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**Scrip code: 539083**

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**Sub: Transcript of Conference Call with the Investors/ Analysts**

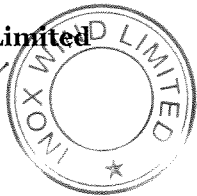
Dear Sir/ Madam,

The Company had organized a conference call with the Investors/ Analysts on 08<sup>th</sup> February, 2019 post declaration of its Unaudited Standalone and Consolidated Financial Results for the quarter and nine months ended 31<sup>st</sup> December, 2018. A copy of transcript of conference call held with Investors/ Analysts is enclosed herewith and the same is being uploaded on the Company's Website, [www.inoxwind.com](http://www.inoxwind.com).

We request you to please take the above on record.

Yours faithfully,  
For **Inox Wind Limited**

  
Deepak Banga  
**Company Secretary**



Encl: As above



“Inox Wind Limited  
Q3 FY2019 Earnings Conference Call”

February 08, 2019



**ANALYST: MR. ANKIT SHAH - AXIS CAPITAL LIMITED**

**MANAGEMENT: MR. DEVANSH JAIN - EXECUTIVE DIRECTOR – INOX WIND LIMITED**  
**MR. JITENDRA MOHANANEY – CHIEF FINANCIAL OFFICER – INOX WIND LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Inox Wind Limited Q3 FY2019 Earnings conference call hosted by Axis Capital Limited. 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, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over Mr. Ankit Shah from Axis Capital. Thank you and over to you!

**Ankit Shah:** Thank you Mohsin. Good evening everyone. On behalf of Axis Capital, I would like to welcome you all to the Q3 FY2019 earnings conference call of Inox Wind. We have with us Mr. Devansh Jain, Executive Director and Mr. Jitendra Mohananey – Chief Financial Officer of Inox Wind. We start with the brief presentation from the management, post which we will open the floor for Q&A. Now I handover the call to the management for the opening remarks. Over to you Sir!

**Jitendra Mohananey:** Thank you very much and good evening, everyone. I welcome all the participants of this earnings call. The Board of Directors of Inox Wind Limited has approved the Q3 FY2019 results of the meeting, which has just now concluded. I trust you would have had an opportunity to go through the results. Just to give you an overall prospective of the quarter gone by, Inox Wind has continued to be profitable in third consecutive quarter after a year-long gap on the back of ongoing SECI-1 execution.

The company is back to normalized operations and is ramping up execution each quarter. The company has recently entered into technology agreement to launch our next-generation 3.3-megawatt wind turbine with 146-meter rotor diameter, which will probably be the largest wind turbine rotor dia available in India. The newly to be launched 3.3 megawatt wind turbine sets new benchmarks in the Indian wind industry and will further reduce levelized cost of electricity and also provide superior returns to IPPs.

We are continuing our strong relationship with Adani Green Energy. The company received a 501.6 megawatts LoI to supply, erect and commission the newly launched 3.3 megawatts wind turbines. With this, our order book stands at 1,207 megawatts with an estimated value of over Rs.7200 Crores to be executed over the next 18 months.

In terms of financial results, we ended the quarter with the revenue of Rs.391 Crores as compared to Rs.91 Crores in the previous-year quarter. We returned to EBITDA profitability with a profit of Rs.61 Crores as compared to EBITDA loss of Rs.18 Crores in the previous-year quarter. We have our PAT of profit of Rs.2 Crores as compared to a PAT loss of Rs.46 Crores in the same quarter last year.

This is the third quarter of profitability post a turbulent FY2018, which was affected due to the transition to an auction regime in the wind sector.

Coming to the operational highlights, we have continued operations across our manufacturing facilities of Gujarat, Himachal Pradesh and Madhya Pradesh. We delivered 74 megawatts during the quarter.

On the balance sheet front, I would like to bring to your notice Slide 7 and 8 of the presentation, which gives details of our focus on balance sheet improvement during the quarter and the past couple of quarters before that.

Now during quarter 3, inventory stabilized on the back of continued SECI execution. We are moving towards an efficient working capital cycle under the auctioning regime. The net debt remains at a healthy 0.41x versus 0.44x in quarter Q3 FY2018. Please note that the closing net receivable numbers are optically higher, but it includes a significant part of sales made during the current financial year, where collections were delayed due to delay in central grid infrastructure being developed by the government.

Post commissioning of central grid infrastructure, we expect increased realization from receivables.

At the end of quarter Q3 FY 2019 in terms of working capital, the inventories stood at: Rs.756 Crores; net receivables are at Rs.1446 Crores; payables at Rs.956 Crores; and others are about Rs.19 Crores. This translates into net working capital of Rs.1227 Crores.

Despite delays in government grid, net working capital cycle continues to move towards being more efficient. Going ahead, we expect inventory levels to come down as the execution picks up pace in the coming quarters. We also expect working capital levels to ease going forward and stabilize further on the back of better coordinated production, inventory planning and execution of wind projects.

On the debt equity front, as I explained, we ended the quarter at a healthy net debt-to-equity ratio, 0.41x versus 0.44x in the same quarter of last year. So that is a broad overview of our operations and financial performance, and how we see the sector going forward.

I along with our Executive Director, Mr. Devansh Jain, are ready to take questions now.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** Sir what is the gross debt and advance received?

