"INOX Wind Limited Q2 FY 2016 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Inox Wind Q2 FY 2016 Earnings conference call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bhavin Vithlani from Axis Capital. Thank you and over to you Sir!

Bhavin Vithlani: Thank you. At the outset, I would like to thank all of you for dialing into Inox Wind Q2 FY 2016 Earning Conference Call and apologize for the delay. The management will be represented by Mr. Deepak Asher, Director and Group Head, Corporate Finance, Inox Group, Mr. Devansh Jain, Executive Director, Inox Wind, and Mr. Dheeraj Sood, Head Investor Relationship of Inox Group. Thanks to the management for this opportunity. I now request Mr. Asher to take us through the results for the quarter. We will then open the floor for Q&A once we are done with the presentation. Mr. Asher, please.

Deepak Asher: Thank you Bhavin. A very warm welcome to all investors, analysts and other participants on this call. We thank you for your interest and for taking the time to attend this call.

Before I start by giving you an overview, I would like to mention that the Board Meeting of Inox Wind has just concluded about a couple of hours ago, and the Board has approved the results for the quarter and the half year ending September 2015. The results have been posted on the website of the company as well as the websites of both the stock exchanges. We have also uploaded along with the results, a copy of the earnings update presentation, which I intend to take you through. So, I hope you have had the opportunity to go through the numbers, but just for the benefit of those who have not, I would like to start by giving you some of the key performance highlights for the quarter.

This quarter we did what was the highest quarterly sales by Inox Wind, a volume of 212 megawatts. We did the highest quarterly commissioning by Inox Wind, 140 megawatts. We clocked a total quarterly revenue for the first time in the history of this company exceeding Rs.10 billion and we have also witnessed, as we were expecting, and as we had indicated to you last time, a fall in the QOQ net working capital from 169 days in June 2015 to about 148 days in September 2015. We are on track as far as the improvement of working capital is concerned. We have a robust order book as of September 30, 2015 of 1,202 megawatts and hence on all broad parameters the outperformance continues.

As far as the financial results are concerned for the quarter, and for the purpose of comparison, I am actually doing a year-on-year comparison, which means, I am comparing Q2 of FY 2015 with Q2 of FY 2016. Our total revenues increased from Rs.5.4 billion in Q2 of FY 2015 to Rs.10 billion in Q2 FY 2016, a growth of 86%. EBITDA increased from Rs. 869 million in Q2 of FY 2015 to Rs. 1.37

billion in Q2 of FY 2016, a growth of 58%. EBITDA margins stood at 13.6% in Q2 of FY 2016. PAT increased from Rs.545 million in Q2 of FY 2015 to Rs.891 million in Q2 of 2016, a growth of 64%. PAT margins stood at 8.8% for the Q2 of FY 2016.

Looking at the same numbers for the half year, half-yearly revenues increased from Rs.8.47 billion to Rs.16.44 billion, a growth of 94%. EBITDA increased from Rs.1.2 billion to Rs.2.2 billion, a growth of 77% and PAT increased from Rs. 780.0 million in the half year 2015 to Rs.1.4 billion in the half year FY 2016, a growth of 79%. PAT margins for the half year stood at about 8.5%.

In terms of volumetric data, sales for the quarter increased from 114 megawatts which is what it was in Q2 of FY 2015 to 212 megawatts in Q2 of FY 2016, a growth of 86% in volume terms. For the half year, the volumetric growth was 84% from 180 megawatts sold in H1 of FY 2015 to 332 megawatts sold in H1 FY 2016.

As far as commissioning is concerned, commissioning in Q2 of FY 2015 was 30 megawatts, in Q2 of FY 2016 it stood at 140 megawatts, a 367% or almost a five-fold increase in commissioning volumes. For the half year, the commissioning volume has increased by almost seven times from 30 megawatts in H1 of FY 2015 to 218 megawatts in H2 of FY 2016.

On working capital which is the other key operating parameter, our working capital deployment has begun to show improvement. We were at 169 days as of June 2015 and this has already gone down to about 148 days as of end of September and we expect this trajectory to keep on going down and as we had indicated earlier. While our internal targets are tighter, from an investor's expectation perspective, we are giving an outlook of about 120 days of working capital deployment.

What we believe will help us achieve this is the enhanced manufacturing capacity, which will lead to reduced capacity mismatches between Nacelles, Hubs, blades and towers, and a steady order intake, which will lead to lower inventory levels. As far as receivables are concerned, the healthy order book and more efficient execution planning and increased project commissioning will also lead to receivables being collected faster and the sum total of both would mean a significant improvement in working capital in terms of number of days.

