we expect because if our gross margin is around 10%, what kind of operating profits, margins could we expect going forward?
- Bahadur Dastoor:** You mean EBITDA?
- Darshil Jhaveri:** Yes, EBITDA.
- Bahadur Dastoor:** So it's a function of turnover. I'll just give you an example. So right now our overheads, which were about INR360 crores are expected to come down significantly this year. Let's say, it is somewhere between INR300 crores to INR320 crores. If you have in the next year, a INR10,000 crores top line, just giving an example, you will have a 10% gross margin, but only 3% overhead. So that will give you 7% EBITDA.
- So, our overheads don't increase in line with the revenue increase. And therefore, as revenue increases in the next year, as it is expected to, we will be seeing a lot of operating leverage moving gross margin to EBITDA.
- Moderator:** Next question is from the line of Danesh Mistry from Investor First Advisors.
- Danesh Mistry:** And congratulations on successful QIP. I just had 1 question, which is that as -- Bahadur, as you mentioned, clearly, our -- we are net worth positive now with roughly INR900 crores on the shareholder fund size. And our balance sheet is far lighter than maybe what it was even in March '19. So in terms of our balance sheet now, how much of revenue do you think we can do on a simple pro rata basis.
- Because if I cycle back to March '19, we have done about INR8,000-odd crores of the top line, with about an 8% margin. And that -- and the borrowing was far higher than what it is today. So just trying to understand here, basis our balance sheet, no guidance expected, of course. But in terms of the balance sheet, how much do you think we can do on an annual basis in terms of revenues? That's it from my end.
- Bahadur Dastoor:** So the essential part is what kind of non-fund limits would you have to execute the projects that you want to do. So after a lot of pressure, we are seeing normalcy returning on that front, and the company continues to work to enhance its non-fund limits. So with this present balance sheet and the non-fund limits that we have, it's safe to say what we have on hand plus some is what

we can easily execute. Net worth is not really a criteria as far as getting jobs are concerned, except for bankability purposes outside India.

In India, our net worth is sufficient to meet all the project requirements and prerequisites. Amit can add if I have missed anything. But it is not the net worth, but the requirement of limits, which is now seeing a massive improvement compared to what we had in the last quarter.

Danesh Mistry: Got it. And just to understand -- sorry, sorry, Amit, please go ahead, sorry.

Amit Jain: No, no, I said Bahadur has covered whatever was asked in your question.

Danesh Mistry: And also in terms of -- so right now, we are in the midst of paying back our loans -- but do we plan to also because -- take some working capital financing, et cetera, or just limited to non-fund base even in the future?

Bahadur Dastoor: So the company does have sanctioned working capital limits, which are presently nil. It will all depend on what is the drawing power availability and whether the company needs to take anything. See, right now, we have paid off all our loans or have parked fixed deposits, such that the earliest loan repayment will start only in December '24 and that too in instalments, which is spread over almost 2 years.

So there is no requirement that we see to borrow because we have negative working capital. All our existing projects are cash flow positive. We do not foresee any need to do any kind of incremental borrowing at this stage. However, there is working capital sanction limits available if drawing power permits and there is a need, which we don't foresee though, there is a possibility we can borrow.

Danesh Mistry: Okay. All right. But will it be to the extent...

Bahadur Dastoor: No requirement to borrow at this stage. We do not foresee it happening.

Danesh Mistry: You do not foresee it. Got it. And last question from my end. You've talked about loans due for the next 12 months have been paid off or fund earmark against them. So you mentioned that we paid off roughly INR1,400 crores, if I'm not mistaken, on the call. Outside of that -- sorry, INR1,800 crores. Yes, till January, I think. So for the next year, and I'm assuming next 12 months, how much is left to be repaid to just clear it all out?

Bahadur Dastoor: So we have -- in terms of term debt, we have INR328 crores of term debt which is required to be paid post December '24. So December '24, we would have something like INR29 crores. Then in the next quarter, we would have another INR50 crores and that means the entire next financial year, you don't have a number greater than INR75 crores to be paid out in instalments.