**Devansh Jain:** Net debt number is Rs.835 Crores and gross debt is Rs.990 Crores.

- Ketan Gandhi:** Okay and Sir about this new LoI with Adani it is pertaining to which auction Sir? SECI-4, 5, 6 or SECI-5, 6 or SECI-4, 5?
- Devansh Jain:** Well, it is spread over a couple of auctions. Adani won bids in is the SECI 4, 5 and 6. So it is probably going to be spread over these 2 or 3 auctions.
- Ketan Gandhi:** So we are not sure whether which are 4, 5 or 6?
- Devansh Jain:** It really does not matter from our perspective. I mean, Adani is doing the execution. We are only supplying turbines going forward. So it is proposed to be executed over those auctions as things stand today.
- Ketan Gandhi:** Okay. And Sir, as further in place of RLMM, I believe that now it is ITAM under IWTCS. So when certification of this new technology will be?
- Devansh Jain:** No, well first and foremost RLMM still exists. IWTCS is nothing but a Indian wind turbine certification standard. These are new standards, which the government has introduced, but they are primarily following type certification requirements, which will be required by the global big 3 or 4 like Tuv Sud, DNV GL etc. RLMM very much still remains intact. Post certification, you apply under IWTCS, and then get on to RLMM. So we should be putting up these new turbines over the course of this calendar year because we intend to start the delivery of these turbines maybe towards the end of this calendar year.
- Ketan Gandhi:** Sir, AMSC has not yet announced the tie up with us. And I was on the concall of the AMSC, they are saying, there is some milestone payment has to be reviewed from our side?
- Devansh Jain:** Correct. So we have entered into a technology agreement. There are certain milestones, which need to be achieved while I am not privy to when they announce and what regulations guide them. We have a technology agreement in place. As and when those milestones will become due, we will keep doing the needful. So that is where we are.
- Ketan Gandhi:** And Sir, for this certification, normally, how much time it will take place?
- Devansh Jain:** There is an actual certification, which is to be conducted on the turbine and then there is some other paper work which is design assessment, which goes on parallelly. I would tend to think from our actual operational certification, maybe about 2 months during the high wind season. And the paper certification is something, which will carry on simultaneously. Please keep in mind this, while this maybe a new turbine, which will be launched in India, but the platform already exists globally and has been in operation for over 8 years.

**Ketan Gandhi:** Yes, Sir. And only, I want to understand is 146 meter, do we have that kind of roads to transport material from our factory to?

**Devansh Jain:** Well, obviously, honestly, this is not something, which can move to every site. We are not going to have a 25-megawatt Maharashtra site or a 40-megawatt Karnataka site, where you will be able to take it. But if you look at it, a lot of the larger wind farms, which are being developed across Gujarat. Where ,from our existing wind factories, we will be taking these blades right there. Yes, if you are going to talk about hilltops, these turbines can't go. But if you also look at it over the next 2 to 3 years, a lot of the development is happening in Kutch in Gujarat. SECI-1, 2, 3, 4, 5, so on so forth, majority of it is in Gujarat. So these new blades are, ideally suited to go there. And then possibly, thereafter, go to Rajasthan because these are probably the 2 large areas where these larger rotor diameters can presently be transported.

**Ketan Gandhi:** So you do not think any operational issues while transporting this from our factory to the Bhuj area?

**Devansh Jain:** Well, not to Bhuj and not to Rajasthan. For other sites, other states, we have to still carry out studies, I think that will be a challenge, but it will depend. Two to three years down the line, we need to see what happens with respect to trailer transportation and if these turbines can't go, we will continue there with a larger rotor diameter on the 2 megawatts turbines.

**Ketan Gandhi:** And as far as I understand that we have supplied 244 megawatts. So we are around short of for by around 56-megawatt for as far as SECI-1 is concerned, right?

**Devansh Jain:** Correct.

**Ketan Gandhi:** What is deadline for that?

**Devansh Jain:** Well, it is not about deadline. If you are aware, the SECI deadline was October 5, 2018. The central grid is still not ready. So Inox Wind cannot do anything till the central grid is ready for the deadline, first the deadline for building the central grid was January 2018. Then it became June 2018, then it became August 2018, then October, then December, then January, then end January, then beginning February. I believe they are now at final stages, and I think that's what we have also set out in our presentation. They are probably 10 to 15 days away, possibly 20, 25 days away from the central grid finally being commissioned.

**Ketan Gandhi:** So same if we have supplied to 244, so it will be just plug and play, right?

**Devansh Jain:** Well, not plug and play because to a great extent lot of that execution while we have got significant amount of turbines lying ready, erected, but lot of that execution kind of flows down the last mile connectivity, which is our doing transformer, testing our internal 33 kV line etc, which we will keep

ramping up, because lot of receivables also kind of got delayed because naturally for the customers lot of them were delaying payment, since end of the day what is the point of incurring interest during construction if the common infra not was ready, so I think as soon as this is started, I think it takes some another 30 days or 40 days for us. I think we can ramp up commissioning very, very rapidly.

**Ketan Gandhi:** Okay. And so once this grid connectivity is ready, then it will be very smooth for SECI-2 execution, right?

**Devansh Jain:** Absolutely, because it is the same substation and line which will be used for SECI-2.

**Ketan Gandhi:** Okay so we can see a bunch up of execution?

**Devansh Jain:** You will see bunching up of the commissioning naturally.

**Ketan Gandhi:** For SECI-2?

**Devansh Jain:** Yes. For even SECI-1

**Ketan Gandhi:** Naturally

**Ketan Gandhi:** I have some more I will join back in the queue.

**Moderator:** Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Good evening Sir. I have 2 questions. First, Sir, can you just can you give us some sense on how do you see Q4 FY 2019 and FY 2020 in terms order execution? And what is the deadline for all this SECI-1, SECI-2, SECI-3 and SECI-4 orders?