On the order book side, our total order book as of September 30, 2015 stands at about 1,202 megawatts, which reflects an estimated execution period over the next 12 to 15 months. During the quarter the order addition has been about 194 megawatts and for the half year the order addition was 356 megawatts.

The key highlights as far as the order book is concerned is we have been strengthening our position and increasing our market share significantly across all categories of customers including IPPs, PSUs, utilities, corporates and retail customers. We have during the quarter got a repeat order from Tata

Power, new orders bagged include those from Ostro Energy and Mytrah Energy. We find increased traction across accelerated depreciation driven customers, and we are also maintaining the momentum in the tender market. We have just bagged anorder from GMDC as well. Our diversified and reputed clientele include Semcorp Green Infra, Continuum Wind, Tata Power, Bhilwara Energy, CESC, Renew Wind Energy, Ostro Energy and PSUs of the likes of NHPC, RITES, GACL, and GMDC amongst others.

In terms of the state wise break up of our order book, around 38% is in Rajasthan, around 39% in Madhya Pradesh, around 22% in Gujarat and about 1% in Andhra Pradesh. At this point of time we are just entering this state as of now. The break up of the order book between turnkey and pure equipment supply is around. 70:30. 70% of the order book is turnkey and about 30% is equipment supply.

The current pipeline of projects sites continues to be extremely strong. We currently have control over about 5000 megawatts of sites. This includes the largest land bank in the sector in Gujarat, in Rajasthan, and in Madhya Pradesh. We have entered Andhra Pradesh and we are focused on increasing the land bank further in the state.

We have as of September 2015, as I mentioned, aggregate land bank for a capacity of more than 5000 megawatts and assuming a run rate of about 700 megawatts per annum which is what is required in terms of land bank, because assuming a volume of about a 1000 megawatts and 70% of this being turnkey, this land bank should be good enough for us for the next six to seven years. But this obviously is a dynamic situation and we keep on increasing our land bank in order to be able to fuel further growth.

As far as the update on capacity expansion is concerned, as you might recall, our current capacity at Una, Himachal Pradesh is about 550 Nacelles and Hubs. Further our current capacity in respect of our plant located at Rohika in Gujarat is about 400 blades and about 150 towers. The capacity at Rohika, Gujarat for the towers is being expanded from 150 to about 300, and the new facility at Madhya Pradesh which will have a capacity of 400 Nacelles and Hubs, 400 blades, and 300 towers also is going to be commissioned gradually over the next few quarters. In fact the blade plant at Madhya Pradesh has already commenced production and this, by the way, is amongst the largest blade plants in Asia. The tower plant is already on track to be commissioned in the second half of this financial year.

We continue to lead the industry in terms of technological updates. We have introduced the 100 meter rotor dia blade. This has not only been commissioned but the recent recertification by TUV SUD as far as this blade is concerned has led to a higher energy yield of more than 6% over a current WT 100 model and more than 20% over the 93 rotor dia which means that this modification to further improve the power curve has led to benefits of higher margins as far as the company is concerned as well as improved profitability for our customers.

Beyond this we are launching the 113 rotor dia blade. This will be on both hub heights of 100 meters as well as 110 meters. This will give about 42% higher yield than the 93 rotor dia turbine and about 20% higher yield compared to the 100 meter dia turbine and these more efficient power curves, improved up- times and reduced O&Ms will make this turbine ideal for low wind pockets and will provide much better return on investment to our customers as well as higher pricing and higher market share as far as we are concerned.

From a Balance Sheet perspective, we continue to remain extremely lean as far as debt is concerned. Our debt to equity ratio as of H1 FY 2016 is 0.7. Our net debt to equity, net of cash is less than 0.4 and our return ratios for the half year have been about 35% in terms of return on equity and about 29% return on capital employed.

So, these ladies and gentlemen are broad description of the operating and the financial parameters. I would like to open the house now for any questions and answers that you might have. My colleague Devansh and I will be happy to take any questions.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Gaurav Sanghvi from Bajaj Alliance. Please go ahead.

Gaurav Sanghvi: Good evening Sir. Thanks for the opportunity. My first question is related to your gross margin in this quarter. If you can just help to understand what has led to a decline in the gross margins on year-on-year basis?