Danesh Mistry: Got it. So that's tranching out payment over 2 years when you are talking about the INR320 crores term loan. Okay. Okay. And this term loan was again some equipment we had bought or some...

Bahadur Dastoor: No, no, it was an unsecured working capital term loan which was taken.

- Danesh Mistry:** Got it. Great. Thank you so much. Thank you and wish you and Amit the best of luck in the coming quarters. Thank you very much. Thank you.
- Amit Jain:** Thank you.
- Moderator:** Thank you. Next question is from the line of Iqbal Khan from Nuvama. Please go ahead.
- Iqbal Khan:** Yes, hi. Congratulations on very good set of numbers. Just 1 question I have, like you mentioned that your order book execution timeline is 12 to 18 months. So is it possible for you to provide some kind of revenue guidance for, say, Q4, Q4 itself. I mean, the near-term guidance, I'm talking about. I think for this 9 months, you have already done around INR1,700 crores of -- sorry, for the 9 months, you've already done around INR1,700 crores of revenue, right?
- So what kind of guidance would you like to provide? Or is it possible for you to provide for Q4 near term. FY '25 we all see that with this healthy order books, there is high possibility for you to turnaround both at EBITDA and PAT. But can you guide us for the Q4 revenue guidance?
- Bahadur Dastoor:** So I would not want to give a guidance as such, but all I can say is we will be catching up on whatever we lost in Q3, and it should be the best quarter that we will have in the year.
- Iqbal Khan:** Okay, understood. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Mr. V.P. Rajesh from Banyan Capital Advisors. Please go ahead.
- V.P. Rajesh:** Hi, thanks for the opportunity and congratulations on the QIP. Most of my questions have been answered, but just wanted to get clarification on a couple of things. So the call-up that you did in September '23 with the promoters in terms of indemnification proceeds, has all that money come in or something staying outstanding?
- Bahadur Dastoor:** Everything has come in by the due date of it having to come in.
- V.P. Rajesh:** Okay. Wonderful. And I know in the past you have given some guidance about what you expect in September '24. So if you can just update on that front, that would be helpful?
- Bahadur Dastoor:** So in terms of indemnity, as things stand now, the company is still cash out somewhere between INR850 crores to INR875 crores. Some of it might get crystallized in this coming September and the balance maybe in the September thereafter.
- If I were to hazard a guess, I would say somewhere around INR400 crores max INR450 crores is something that could crystallize by this September. But this is a very preliminary statement from my side. But that's more or less what it would be.
- V.P. Rajesh:** Got it. So if this number holds then what I'm hearing is -- sorry, is it better now?
- Moderator:** Can you come a little closer.
- V.P. Rajesh:** Yes. I am very close to the phone now.