**Devansh Jain:** Okay. So Q4 FY 2019, we expect to finish all the supplies of SECI-1. I am not jumping beyond that because at the end of the day, our supplies are something we control, because if we keep supplying more and more till the time grid is ready, it's not really helping because you do not have fast tracking of collections and so on and forth. As soon as the common infra is done and we are already in February, as I mentioned, we are probably around 15 to 20 days away from common infra commissioning. Every week, we get a new deadline. But we are at the part of that final frontier, 10 days, 15 days here and there. We are hopeful that within February, the common infra will be commissioned by the PGCIL, post which, we can then really ramp up our commissioning. So it is very hard to say about Q4 2019. What will happen? All I can say is that we expect to complete our SECI-1 supplies. And thereafter, as soon as the PGCIL grid is ready, we can ramp up our commissioning of turbines. Of course, FY2020, is a different ballgame, it is well known, we won't

give our specific guidance out, but we clearly have SECI-2, which will be implemented over the next financial year. The common infra, which have built now, which is being charged is the same for SECI-1 and SECI-2. So we do not need to develop another common infra. And then going forward into the next FY 20, we expect to roll out our 3.3 megawatt turbines in certain quantities, which will be to a great extent only the equipment supply.

**Mohit Kumar:** So just to come back, is SECI-2 and SECI-3, will have order of around 500-megawatt? And again, SECI-1, the 50-megawatt additional apart from the Inox Wind order. So can we assume that do this 50-megawatt of Adani is executable, ideally by March 19?

**Devansh Jain:** Well, we will be ideally be able to supply SECI-1, which should, I believe, be able to supply SECI-1 within this financial year.

**Mohit Kumar:** Entire 300 megawatt?

**Devansh Jain:** Most probably, so we have done about 244 already. We expect again, I cannot give you what will March 31, look like. I can't give you my P&L statements and forward-looking guidances.

**Mohit Kumar:** I understand. I'm just looking at the deadline for the execution of SECI.

**Devansh Jain:** You know, Mohit, it is not about deadline. The deadline for SECI-1 was October 5. But the government grid only does not exist. So what does the deadline do? The deadline is, honestly, of no use till the time central grid is ready.

**Mohit Kumar:** But given the grid is going to ready by in the next few days, it means that SECI-2 and SECI-3 should be, executable?

**Devansh Jain:** Well, SECI-3 is a little far off away from now because while we may still have connectivity. We can use this existing grid and should be allowed. But other than that, even for SECI-3, there is some delay in connectivity. And I think given some of the land challenges that Gujarat was facing, MNRE is already given a 2-month extension, and I believe they are probably going to give further extension given the status of other winners of SECI-3.

**Mohit Kumar:** The second question I have, you announced LoI. What is the pre condition for converting this to firm order?

**Devansh Jain:** Well, sorry, because of confidential reasons, we will not be able to spell that out. But I think what it presupposes is kind of outlined.

**Mohit Kumar:** When do you expect you to convert to firm order?



- Devansh Jain:** I am unable to say that. All we can say that I think we continue to build on the strong relationship we have with Adani Green. We have done SECI-1 with them. We are doing SECI-2 with them. Of course, due to certain bidding in SECI-1 and -2 we kind of stayed away from SECI-3. But going forward, I think there are very large tenders being issued and we are working together closely on a lot of other developments together, and I think next couple of months, this will get converted into a contract and we will start execution on this.
- Mohit Kumar:** Is it possible to share the greater than 12 month's receivable at the end of Q3 FY 2019?
- Devansh Jain:** Off the call, yes, we can share that with you.
- Mohit Kumar:** Thank you.
- Moderator:** Thank you. We have next question from the line of Kripa Shankar Maurya from Angel Broking. Please go ahead.
- Kripa S Maurya:** Just want to understand, the breakup of Rs.391 Crores, which has been generated this quarter, in terms of commissioning, in terms of supply of component?
- Devansh Jain:** Well, its all supply of component, there is no commissioning.
- Kripa S Maurya:** Okay. For the supply, yes. Okay. And update on the land issues, which was happened the last quarter in Gujarat. So what is this status right now or how much of our order is being pending on account of these issues?
- Devansh Jain:** Well, so while we have a significant portion of land, which we had already created, yes, of course everybody is impacted because the government has stopped allotting land pending certain changes they want to make in policy. But the good news is about 10 days ago, the Gujarat government has come out with a new policy for land allotment. There is still some disclarity across the administrative levels. I think over February, that disclarity should get ironed out and then allotment which hopefully, should start in a month or two. For SECI-1, we have enough land rights in hand. What we are also doing is we are parelly moving towards private land just to keep building a buffer to use that towards SECI-2. But I think this should get resolved over the next 30 to 45 days.
- Kripa S Maurya:** Okay. And just want to understand, the realization of the LOI, which you received from Adani per megawatt? It will be the same or like it will be higher realization?
- Devansh Jain:** Well, unfortunately, I'm not able to share that. But thumb rule for apple-to-apple scope, it will be about Rs.6 Crores to Rs.6.5 Crores per megawatt. Apple-to-apple scope, of course, if it is only an

equipment supply and some part, obviously that value reduces. But yes, on a turnkey basis, it is Rs.6 Crores to Rs.6.5 Crores.