Devansh Jain: Again, I think, if you were to compare in Q1 we did about 13.6% in terms of EBITDA margins and in Q2 we have again maintained about 13.6%. I think we are well on track to achieve our overall guidance for the full financial year. I think one of the reasons you see this blip if you compare it to Q1 or Q2 of the last financial year is simply because some of the forex impact which has kicked into the operating expenses is something which has come in at H1 and this is loaded on a lower volume, which has been achieved over H1. If you spread that impact over the full financial year that would lead to margin expansion that is number one. Number two, what we have seen is a lot more commissioning picking up over this H1 as opposed to what we did in the last financial year and number three we have a major chunk of the larger turbines, which we are supplying, the 100 rotor turbines, majority of that is going to happen over Q3, and Q4. So, you know, again I would kind of tend to ignore or not get overtly anxious about why the quarterly EBITDA margin is lower than the quarterly EBITDA margin over the last financial year, I think we are very well on track to achieve the overall EBITDA margins, which we have kind of guided for or aiming for over this full financial year.

Gaurav Sanghvi: Sir, the guidance in the EBITDA margin, which we have given because of the higher rotor blade coming into execution overall mix would be much more favourable. So we are kind of on track?

Devansh Jain: That is right. We are well on track for that.

Gaurav Sanghvi: Sir, there is no change in the assumption or guidance which we have given for the EBITDA margins, right? This is one of the quarter and we need to just focus on what we have been guiding?

Devansh Jain: I think you need to focus on the fact that the execution cycle has picked up massively given the fact that this was a monsoon quarter, we probably have had the highest execution in India in this quarter and with a lot of our common infrastructure facilities commissioned or on the verge of commissioning we are going to see, I think, a very, very robust execution happening on the ground and commissioning happening on the ground over the next two quarters. I mean this EBITDA margin you see in this quarter or in Q1 is honestly part of the cycle to achieve the full year guidance. There is nothing absurd or out of the blue in this.

Gaurav Sanghvi: Second question is overall on the wind market. If you can just give brief view about the market and growth expectation for the market and how is the competitive intensity in the market?

Devansh Jain: Again, I think we are seeing a massive thrust from the government on the renewable side. The present regulatory regime and the present policy push, which is coming, I think the market is ripe to get about 3.5 to 4 gigawatts. I think there are various estimations in the market ranging from CRISIL to various other people I personally believe this year the market should from a sales perspective be at about 3.5 to 3.6 or 3.7 gigawatts. I am not sure about other people's commissioning and hence a lot of the data published from MNRE is on commissioning, but I think from a sales perspective the market should be at about 3.5 to 3.7 gigawatts of sales this year. I think with two or three key regulatory changes expected to happen, one of which, is the renewable generator obligation. In fact even in one of the main stream newspapers today, Mr. Piyush Goyal has had this big announcement where he says the RGO is about to kick in at any point in time which will mandate fossil fuel based power producers to necessarily set up 10% of the capacity based on renewables. I think once this bill goes through Parliament and once if execution kicks in we should see expansion of the market. The RE law which the government is also proposing to enact would see expansion of the market, but I think over the next two to three years we would expect the market to move up to 4 to 5 gigawatts, but again honestly, if you look at the past two years, the market was at about 2 to 2.2 gigawatts and this year again the most conservative of estimates talks of 3 gigawatts plus and for the next financial year we talk of at least 4 gigawatts. So we are any ways seeing a doubling of the market even from the most conservative estimates in the next two years and of course with these new changes kicking in I think the market should only expand further.

Gaurav Sanghvi: Overall on the competitiveness in the market? How is the competitive intensity? Is the pricing coming down because of some of the competitors which were not aggressive or which were not there in probably the funding…?

Devansh Jain: I do not think the pricing is coming down certainly. I think on the contrary the pricing is only inching up and I think that is reflected on Inox Wind as well. Please keep in mind most of the competitors are losing money or barely breaking even in India. So for them to drop prices further will lead to them increasing their losses. The market itself is expanding. So in an expanding market place it is easier to push pricing, yes if the market was crashing, you will see a lot of the existing players fold up even faster, but I think from an overall competitive perspective, the top five really control 80% of the market and at this point in time, I would go on to say that the top three control about 70% of the market.

Gaurav Sanghvi: So, we are not witnessing any pricing pressure or aggressive competitiveness?