- Moderator:** Better.
- V.P. Rajesh:** Thank you. So my other question is what I'm hearing is that given the debt position you've talked about, you will be essentially a net cash company by, let's say, December quarter next year. Is that a fair way to think about this?
- Bahadur Dastoor:** So if I leave out my suppliers' credit, which is a recurring thing, you will see that we are already net cash in this quarter itself. It is only because we have a supplier's credit balance of about INR49 crores. That is why we became a net debt of about INR27 crores. Otherwise, we were already net cash here itself.
- But if we get our indemnity money, if we get our inflows from the projects, there is no reason why this loan should not be repaid. The first priority will obviously be to ensure that all project flows go to meet the requirements of the projects. If there is a surplus, which we believe is there in the long term, yes, we would definitely take care and become debt-free. Net debt free, we are almost at.
- V.P. Rajesh:** Understood. And then on the order book, you talked about INR8,000 crores plus -- INR8,500 crores, I think you said. So my question is, are all the projects negative working capital, meaning you will not have put any money upfront into any of these projects? Is that the way to understand it?
- Bahadur Dastoor:** All of these projects are negative working capital. They are all cash positive.
- V.P. Rajesh:** Okay. So then you will be generating a lot of free cash next year, if that is the situation, right? I mean, is that sort of a logical conclusion here?
- Bahadur Dastoor:** Yes. Your conclusion is correct.
- V.P. Rajesh:** Okay. All right. And then on the Nigeria side, if you can just elaborate because this has been stuck for last several quarters -- so what exactly is the issue that is preventing the government to move forward over there with this project?
- Amit Jain:** So as we explained in earlier calls, there is no single issue, which is like delaying the project, the Power Minister had himself tweeted about the project, which you all would have seen. So if project value is so high and multiple ministries are involved, so we are just giving the final touches to the -- with the D&EPC agreement which is to be signed and we expect it to be get signed soon. So we are involved and the ministerial level discussions are going on, and we expect it to be concluded soon.
- V.P. Rajesh:** Great. Wonderful. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Mayank Chaturvedi from HSBC Mutual Fund. Please go ahead.
- Mayank Chaturvedi:** Yes, hi. Thanks for the opportunity. Just one question from my end. I joined the call a little late so I missed your comments on the revenue...

- Amit Jain:** We are not able to hear it clearly. Can you come closer to the mic.
- Mayank Chaturvedi:** Hello, is this better?
- Amit Jain:** Yes.
- Mayank Chaturvedi:** So I joined the call a little late, so I probably missed your comments on the revenue execution for this quarter. So if you could maybe just elaborate -- I think it was expected that the NTPC or the execution will pick up from the third quarter and the revenue was expected to be much higher. So any particular reason for revenue being lower than the earlier quarter.
- Bahadur Dastoor:** The revenue was lower than the earlier quarter, primarily because of the difficulties which we faced when there was a rating downgrade caused by missing of an installment of loan, that created a lot of flutter. Banks had clamped down on certain amount of limits, which made it difficult to meet the execution targets that we have.
- Having now done the QIP paid off all the overdue debt, in fact, paid off all debt such that you have nothing to pay till almost December of this year. We are seeing that there is a change. Our discussions are on with banks to work out enhanced limits to meet the requirements of the revenue and cost for this quarter and the coming quarters. As I have mentioned, while we are not giving a guidance, we will be catching up on the revenue loss of the previous quarter in the current one, plus whatever we had anticipated to do in this current quarter.
- Mayank Chaturvedi:** Okay. Great. So I think this lower fund base limits would have also affected your execution up until now in January, right? And that will pick up in the next the months maybe? Is that conclusion correct?
- Bahadur Dastoor:** Yes, there was a bit of stress in some of the projects, but it was being managed. However, we have utilized all the cash flows not only to pay off debt, but even if there were any vendors and subcontractors, which could have been paid out to increase the pace of execution of the projects.
- Mayank Chaturvedi:** Sure. So that's all from my end.
- Bahadur Dastoor:** Thank you.
- Moderator:** Thank you. Next question is from the line of Rahul Jain from JM Financial PMS. Please go ahead.
- Rahul Jain:** Yes. So, sir thank you for the opportunity. I just wanted to understand that if not for the working capital challenges, which we faced on the execution front in Q3, wanted to understand how much of the execution did we miss if you can share some numbers on that side?
- Bahadur Dastoor:** Let's say, I'm giving a ballpark number, we would have achieved roughly 2/3 of what we would have wanted to achieve.
- Rahul Jain:** Okay. And sir, some more bookkeeping question which I had. So, in the segmental result, what is the unallocable expenditure, if you can share some things on that side?