- Kripa S Maurya:** Okay. So 501.6 megawatts is distributed among how many orders like SECI-1, -2, -3?
- Devansh Jain:** It is not SECI-1 and -2. SECI-1 and -2 is already done and over with. They are going to be the future SECI orders, which will be SECI-4, -5, -6, so on and so forth. I mean, that is Adani's prerogative.
- Kripa S Maurya:** Thank you.
- Moderator:** Thank you. We have next question from the line of Chetan Dhruva from Blue Banyan Advisors. Please go ahead.
- Chetan Dhruva:** Thank you. Thanks for the opportunity. So I have 2 questions. The first question is related to the drop in revenues in Q3, is it because of this compared to the Q2 revenues? Is that due to the grid issue?
- Devansh Jain:** Well, to be honest, I think all the 3 quarters have been more or less the same, Rs.400-odd Crores. So Rs.10 Crores, Rs.12 Crores, here and there is not really anything there to talk about.
- Chetan Dhruva:** Okay. So nothing to worry about,. And second thing is the Rs.7200 Crores order book that you talked about. Is that contingent upon this grid related issue that you mentioned? Or is it most of it is independent of that?
- Devansh Jain:** Well, of course, you will need the grid to execute anything. I mean, for example, we want to do SECI-1 also. While we supplied part of SECI-1, we should have honestly done far more. But because the grid is not ready, nobody is going to want you to supply turbines and keep incurring interest during construction. So obviously, you need the grid to be ready to be able to take this power. Now from our perspective, SECI-1 and -2, which is our 500-odd megawatt, which we got ourselves, that entire thing will be connected in phases as soon as the central grid gets connected. So to that extent, once this is ready, the pending SECI-1 execution and SECI-2 execution can be fairly structured and smooth and fast, as I may put it. Thereafter, obviously, more and more grid needs to be made ready. But I think, given the past 1.5 years of lag from the feed in tariff regime to now this auctioning regime, the government is also now investing towards the green infrastructure which is getting ready in phases. I think the unfortunate part of this process was the sudden transition that, while there are auctions, nobody started implementing these green corridors. So when they started implementing, you can always have 6 to 8 months of delay. Unfortunately, here it is about a 1-year delay by the central grid. But hopefully, going forward, i do not think there should be further delays. Yes, I do know there is a certain amount of delay even for SECI-3 and SECI-4 grid but that could be possibly 6 months or so.

- Chetan Dhruva:** Okay essentially 18 months that you mentioned for this execution on Rs.7200 Crores could move by around six months is that possibly?
- Devansh Jain:** Possibly, again, if you fast track it, you could do earlier, you could do a little later depends on how the central grid plays out.
- Chetan Dhruva:** Okay understood that is it from my side. Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Viral Shah from Enam Holdings. Please go ahead.
- Viral Shah:** Thank you for the opportunity. So a couple of questions from my side, firstly, on the SECI-1 and SECI-2, the 2 orders that we have on our books of 250-megawatt each, have we been able to down sell any of these?
- Devansh Jain:** Of course. So we may not be able to talk too much about that on the call for confidential reasons. But yes, barring 50 to 100 megawatts, everything has been down sold.
- Viral Shah:** Sure. And the other question would be, sir, out of this revenue, the Rs. 390 odd Crores for the quarter and roughly Rs. 1250-odd Crores for the full year, how much of this will be coming from supplies to group companies, sir?
- Devansh Jain:** There are no supplies to group companies. It is all SECI.
- Viral Shah:** Thank you so much.
- Moderator:** Thank you. We have a followup question from Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Yes. Regarding the SECI-3 and -4, we have 200 plus 100. It is been down sold or still pending?
- Devansh Jain:** Well, we have got multiple agreements or multiple discussions going on. I think beyond that is very hard to comment, but I think that is something we intend to use, given our new technology platform. And I think under the new technology platform, honestly, it is not really rocket science getting that order in the market.
- Ketan Gandhi:** Okay great and as of today what is the advance received from the customer?
- Devansh Jain:** Well, we see there are advances of about Rs.200-odd Crores. But again, it is how you classify based on certain milestones, a lot of this will get converted to receivables and get knocked off against

receivables. Because of the structuring, which is carried around the SECI-1 and -2, some of this are standard advances, but otherwise, actually, it should not an advance.

**Ketan Gandhi:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

**Kashyap Jhaveri:** Sir, I have just one question. I joined the call a little late, but I just wanted to understand in SECI-5 and 6, what was the total quantum that was accepted in terms of the bids? And what was and what is your outlook on this auction regime going forward now?

**Devansh Jain:** So SECI-6 saw a total bidding of to 2325 megawatt, for 1200 megawatts of capacity on offer. The bid submission, the bidding is yet to take place. So that is where we stand on SECI-6. With respect to SECI-5, I am not 100% sure, I do not recall off my mind how much bidding was done. But that was a 1000 megawatt bid. I think that was about 2000 megawatts bid out for it, I think that was about 1900-odd megawatts of bid, which was submitted for SECI-5. But we can check that and get back to you off-line for SECI-5. Going forward, I think the auction regime is here to stay clearly. I think end of the day now, it is really going to be a function of, as the grid starts catching up with the execution, you will have more and more results. There has been a while there is enough bidding, which is being carried to almost 10.5 gigawatts to date, which has been carried out, you also need a lot of this to be executed on the ground. And for that, you needed these grids to catch up. So if you look at it today, about 60% only of SECI-1 has been commissioned. And SECI-2 is yet to be commissioned so even the first 1,000 megawatts of SECI auctions have not been commissioned, but we believe that every year, 5 to 6 gigawatt of commissioning can continuously keep happening. And I think, while the government will be talking about 7 to 10 gigawatts already year-on-year, to be conservative, I think 5 to 6 gigawatt is what should happen comfortably for the next financial year.