Deepak Asher: We would not see a pricing pressure when the market is expanding by 50% per annum from 2000 megawatts up to 3000 megawatts and next year 3000 megawatts is going up to 4000 megawatts, with that kind of growth happening in the market, you on the contrary expect prices to harden up rather than softening.

Gaurav Sanghvi: My last question is on as we are path of expansion of the capacity and we have not looked at AD market very strategically. What is the strategy for AD market and how we like to tap that market?.

Devansh Jain: Again, I think, we said this at the beginning of the year, we were sold out and I think it is honestly the fact that we did not focus on the retail market we suffered as a result of the other successes we enjoyed. You know if we are sold out on the IPP side or the utility side or the tender side you cannot service the AD market. What we have done now is that we are keeping a certain quantity of our sales open at all points in times. The IPP demand for Inox Wind is so high that whatever we bring to the table goes out. So now like 10% for example is something which I am not going to give an IPP. This is for the AD market and these AD guys typically wake up in August September or in February March for September commissioning or March commissioning to take care of the AD benefit. So to that extent we are now strategically looking at the AD market. Second we have expanded our marketing footprint by a great extent across India. So we have added a lot of senior people and a lot of foot soldiers across India and I think we are seeing a lot of traction, a lot of demand coming in from these AD guys. Of course, we are keeping a limited portion of what we sell for the AD side, because I think to a great extent we are already been sold out this financial year and we have a strong enough visibility for the next financial year, but yes, we aim to capture about 20% of what we do by selling to the retail guys, and I think we are very well positioned to do that.

Deepak Asher: Also remember AD market is actually the low-hanging fruit. When you service IPPs of the likes of Tata Power for example, you know they are much more demanding and they are much more robust and rigorous in their diligence processes, in their contract negotiations than an individual customer who wants to buy 10 megawatts or 15 megawatts. So we have been so immensely successful in the IPP market there is no reason why we would not be able to take a part of the AD market as well. It is only as Devansh mentioned we were sold out when the AD market actually opened and hence did not have enough volumes to service them but now with the increased capacity the capacity enhancements I think we will be able to take that market as well because as I said it is a low-hanging fruit actually.

Gaurav Sanghvi: So it would be more or less margin accretive to our business?

Devansh Jain: We would believe that yes.

Moderator: The next question is from the line of Charanjeet Singh from B&K Securities, please go ahead.

Charanjeet Singh: Congratulations on strong execution. I would like to understand firstly as the earlier participant asked about the gross margins, how has been the negotiations in terms with the component suppliers for this year and are we seeing any kind of further reduction in the pricing because our gross margins actually year-on-year they have seen a dip?

Devansh Jain: Again Charanjeet, I think two things, one I think, I would kind of to some extent if you keep out the forex piece which goes in the operating expenses given the fact that as of March 31 whatever our open forex exposure was and again just to remind you we hedge 50% of all open exposure at all points in time to that extent that 50% was open and the rupee weakened, that impact is what has hit us in H1 and I think we have kind of absorbed that and that is well within the numbers we expect for this financial year. The challenge within that is that expense which is kicked in is loaded on much lower volumes of H1. To load that expense over the full years volumes your margins will automatically expand number one, number two, as we supply more and more of the hundred rotor turbines where we make a higher margin and that is spread moreover Q3, Q4 because as the MP facility expansion has kicked in over Q3 and Q4 margins expand. Coming to vendor renegotiations and so on and so forth I think we have been renegotiating at the beginning of the year our supply chain cost and we honestly have been very, very successful in bringing costs down year-on-year given the increasing volumes at Inox Wind. To some extent a lot of that again kicks in Q3, Q4 because some of the existing purchase orders which expired over Q1 reflect those margins. Over Q3 and Q4 all these new price contracts kick in where the savings would be much higher and to that extent we firmly believe our EBITDA margins are well on track for our full year guidance.

Charanjeet Singh: Okay, if you could just help us understand what would be the number to this savings which we would have achieved?

Devansh Jain: I don't have that off the table but I think we would have reduced our variable cost by about 2 percentage points compared to the last financial year.

Charanjeet Singh: Okay, that is helpful. On the other thing regarding this state discom issues which we are continuously seeing in the newspapers how have the customers for Inox responded to this and we have also seen despite all this negativity people have been able to raise second round of funding, so if you can just holistically give a perspective in terms of the state discom issue and how clients are looking from this perspective.