- Bahadur Dastoor:** They are on the first page, Rahul, it is your employee benefit expense, finance costs, depreciation and other expenses, I think INR253 crores. Essentially, the overheads plus interest and depreciation.
- Rahul Jain:** This will significantly come down with interest expenses coming down, okay.
- Bahadur Dastoor:** Yes.
- Rahul Jain:** Sir, thanks for the clarification. That's it from my side and all the best.
- Bahadur Dastoor:** Thank you.
- Moderator:** Thank you. Next question is from the line of Nikhil Abhyankar from ICIC Securities. Please go ahead.
- Nikhil Abhyankar:** Thank you. Thanks for the opportunity. Sir, the module prices in the international markets have fallen to \$0.13, \$0.14 a watt. Is it also -- what are the domestic prices for domestically sourced modules?
- Amit Jain:** So domestic prices right now in the range of \$0.20 to \$0.22, but with the more capacity additions happening in India, -- there will be a movement towards like to cover the bridge between international pricing and domestic pricing. So we expect that module prices in India also will be competitive in coming quarters.
- Nikhil Abhyankar:** Understood. Sir, basically, 90% of our order book is domestic as so we have to source those modules domestically? Is that the case?
- Amit Jain:** Yes. Absolutely for projects with modules, which we win in India, we'll be sourcing models from India.
- Bahadur Dastoor:** And just let me add to what Amit has said, as of right now, we have only 2 projects where there is modules. One is what we have won last with NTPC and the other one is what we are the L1 for a floating solar job.
- Nikhil Abhyankar:** Sir, what is the total order value for these orders?
- Amit Jain:** Around total -- close to INR2,000 crores.
- Nikhil Abhyankar:** And sir, regarding Nigeria orders, since the module prices have fallen internationally, should we expect that \$1.5 billion order to reduce in size?
- Amit Jain:** So right now, the agreement is getting concluded, but we have no such indications from the client side.
- Nikhil Abhyankar:** Okay. And just going back to your initial remarks, you mentioned that Reliance is in the process of finalizing their RE plans. So can you just throw some light on that and quantify what kind of plans these are...

Amit Jain: I would not like to -- see, I will not like to indicate - because the Reliance plans are in public domain. We expect the rollout to start in coming months, but I would not like to specifically state anything on behalf of Reliance. And I will limit my statement to that.

Nikhil Abhyankar: Okay. So any quantum of orders that we are expecting?

Amit Jain: The rollout is -- everybody is expecting the rollout, the plan is in public domain, rollout is going to be huge -- investment plans are huge. So, of course, the order rollout of the orders which we'll receive, we'll come and get it to that.

Nikhil Abhyankar: Okay. And sir, just a final question. The other expenses have increased sequentially. So can we put that purely because of QIP expenses?

Bahadur Dastoor: No, no, it's not because of QIP expenses. The other expenses were there in the region of between INR25 crores to INR30 crores. Sometimes there is a forex gain element in that. Sometimes there is a forex loss element in that. There were certain reversals which we had to do in the previous quarter and hence, it is not completely comparable with the INR8.42 crores in the previous quarter. The other expense trend will be anywhere between INR25 crores to INR30 crores per quarter.

Nikhil Abhyankar: Okay, sir. Understood. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Mr. Hiren Ved from Alchemy Capital Management. Please go ahead.

Hiren Ved: Hi, and thanks for taking my question and for stabilizing your operations this quarter. You mentioned early on that you're being very careful about taking on international projects or bidding for international projects, -- what is the minimum gross or EBITDA margin below which you will not take a project internationally?

Amit Jain: So I would say our threshold earlier used to be 8% to 10%. And we are maintaining that because the market has become very, very competitive in Middle East in between with the interest of Chinese players. Margin level has dropped down. So you have seen that we have not picked up any project due to drop in margins.

So we'll still consider that margins will remain in 8% to 10% threshold, which we had indicated earlier and the project which we have won in Europe is in double digits that we have indicated. So we are trying to be in lower double digits with respect to international projects.

Hiren Ved: And do you still see the same level of Chinese competition in Middle Eastern and other markets?