**Moderator:** Thank you. We have the next question from the line of Saurabh Singh. Please go ahead.

**Saurabh Singh:** Again, congratulations, yet another profitable quarter. Devansh, you have really managed the company well so far considering the tough times. I do not know how many people have been really following what has been happening in the industry, but clearly, the times are very tough. And considering all these delays in everything, you have been absolutely a dream manager so far.

**Devansh Jain:** Thank you. Happy to know you appreciate our efforts and not just look at the stock price at this point in time given things have been beyond our control with this respect to transition to the auction regime and also the great delay in the grid infra.

**Saurabh Singh:** Absolutely. But on that stock price front, of course, I think, last time, also, I mentioned that if we work on communications a bit and create a social media presence and things like that, maybe it will benefit the stock price. And I just wanted to understand because now, going forward, I think times are going to be different. We are going to do much better, particularly next year, next financial year. So do we have risk management practices in place because what happens is when we get large orders, sometimes these can lead to receivables like we have seen some time in the past 2 or 3 years ago. So have we learned something from those experiences? And put risk management in place so we do not create that kind of situation, again, in the future?

**Devansh Jain:** You see, I think, to be honest, I think we are a very conservative group, and I think that is reflected in the fact that our debt equity ratio is very low. In fact, virtually, none of our group companies carry any debt. And that is probably the only reason why we have survived through this massively turbulent period where 2 of our other Indian competitors have gone virtually bankrupt. Another one is really struggling. Having said that, I think where we stand at this point in time is, obviously, we learnt from our mistakes in March 2017, but those mistakes were really the government coming in overnight, shutting the sector. What have we been able to do over these past 18 months to 2 years? We have really been consuming and reutilizing all those inventories, which we could reallocate, and that's even why we also bid and won couple of auctions. We are moving towards now bringing in a new technology so that for the next 4, 5 years, we are really competitive at the forefront of the technology curve and in terms of being the lowest-cost turbine supplier in terms of cost of energy as well as capital cost. From a risk perspective, the only thing we could really have done at this point in time and what we intend to do going forward as well is we are kind of trying to move more towards equipment supply so that we do not need to do the grid infrastructure, we do not need to do EPC, land, etc. But having said that, if eventually whoever is doing that, if the grid gets delayed, that is eventually going to delay the turbine supplies as well. So all that we are trying to do now is not carry too much inventory on our books, keep consuming whatever inventory we have left. Once we have a firm orders, once we have a clear visibility, that is when we start loading up on inventories. I mean, it could be 30, 45 days delay. But yes, we do not want to carry significant amount of inventories on our books anymore, secondly, with respect to past receivables, see what happened in the past that during the transition, everybody who has to pay, just walked out of the contracts, because the PPAs were not being honored. Today, that fundamental fear and fundamental risk is over because when you win a SECI auction, your PPA is being signed upfront. Now the question of the grid being delayed by 5 months or 6 months is a different story. So there is no risk, no fear, will it be signed? Will the state suddenly come and say, my RPO is done and now this power is too expensive, I do not want to buy, the PPAs are being signed upfront. Only once the PPA is signed as your time line of 18 months or 21 months, whatever it is kicks off. So that fundamental risk and that fundamental problem is gone from the sector. Yet the central grid delays is something which remains, but I think now, people have a better grasp and track of that so people will then start execution of, let us say, a SECI-3 or a SECI-4,

once they know where the grid is, 3 months away or 5 months away or 6 months away from completion.

**Saurabh Singh:** And are we working on the communications front, which will benefit?

**Devansh Jain:** Saurabh, last time I did promise, I think, fundamentally, what had to be done is to get the company back on track. And with some amount of humility, at least, I can say now our operations are back in normal control to a great extent, banking support began in the company. There is execution going on in the ground. And we have, as I may possibly put it, cash flows are now stabilizing in the company. So I think a lot of our fundamental problems are behind us. It is now just a question of executing, bringing back results in the company. And I think in the days to come, as we become stronger, hopefully, with the March post-March, we should be able to increase our social media presence and communications.

**Saurabh Singh:** Thank you so much. Please continue to do good job that you are doing. I really know how difficult it must be, really very good job.

**Devansh Jain:** Thank you. Really appreciate your kind words.

**Moderator:** Thank you. We have the next question from the line of Shivan Sarvaiya from JHP Securities. Please go ahead.

**Shivan Sarvaiya:** Good evening Sir. So my question is on the interest cost, which is quite an elevated level with irrespective of debt coming down over the last 9 months, sir. So any color on that? How do we expect that to go forward?

**Devansh Jain:** Okay. So can we take this off the call where we can share the details but broadly speaking, while yes, overall, debt numbers are lower I think over this year, as I explained here last time, we have had a lot of onetime charges which the bank has charged us to get that banking facilities back in shape. So as you may be aware, Inox Wind is a fairly strong financial company, which is still A-minus rating with a positive outlook, which is probably the only wind the company, which is even of that rating. But to have without parent support banks coming and really supporting the wind industry, when the wind industry virtually collapsed, the banks really jacked up onetime charges, etc. Hopefully, for the new financial year, we should be able to get that back in control but having said that, I will say, almost Rs.8 Crores to Rs.10 Crores as a onetime charge in this.