Devansh Jain: Honestly we have said this during the time of the IPO and we continue to reiterate this. I think if you look at the the turnover to capex ratio in this business on a typical 6 Crores turbine you make a topline of roughly one Crore. In a thermal power plant you typically have a six, seven Crores capex and a 5 Crores topline, so the intensity of turnover to capex is very, very low in the wind industry and to that extent if discoms are to delay your payments by two or three months it really has a very, very insignificant impact on your IRR. For example if your IRR is 16% it will probably drop to 15, 15.5% in renewable energy whereas thermal power has a very, very large and significant impact, number two, we have never had a case in renewable energy where there has been a default in terms of payments, what we have had is delays in terms of payment. I think all this big IPPs whether it is Renew, whether it is Tata Power, whether it is Ostro, I think all of them build in to their model, if the discoms says we will pay you in 60 days they build in enough load of let us say one quarter to look at their IRR calculation and I think that is one piece, the second piece I think the government is really talking very aggressively I think about the entire discoms restructuring and I think we are seeing a lot of movement around that be it in terms of reduction of A&T and I am not talking specifically of one exceptional state not doing anything and so on and so forth. I think the interest rates are going down. Overall tariffs across states are going up. Overall transmission losses are going down; obviously all these evils cannot be wiped off in one quarter or in two quarters. The direction is very positive, the government is very committed. The government is also talking of linking a lot of central subsidies and it is a carrot and stick policy where they are talking of lot of other central support being linked to states raising tariff year on year to reduce these losses or become viable. I think directionally it is very positive and I think people understand that and appreciate and I think that is the reason you are seeing some of the biggest IPPs, globally committing billions of dollars to the power sector particularly the renewable sector in India.

Moderator: The next question is from the line of Ruchit Mehta from SBI mutual fund, please go ahead.

Ruchit Mehta: Could you just help me understand a bit, what would be at the end of the quarter the amount of orders outstanding on the installation front, I mean like for example this quarter you have executed 212 megawatts but executed 140, so the balance I am assuming from this quarter would be how much plus previous quarter carry forward?

Deepak Asher: If I understand your question correctly as of the beginning of the quarter our order book was about 1220 megawatt, we got incremental orders about 194 megawatts during the quarter, so this would have taken the order book to a total of 1220 plus 194 but we also during the quarter executed about 212 megawatts worth of sale and hence the closing order book is about 1202 megawatts, so that is 1220 plus 194 new orders minus 212 orders executed which leads to 1202 order book as of end of September.

Ruchit Mehta: Actually I was trying to understand that when you say you have commissioned about 140 megawatt in this quarter.

Deepak Asher: 212 is the supply.

Ruchit Mehta: What is the backlog on the commissioning part?

Devansh Jain: On the commissioning part we have a backlog of about 235 turbines, about 235 is backlog in terms of commissioning but keep in mind majority of these have already been installed. It is more the common infrastructure which is kicked in, you may have read this announcement in September where our Gujarat substation of 400 megawatt has been commissioned as a result of which all the backlog will keep getting commissioned and I think in the next week we would be taking out another announcement about another substation getting commissioned . Turbines are installed and erected, you are waiting for your 220 KV substation or 220 KV line to be charged because then overnight all your turbines gets commissioned, so lot of our common infrastructure commissioning is happening at this point in time.

Deepak Asher: Just to put that differently turbine you can sell one turbine a day which is fine but you are commissioning, there is lumpiness, because it is a 200 megawatt substation that gets commissioned together, so once that happens all the 200 megawatt gets commissioned together.

Ruchit Mehta: So out of 212 megawatt that we sold in this quarter you have commissioned about 140 which would have included some backlog from the previous quarter how much of this quarter's sale is yet to be commissioned per se?

Deepak Asher: 235 turbines are outstanding to be commissioned as of September 30 overall and what we do expect is by the end of this financial year which is by March 2016 we will be back to what is our normal execution period of one quarter lag between supply and commissioning, there will always be some uncommissioned turbines because the turbines that you sell in Q1 gets commissioned in Q2.

Ruchit Mehta: In terms of your order book this 1200 odd megawatts how many of them are pure equipment related orders?

Deepak Asher: 70% is turnkey, 30% is pure equipment supply.

Ruchit Mehta: What would have been that mix for this quarter sales, how much of this quarter sales is pure equipment vis-a-vis turnkey?

Devansh Jain: This quarter would be about 12 to 15% of equipment supply, and about 85% would be turnkey.