Amit Jain: So what we are witnessing in Middle East markets that the project volume is going to triple, almost like this year, we are expecting 10 to 15 gigawatts. And like from this quarter till end of FY '25 close to between 10 to 15 gigawatts of mega projects will be there. Chinese have not delivered to the expectation of many IPPs, project delays have happened. So the Indian -- big Indian EPC players are getting a lot of traction from the IPPs in both in Saudi and UAE and Oman everywhere.

So we now expect the rationalization of our contract terms and conditions as well as the margin profile in the Middle East. So we expect it to get better, and we expect that we should be able to conclude some of the projects in Middle East in FY '25.

Hiren Ved: And are there any Indian players that compete with you when you bid for these projects, now that the volumes are going to go up dramatically?

Amit Jain: Primarily L&T will be there.

Hiren Ved: L&T.

Amit Jain: Yes.

Hiren Ved: Okay. And I think if we were to not look at this year or next year, but let's say, look out 2 to 3 years, -- is there an aspirational gross or EBITDA margin level that we would want to work towards? And what would that be?

Amit Jain: So we will try to improve where we are right now, what we are maintaining in domestic and international markets. Obviously, the aspiration of any management is to optimize the cost, build on the economies of scale, make operations more efficient and improve gross and EBITDA margins. And that's what we'll be striving for. That's best I can say at this point of time.

But with the revenue base broadening our overhead proportion like allocation will be on a much wider base. So that itself will take our EBITDA margins up . And with other operational efficiencies, we expect both gross margins and EBITDA margins going up considerably.

Hiren Ved: And would it be fair to assume that from here on whether international or domestic business that you would take on would all be negative working capital?

Amit Jain: That's how has been the business model traditionally, and that's what we are targeting for. The nature of business itself is that it becomes a negative working capital.

Hiren Ved: Got it. Thanks, and all the best.

Amit Jain: Thank you.

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

Faisal Hawa: Sir, my first question is that are we embarking on any kind of cost reduction and if at all there is the cost reduction - how much can be squeezed out more? That's one. Second is FY '25, what do we expect our exact or approximate interest outgo to be?

And second one but is there any thought process within the company now to totally avoid overseas contracts because that is where the variables are really too many and that is what we have faced maximum problems in the company in the past also. So at least or probably, we should have a much better margin to balance out the extra risk that is there from such orders.

Bahadur Dastoor: So I'll try to answer the first two questions. As far as the strategy for overseas market, I will let Amit respond. So your first question was on overheads. Yes, definitely, there is a lot of work going on internally to reduce overheads. And that is why while last year's overheads were a much larger number, we are seeing at least a 15% to 20% reduction in overheads in the current year.

Next year, the target is to reduce it even further from there. So yes, there is a concentrated effort being made to optimize overheads and to use low-cost overheads in place of front-ending high cost overheads. So that is definitely an ongoing exercise.

Faisal Hawa: Can you give a number to the reduction in overheads which we are targeting for FY '25?

Bahadur Dastoor: So FY '24, let me say, while the previous year was close to INR360 crores, this time, it will be somewhere between INR300 crores to INR320 crores, okay? I don't want to give anything very specific, but it will be somewhere there. And next year, it will be sub INR300 crores. How much we can bring it sub INR300 crores - we are just doing the final working, so before we can tell you that. That is as far as the overheads are concerned..

As far as interest is concerned, if you're saying INR328 crores is what remains and if you are taking an average cost of borrowing, which ranges between 9.5% to 11.5%, I think it is quite clear what will be the interest cost that will be there for FY '25.

If, however, we get our advances, and we are very sure that they are not required for the project purposes, yes, we may deploy that towards reducing some of our overheads or we will wait to receive some indemnity proceeds by November of this year and then reduce our loans. So we will see how most ideally that can be done. I hope I've answered your first 2 questions, then I'll ask Amit to answer your third.