**Shivan Sarvaiya:** The other question was that going forward, so you have a steady state execution post the completion of the central grid and stuff like that. So what is the steady-state margin that we can expect going forward, let us say 900-megawatt yearly execution is done?

- Devansh Jain:** I think even if you look at our 9 months results, our EBITDA margins are almost 14.7%. If you look at it historically during the good old days, we were maintaining about 15% to 16% EBITDA margin and about 10% or 9% to 10% PAT margin. I think if you look at it even today, we are at about 14-odd percent EBITDA margin. Of course, PAT margin is down to 1.2%, simply because of the depreciation cost and obviously the finance cost being loaded on the entire operation which is still a scaled down version. To be honest, I think going forward, also, we should probably get about 13%, 14%, broadly speaking EBITDA margin. Then I think our real aim is to get our PAT margins back up to 8%, 9% as we move forward. But obviously that assumes normalized volumes. And when you think of this from our last financial year, we had virtually Rs.300 Crores of sales in the full financial year. We are now at about Rs.1300-odd Crores. To extrapolate it, you would probably put out the full year number there. But I think we really need full year operations to get back our PAT margins, but EBITDA margins are frankly fairly healthy and will probably remain plus/minus 2% of where we stand.
- Shivan Sarvaiya:** And in the 9 months, so the volume is Rs.244 MW. This will be entirely for SECI-1, right?
- Devansh Jain:** Plus/minus 10, 20 megawatts, this may be for some pending orders.
- Shivan Sarvaiya:** Pending orders. And from that, how much is commissioned as of today?
- Devansh Jain:** No, nothing is commissioned because the central grid is not ready. If the central grid is not ready, we cannot connect our substation to it. If central grid is ready, we can plug and play and ramp up our commissioning.
- Shivan Sarvaiya:** Okay. So sir, we can assume that, if the central grid is connected by February end, SECI-1 will be done in Q4, and at least, SECI-2 should be done in Q1 of the next year?
- Devansh Jain:** Well, I hope so but I do not think it is going to happen that fast. Broadly speaking, I think if the central grid is commissioned, it will still take us 30, 40 days to hook up our substation to that. And therefore probably you'll see entire SECI-1 being commissioned by Q1, followed by SECI-2.
- Shivan Sarvaiya:** That is it from me. Best of luck.
- Moderator:** Thank you. We have the next question from the line of Neha Punjabi from Minvera Advisors. Please go ahead.
- Neha Punjabi:** I wanted some color on the OMS business. You said in the presentation that the margins are pretty high. Could you give us an idea of what kind of margins can one expect in this business? And since 2.4 gigawatts have already been installed by us, what is the revenue on a steady-state basis that comes from the O&M business of Inox Wind?

- Devansh Jain:** So broadly, the O&M revenues are about the 8-lakhs per megawatt per annum. While we talk of the 2.4 gigawatt, which is our installed capacity, the majority of it is still in the warranty period and in the free-O&M period. So at this point in time, we have O&M revenue kicking in for about 500-odd megawatts, which will translate to about Rs.40 to Rs.50 Crores and then there is some straight lining O&M revenue, let us say another Rs.40 Crores to Rs.50 Crores. But on a steady-state basis, 2.4 gigawatts would ideally give you, and you can do the math, Rs.200 Crores, Rs.190-odd Crores.
- Neha Punjabi:** Okay. And when does this warranty period end for turbines
- Devansh Jain:** Different projects have different free O&M period. While it is not specifically the warranty period is the free-O&M period. So in some projects, it's 2 years; in some, it's 3; and in some, it's 4. Weighted average, say, about 3 years.
- Neha Punjabi:** Got it. And the margin profile under the business?
- Devansh Jain:** Well, this would be upwards of 25% but you look at it from that perspective, right, it is an 8-lakh job. We will obviously make at least 25%, if not more for doing the servicing piece of it.
- Neha Punjabi:** So this should be your PAT margin of 25%, is it?
- Devansh Jain:** Yes, correct, upwards of 25%.
- Neha Punjabi:** Upwards. Can you just help with understanding what goes behind the O&M piece? Like would you have employee cost?
- Devansh Jain:** We have employee cost, which will get a portion there. You will have routine maintenance costs like grease, oil, and consumables; and third, you'll have the insurance cost, which we carry.
- Neha Punjabi:** Okay. And I am assuming the insurance would be the larger part of the cost structure.
- Devansh Jain:** Not really. Not really. The employee expenses will be the largest part of the cost structure.
- Neha Punjabi:** Thank you so much.
- Moderator:** Thank you. We have next question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Sir, I heard you saying that, henceforth, I mean, for larger rotor diameter and at 3.3 megawatts will be supplying only. Will we not be doing EPC?