Ruchit Mehta: Can you just run me through the first half movement in cash flow, I guess you ended your fiscal 2015 with about 800 odd Crores of debt and 400 odd Crores of cash, the key major movements that you had?

Deepak Asher: To begin the half year we had working capital debt of about 870 Crores and cash of about 700 Crores which was essentially the IPO cash, so net cash position was about minus Rs 170 crores. During the half year cash profits were in the tune of about 200 Crores and bank borrowings for working capital were about 233 Crores, so that lead to cash being generated of about 430 Crores from operations and borrowings which essentially went to fund the working capital requirement.

Ruchit Mehta: How much would that have been?

Deepak Asher: About 470, and then there was plant capex outlay of about 170 Crores. The net cash flow before the six months was minus Rs 241 crores that is cash profit plus bank borrowings minus capex minus working capital.

Moderator: The next question is from the line of Ankur Sharma from Motilal Oswal Securities, please go ahead.

Ankur Sharma: Good evening Sir and thanks for the opportunity, firstly on the realization and more so on the commissioning piece as you mentioned we have commissioned close to about 140 megawatt this quarter but the sales realization is just about 4.7 odd Crores, so on a per megawatt basis that appears extremely low, so could you help us understand what is happening there?

Deepak Asher: I will request Devansh to take up but I think broadly the answer is that some of the commissioning volumes where we have limited scope, see not all commissioning contracts are the same, in some of them we have a very, very limited role to play and in one of the larger commissioning orders that we executed during this quarter was where we had to merely connect it to the grid and therefore the commissioning price for that order was low compared to our normal full-fledged commissioning price.

Ankur Sharma: Okay but we should expect that on a rolling basis it should be around that 10 million.

Deepak Asher: There is nothing structurally wrong with the issue, it is just that in this quarter we had one particular order in which we had a very limited commissioning role to play.

Devansh Jain: I think you will see a lot of that kick in, the 10 million per megawatt number kick in over the next two quarters given the fact that one of our major substations got commissioned recently which is for 400 megawatt where we just commissioned about 50-60 megawatt so with the remaining 200-300 megawatt getting commissioned over the next two quarters you will see a big chunk of commissioning kicking in which would be at that 10 million estimated price.

Moderator: The next question is from the line of Yogesh Patel from Canara Robeco, please go ahead.

Yogesh Patil: In the last quarter's result raw material as a percentage of sales is somewhere around 68% right, we made a loss of 55.5 Crores forex loss and our hedging policy 50% to be hedged, so when this is hedged 50% you say the rupee has appreciated, theoretically the cost should be lower?

Deepak Asher: I am afraid we will need to get back to you on this, first of all I do not think I heard your question completely but I also don't have all the data that we will need to respond to that, if you don't mind I will get back to you on that question separately.

Moderator: The next question is from the line of Nirav Vasa from B&K Securities, please go ahead.

Nirav Vasa: Thank you very much for the opportunity Sir, I missed the number that you gave on the sales breakup, so can you give me the number in terms of megawatt and actual revenues breakup in terms of turnkey and equipment supply?

Devansh Jain: Sorry, we don't give a split up of turnkey and equipment supply.

Deepak Asher: What we have indicated is in the quarter we sold 212 megawatt, 114 megawatt in Q2 of FY 2015 and we commissioned 140 megawatt compared to 30 megawatt in Q2 of FY 2015. We are not giving breakups between turnkey and equipment supply because these are commercially sensitive.

Nirav Vasa: Sir, what was the revenue booked in the first half in the O&M revenue that were booked in first half?

Deepak Asher: There is not any significant O&M revenue.

Devansh Jain: Very insignificant, O&M would be to that extent of about 6-7 Crores. Please keep in mind the base is increasing now and we typically give a two year free O&M period so the next one to two years we will see a massive annuity pipeline kicking in but at this point in time it is very insignificant.

Moderator: The next question is from the line of H.R. Gala from Panav Advisors, please go ahead.

H.R. Gala: Hi, just wanted to know the reason for increase in other income?

Deepak Asher: The IPO cash that was lying lead to treasury income.

H.R. Gala: How much will be the total capital expenditure in this year we are planning?

Deepak Asher: Apart from what we have already incurred there will be another 200 Crores of incremental capex.

H.R. Gala: Okay, so 170 we have already incurred and another 200.

Deepak Asher: Yes.

H.R. Gala: Sir for the full year are we set to sell up to about 900-1000 megawatt whatever we had planned earlier.