Amit Jain: So Mr. Hawa with respect to international markets, as we are repeatedly saying that what the international projects, whatever we are looking now we are carefully examining what is the risk profile of the project and we have a revised risk metrics, which has been developed with the deliberation along with the Board and risk management committee - if the project fits or meets our risk requirement or we are able to negotiate that only then we are taking the project, and we are very careful about the margins also.

But having said that, if you see that the majority of the order book is now comprising of the domestic orders. Having said that, we cannot ignore international markets as well. So there is a lot of strength and the client relationships we have, and we have executed projects successfully and make money as well in international markets. It's not that we have only lost money. But the problem set, which was there specifically was due to multiple black swan events happening at that particular point of time, when those particular orders were being executed. But now the world is in a different kind of a situation - supply chain problems and all other execution problems, which arose because of the corona, don't exist anymore.

Having said that, we are very, very careful and we'll capitalize on only very good opportunities, which can strengthen our top line and bottom line, and we are very, very careful about that. But

we'll continue to be present in all of our traditional markets, which we have been addressing. But all the order booking will be done with a lot of caution.

Faisal Hawa:

Sir, actually, most smaller EPC companies in the solar space totally admit that they didn't have the ability to do 1 GW projects or more than that. And they say that you have except for Sterling Wilson and L&T, nobody has the ability also. So I mean, with such a kind of opportunity and so many orders all coming in at 1 time as a tailwind because the government has also mandated their own PSUs to commence these orders.

So I mean would it not absolutely make sense to have lower overheads, lower risk and do only domestic orders for the next 3 to 4 years because I mean, this is definitely looking like a huge tailwind, which will come towards you -- and I mean, even we can see clearly that you can actually pick and choose your orders. So I really don't see the -- without a better reward, why take a huge risk with overseas orders.

Amit Jain:

So Mr. Hawa you are seeing it, and we are actually implementing - if you see for the last 3 years, we have not picked up a single international order. And the focus has been on domestic market. So wherever the good opportunities, which meets our objectives and company's strategy, the strategy will be continuously involved on that basis.

So we cannot like take a particular stand at a particular point of time. But as you said, like right now, the total focus is on domestic market. And we are doing very, very slow international markets, only in some of our marquee clients with very good project, minimum risk profile offers us projects and if you are able to pick up those opportunity only then we are going forward for it. Otherwise, we are not looking at international projects. This is the first project this quarter, which we have booked - is the first order in last 3 years, and we'll be fully capitalizing on domestic market.

And we'll also see how the project portfolio is to be balanced. If we are fully booked in India and have like order book exceeds our expectations, then we might be specifically focusing on the Indian market, who knows. So that's how -- it's an evolving strategy and will address as per the market conditions and in consultation with the Board and the other shareholders.

Faisal Hawa:

And one more thing is what is the order inflow that we are targeting for calendar year 2024? And sir, would it be a right statement to say that now given that our debt is almost clear and plus Reliance is backing that we could actually have a situation in which we could get as many bank guarantees as we want as a quantum -- do we have something like tap which is just open for us unlimited or if that's not a right statement?

Bahadur Dastoor:

Nothing is unlimited Mr. Hawa, everything takes efforts. You know the position that we were in, in the last quarter. Things have substantially improved from there. And we are going to continuously work to improving it as much as we can.

But there is nothing like a tap has opened and everything is available as much as we want - sufficiently available to execute what we need to do, and we are also looking forward to build up our limits to take care of our future requirements.