- Devansh Jain:** Not necessarily. I did not say that. I said that intent or aim really in, in the coming financial year, is to supply certain quantities of the 3.3 megawatts turbine and only supply this. Because I think the LOI from Adani is only for supplies of turbine. Even if you look at the SECI-1 and 2 of Adani, 50 megawatt, the common infra was developed by them. We are not doing that common infra. So our intent really is to do about a couple of 100 megawatts of just supply. But yes, if we have to do supply, erection, commissioning, etc. We are happy to do that as well.
- Ketan Gandhi:** I'm not getting it, sir. Please, can you please elaborate on that?
- Devansh Jain:** So okay, why don't you continue and complete your question?
- Ketan Gandhi:** No. I thought maybe we will just be supplying the equipment. And EPC will be done by the buyer party. Is that right?
- Devansh Jain:** It depends. It depends what the buyer party wants to do, right. So like I mentioned to you, that the Adani LOI only talks about us supplying turbines. Assume it is not Adani, assume it is Tata, or assume it is somebody else. And if they say, no, I want you to do a turnkey job, we are happy to do the turnkey job also.
- Ketan Gandhi:** Okay. So basically, the agreement with Adani, LOI with Adani is only for the supply? EPC will be done by them?
- Devansh Jain:** Correct.
- Ketan Gandhi:** Thank you.
- Moderator:** Thank you. We have next question from the line of Mayank Sethi from Individual Investor. Please go ahead.
- Mayank Sethi:** In an answer to one of the previous questions, we indicated that the intent is to get to 8% to 9% PAT level. The corresponding ballpark revenue would be what, Rs.3000 Crores?
- Devansh Jain:** Approximately.
- Mayank Sethi:** And the next question is I am referring to the annual report, Page 169, contingent liability.
- Devansh Jain:** Unfortunately, I don't have the annual report with me, but please go ahead with your question.

- Mayank Sethi:** Sure. So it says that the claim of 4 customers for non-commissioning of wind turbines is pending and the amount is not ascertainable. So what is the status of these projects? And what was the reason for not commissioning?
- Devansh Jain:** Well, just to put it in perspective, this involves about 8 megawatts of projects. That is it. So it is not really anything significant, it is about 8 megawatts of turbine. And which have been done, but of course, there is some arbitration and legal proceedings going on. It's been going on for some time. Honestly, we have done everything contractually, which we have to do. So I do not think we expect anything significant to come out. But yes, given the accounting standards, we do need to disclose contingent liabilities.
- Mayank Sethi:** And my last question was that was related to a client-specific contract. Is it better to take it off-line or should we?
- Devansh Jain:** You can take it off-line. I mean, as its convenient with you, we do not have an issue.
- Mayank Sethi:** The client's name is SJVN. And they made one audit remark that you are aware, I believe.
- Devansh Jain:** Yes, we are absolutely aware, But again, just to put it in perspective when SJVN did do that, they did not have a PPA in place. We have now commissioned 38 megawatts of SJVN projects out of the 50 megawatts. So the remaining 12 megawatts, SJVN needs to tie up a PPA, which is their responsibility. As soon as they tie-up that PPA, we will commission their project.
- Moderator:** Thank you. The next question is from the line of Manish Kanakiya from Individual Investor. Please go ahead.
- Manish Kanakiya:** Yes, I would like to know in your PPT Page 9, you are saying 3 to 5 megawatts gigawatts expected to be commissioned by the industry. Do you see that being revised and by how much?
- Devansh Jain:** Well, as everyone expected to be about 2 to 3 gigawatts. Yes, that is probably a typo. We should have corrected that. Thank you for pointing that out.
- Manish Kanakiya:** All right. And just one more question, like, are there other states? Are you seeing other states like that Kerala, MP and Rajasthan, coming up with their own bids?
- Devansh Jain:** Well, I don't think Kerala is, we probably have the largest wind farm operating in Kerala, but Kerala is not coming up with any bid in the foreseeable future. Madhya Pradesh is not coming out with any bids in the foreseeable future. Maharashtra has come out with hybrid bid just recently for 800 odd megawatts, which is a wind-solar hybrid. We expect probably 1 or 2 more states can come out with hybrid bids or wind specific bids over the course of the next 6, 12 months. But honestly, there is so

much volume coming up in SECI that is really does not make a difference whether they take out a state pre-specific grid or not.

**Manish Kanakiya:** And do you feel that at the rates of like 2.85 or below, will it be workable to install this windmill anywhere other than Gujarat?

**Devansh Jain:** Well, to be honest, I think so there are 2 or 3 parts to it. One, over the past two bids, we have seen, wind tariffs stabilizing, so we had 3.46 going to 2.65, to 2.44, and then to 2.51 we have now seen tariffs stabilize at about 2.7. Having said that, as we move forward, if it is going to be just Gujarat or if it is just going to be the best sites of, let us say, Tamil Nadu, these tariffs probably can survive. But obviously if you are going to then move into states like Rajasthan, Madhya Pradesh, Maharashtra, so on and so forth, eventually, tariff will have to go up because ideally speaking, let us say, plf for Gujarat Kutch site, it's 38% on average technology. Beyond certain volume, you can't be in Gujarat, as we are seeing. There is no more evacuation after SECI-4 and so on. Now if you go to Maharashtra and let us say the PLF is 34%. That is a clear 11% to 12% dip, which means you need 11% to 12% increase in tariffs. So let us say it is 2.7, you will clearly need Rs.3 (just broad math) to do such projects. Now to some extent, as we take out better technology, for example, now we are moving to the 3.3 Megawatt technology, the cost of energy will further decrease. But obviously, the IPP or the manufacturers would also want to make a little bit higher returns/profits. And IPPs today are working on, let us say, 13% or 14% IRR, on the other hand, maybe somebody wants 13.5% or 14.5%. It is like larger part of industry is still pained by turbine prices. I mean, let us put Inox aside, the fact that we are the lowest cost and the leanest manufacturer. But others players are not able to survive at these numbers. So, we will probably have a little bit on the turbine pricing moving up. And number three; with what is happening on the banking side, i think interest rates are firming up for long-term money. I mean, to a great extent, long-term money is not even available unless you are a really strong player. And that also you see a lot of the weaker players fizzle out. But I think putting these 3 things together, 2.8-plus is something, which should really lay out in the days to come. I mean, but honestly, I am nobody to say this as because if some IPP decide, I want to win 500 megawatts, I do not care about margins. It's their prerogative.