Deepak Asher: That is what we expect.

Moderator: The next question is from the line of Abhijeet Vora from Sundaram Mutual Fund, please go ahead.

Abhijeet Vora: Thanks for giving me this opportunity. I had a query on your consolidated accounts versus standalone. I know you explained this last quarter but again just for clarification, there are losses sitting in your subsidiary whereas subsidiary role is just the erection as well as maintenance of wind assets, so why are these losses continuing and then maybe it is also increasing I believe year-on-year?

Deepak Asher: Well, I think we mentioned this last time as well. First of all I don't think you need to look at these two profit and loss accounts or balance sheet separately for two reasons, one is IWISL is a 100% subsidiary of IWL and hence it is as good as IWL as well in terms of legal ownership and commercial ownership. It was separated only for tax reasons because the services that IWISL renders are subject to service tax and works contract acts whereas the sales the IWL makes is subject to VAT and we did not want any of the authorities either VAT or service tax authorities to charge the revenues of the other entity and therefore we actually incorporate these as different entities. To some extent the loss in one would be compensated by the profit in the other because what you normally do commercially is negotiate a lump sum price and then break it up in to equipment supply and commissioning revenues based on at times what the market is and at other times based on what the customer requires but as I said it is one whole composite business 100% owned by IWL and therefore it really does not matter as to whether the subsidiary is in profit or loss, I think the consolidated position is what matters.

Moderator: The next question is from the line of Bhalchandra Shinde from Centrum Broking, please go ahead.

Bhalchandra Shinde: Good evening Sir. My first question is related to order book, with the 1202 megawatt order book how much is letter of intent within that order book?

Devansh Jain: Term Sheets would be at about 30%.

Bhalchandra Shinde: Regarding about the total market I would like to know your perception matrix, as a government it has been targeting about 10 gigawatt annual rate to be achieved over next five, six years, by that way till what level exactly when market can go up to according to you and looking out current discoms related problems I think most of the executions will see like a lag effect improvement, but what kind of level do you see in wind market installations over the next three to five years?

Deepak Asher: Well, as Devansh mentioned in response to perhaps some other question the most conservative estimates as far as the size of the market for this year FY 2016 are in the range of about 3000 to 3200 megawatts. It is possible again depending on how some regulatory developments unfold that this could actually go up to about 3500 megawatts. Next year which is FY 2017 again the most conservative estimates peg the size of the market to be about 4000 megawatts. If the RGO kicks or if the amendments in the electricity or renewable energy laws kick in then it could actually go up to 5000 megawatts or more, so the range for this year would be about 3000-3500 megawatts.

Bhalchandra Shinde: What can be the breakup, where do you see AD market and IPP level market, what can be the break up?

Deepak Asher: We would expect IPP to be at about 60% of the market, AD to be at about 20% possibly lower and PSU would be at about 20-25%.

Moderator: Ladies and gentlemen, due to time constraint that was the last question. I would now like to hand the floor over to Mr. Bhavin Vithlani for closing comments.

Bhavin Vithlani: I would like to thank all of you for joining us today. I would also like to thank the management of Inox Wind for giving us the opportunity to host the call. Over to you Mr. Asher and Devansh for final comments.

Deepak Asher: Once again, investors, analysts and all other participants on this call, we would like to thank you for your interest. We apologize for the delayed start. We were held up in something else and we are really sorry for the fact that perhaps all of you did not get an opportunity to raise the questions that you had. Feel free to get in touch with the company through Dheeraj Sood who handles investor relations for us and we will be happy to respond to any other queries that you may have which you have not been able to raise on this call.

Devansh Jain: I think we have had a fairly good quarter. I think we have had solid execution and lot of our common infrastructure is well commissioned, a lot of it is in final stages of commissioning. I think we should be seeing a lot more synchronization between execution and commissioning as we move forward. The MP facility has finally officially been commissioned, will be making an announcement to that extent very soon. I think that should hold us in good stead in terms of delivering the higher efficiency products in the market and I think we would continue to expand and capture a larger pie of the market be it the IPP side where we have added two big names Mytrah and Ostro for this quarter besides continuing with repeat orders and we have already started seeing traction on the retail side where we have added a deeper marketing network across India, so I think all in all we are playing up pretty well with respect to the overall execution plan we have for this year and hopefully in the next coming quarters we should see sustained growth. Thank you.

Moderator: Ladies and gentlemen on behalf of Axis Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.