- Faisal Hawa:** Sir, would give a number to the bank guarantees that we can open at the very maximum?
- Bahadur Dastoor:** No. So first of all, are there any outstanding bank guarantees today, there are none. We've opened all the bank guarantees that are required for our projects, which are there at the moment.
- Faisal Hawa:** So -- okay. So I mean, that itself could be an advantage to us that a bank guarantees are much more freely available?
- Bahadur Dastoor:** So it's always non-fund limits, which is the fuel for this business. The company keeps looking forward to work on enhancement of limits to take care so that none of the project suffer.
- Faisal Hawa:** And sir, if you could answer on the order book that you are targeting for calendar year 2024?
- Amit Jain:** 2024, as you have seen, we have already booked like INR5,527 crores of order book. We have roughly 6 gigawatts of pipeline, which will be closed out in Q4. So we are pretty sure that underpins a significant order book, which is to be addressed in Q4, bid pipeline.
- Faisal Hawa:** So Q4, we are expecting maximum orders.
- Amit Jain:** Yes-- we are expecting to quite an exciting quarter. That depends on how many contracts get closed - 2 of the projects bids have already been submitted. We are waiting for reverse auctions with our clients. And some of the bids with huge PSU tenders are to be submitted. And then we have to see -- how much we are able to close within this quarter. But certainly that we are addressing, and there is bid pipeline from IPPs as well. So total bid pipeline, we are addressing, is 6 gigawatts, and we'll see how much we can close within this quarter.
- Faisal Hawa:** Thank you so much sir. Really appreciate.
- Moderator:** Thank you. Our next question is from the line of Mr. Kunal from DAM Capital. Please go ahead.
- Kunal:** Yes, hi sir. Congratulations on a good set of numbers. Sir, just a couple of clarifications. These 6 gigawatt that you're talking of in the domestic market. Now these are largely BOS or these are projects with modules as well, right? What is the sort of mix over here.
- Amit Jain:** So this is in the mix of both. Most of the private IPP pipeline is pure play BOS. But in PSU tender, it's a mix of both BOS and complete EPC including modules.
- Kunal:** Understood. And sir, just a qualitative - there's been a competitive intensity, especially in the 300-megawatt plus orders that could be limited to the 3 or 4 players as well, right? I mean that's what the experience is, I mean, totally right now.
- Amit Jain:** You are right. Absolutely correct. Within the order size exceeds or the bid side exceeds 300-megawatt plus, the competitive incentive intensity comes down and there are very few players which are competing in that segment.
- Kunal:** Understood, understood. And sir, just one comment on this overhead reduction, so about INR300 crores, INR320 crores odd comment for this year at closing and early attempts to even optimize that. I'm just trying to understand on one side we are sort of in the scale up mode, right? I

mean -- and I do understand the mix going towards more of domestic less of international and obviously, the overheads over year are much lower. But looking at this sort of order book -- I'm just trying to understand what's on this INR300 crores, INR320 crores of overheads, what revenue execution can we do just from a bandwidth perspective.

Bahadur Dastoor: So I'll give you a comparative. When we said INR8,250 crores, our overheads to INR220 crores. So essentially, it is not all about overheads. Overheads do not exponentially rise nor fall on the base of what kind of revenue you can achieve. So, it is all about your execution strength.

Your overhead back-end strength is enough to take care of whatever we foresee in the foreseeable future. Of course, we are still not going to rest at that. We are still working on optimizing as I answered to the previous question.

Kunal: Understood. And sir, there's one last bit. In terms of these performance bank guarantees, could you just help me like what exactly would be the quantum of the like percentage of the project size that goes in as a performance bank guarantee?

Bahadur Dastoor: I will just start out, Amit can add. So typically, we see 10% advance and 10% performance bank guarantees. The quantum may vary project to project. Sometimes you do get higher advanced bank guarantees. Sometimes if the margin is better, there is a slightly higher performance bank guarantee that is required.

But on an average, it would be 20% of bank guarantee - split half and half between advance and performance. Amit, if I have missed something, you may please add.

Amit Jain: You're right, Bahadur.

Kunal: Understood. Thanks a lot. This is really helpful.

Bahadur Dastoor: Advance bank guarantee falls pretty quickly over the execution of the project.

Kunal: Thanks a lot, sir. This is really helpful and all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. With that, we conclude today's conference call. On behalf of Sterling and Wilson Renewable Energy Limited, that concludes this conference. We thank you for joining us.