**Manish Kanakiya:** And what do you think is the capacity for Gujarat to actually take in 5, 6, 7...

**Devansh Jain:** I think at this point in time, they can do up to 4 gigawatts in this Kutch area, and I think that for the next 2-odd years. Thereafter, it is hard to say about Kutch. But of course, within Gujarat, you have got a lot of sites, which are all intrastate, not interstate, so intrastate Gujarat can still put up a lot more power. But obviously, Gujarat just took out one tender, like a year ago, which was at 2.43, which did not make sense financially.

- Manish Kanakiya:** And just to ask, since you said that the central grid just got delayed. And the next 15 to 20 days, it could be up, yes, hopefully. Do you see SECI-4 or 5 getting postponed for implementation beyond FY 2020?
- Devansh Jain:** Well, as you may notice, SECI-3 has already been given a 2-month extension. I believe from what I understand and what the other players are talking about, they probably expect another extension because the land issue is still not fully resolved. And even if they do, from what I understand from a lot of the people, the grid is anyway going to be ready only by March 2020. So to that extent, in my view, you are probably only going to see SECI-3 by March 20, SECI-4 deadline, I think, in any case, is March or June. Am I right? It's March. So I don't recall off my mind, but I think it is March or June. So SECI-4, in any case, is not going to be really implemented within March 2020.
- Manish Kanakiya:** That means in FY2020, we could still have 4 or 5 gigawatts been implemented?
- Devansh Jain:** Yes, certainly. You'll have some of the grid state capacity is coming up and you'll have the backlog of SECI-1 and entire SECI-2 being commissioned. So with that extent, you will have almost 1,400 megawatts of SECI-1 and 2 being commissioned plus/minus in FY '20, then you will have almost 1.5 gigawatt of the other state bids kicking in, which will take it to about 3 gigawatts. And then you can add SECI-3 which-3 is 2 gigawatts, so that would be about 5 gigawatts. I believe next year, we would see close to about 5 gigawatts of commissioning.
- Manish Kanakiya:** Okay. And then you can see stabilizing FY 2020-2021?
- Devansh Jain:** If the grid is ready then, obviously, you can add more and you could do 8-10 GW. But honestly speaking, I think 5 to 7 gigawatts is a sweet spot for the industry year-on-year, keeping in mind, land, evacuation, grid, so on and so forth.
- Manish Kanakiya:** Alright. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** Just a clarification, once the central grid infrastructure is done, there should not be any problem for us in executing SECI 3, SECI 4 and subsequent orders right?
- Devansh Jain:** Well really this existing common infra is where we have an LTA already in place, and it is for SEC I 1 and 2 for 500 megawatts.
- Jayesh Gandhi:** Okay and another thing is how much revenue in the current quarter is booked from SECI 1 or SECI 2 orders?

**Devansh Jain:** Well all of them is SECI 1. Entire thing is SECI 1.

**Jayesh Gandhi:** That is all from my side Sir. Best of luck for the future.

**Moderator:** As there are no further questions, I now hand the floor back to the management for closing comments.

**Devansh Jain:** Thank you everybody, for your time and for being part of the call. We are happy to announce that, this has been our third consecutive quarter of profitability on the back of our ongoing SECI execution. I think everybody is aware that the ensuing transition period has been prolonged, which has not enabled us to move faster than what we would have probably liked to do. But having said that, I think as one of our other investors did mention on the call, I think we have in all humbleness, have managed to steady the boat. All the company's all the plants are operating fine now. We have got execution going on the ground. We are now moving towards a new technology platform. A lot of other issues, which we have been seeing for the past 1.5 years in terms of banking support and so on and so forth, are now behind us. Going forward, we expect to completely ramp up execution and delivery as the common infra gets ready. We have also used this time to work on the next generation 3.3-megawatt turbine. And I think over the next couple of months, we should be launching this and actually putting up the first couple of turbines on the ground, and I think that would set a new benchmark in the Indian wind industry in terms of the levelized cost of electricity. I think we are also very enthused by the fact that we've continued to build on a strong relationship with Adani Green. We have received an LOI for 501.6 megawatts on the new 3.3-megawatt turbines. They continue to work with us closely on this and they are really working as a partner with us during this turbulent period. I think tariffs have started stabilizing over the past few months in the wind sector. And I think going forward this should ease pressure in terms of turbine pricing, in terms of actual implementation on the ground vis-à-vis a lot of other fringe players who are bidding in the middle to flip or probably they are just struggling in terms of financial closure and so forth. I think going forward, going into the next financial year, or talking of the next few months, we have a lot of auctions which have already been conducted. Of course, a lot of that implementation is yet to happen on the ground given significant amount of delay in evacuation infrastructure being readied by the government. But having said that, I think going forward, we believe a period of robust sustainable growth is evident in front of us in terms of the wind turbines sector. We are probably one of the very few wind turbine manufacturers, which has survived through this very, very turbulent period where a whole host of companies have collapsed. So we are just happy that, we have gone through this very bad tough period and put it behind us. And I think quarter-on-quarter we are stabilizing more and more, and building on our strengths. And I look forward to your continued support and hopefully, in the days to come, we should get back to our glory days. Thank you, and look forward to connecting with you with our March results.



*INOX Wind Limited*  
*February 08, 2019*

**Moderator:** Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.