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Sub: Submission of Transcript of the Conference Call with Analyst/ Institutional Investors

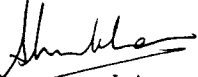
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With reference to the above, we enclose herewith transcript of the conference call done with Analyst/Investors post the agreements with AMSC on 18th December, 2015.

Please take the above on record.

Thanking You

Yours faithfully,
For **Inox Wind Limited**


Shubha Singh
Company Secretary

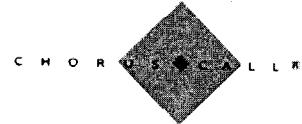


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“Inox Wind Limited Conference Call”

December 18, 2015



MANAGEMENT:

**MR. DEEPAK ASHER -- DIRECTOR & GROUP HEAD
(CORPORATE FINANCE), INOX GROUP
MR. DEVANSH JAIN – DIRECTOR, INOX WIND LIMITED
MR. DHEERAJ SOOD – HEAD, INVESTOR RELATIONS, INOX
WIND LIMITED**

MODERATOR:

MR. ANKUR SHARMA -- MOTILAL OSWAL SECURITIES

Moderator: Ladies and Gentlemen Good Day and Welcome to the Conference Call to discuss Inox Wind's Landmark Agreement with AMSC hosted by Motilal Oswal Securities. 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 for 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. Ankur Sharma who is from Motilal Oswal Securities. Thank you and over to you.

Ankur Sharma: Thanks, Good Afternoon, Ladies and Gentlemen and welcome to the call. We have with us today from Inox Wind, Mr. Devansh Jain who is the Director at Inox Wind; Mr. Deepak Asher -- Director and Group Head (Corporate Finance), Inox Group and Mr. Dheeraj Sood – Head, Investor Relations. I now hand over the call to Mr. Asher. Over to you, sir.

Deepak Asher: Thank you very much, Ankur, and A very warm welcome to all Investors and Analysts who have taken the time to attend this call. The objective of this call essentially is to apprise you of some significant agreements that we have entered into with AMSC. As many of you might have seen through the press releases that we have released as well as the announcements made to the stock exchanges, we have entered into what might be considered to be Landmark Agreements with AMSC and just to give you a backdrop there are actually three agreements that we have entered into:

The first one relates to securing from AMSC a perpetual and exclusive license to manufacture the Electrical Control Systems for the 2 MW Turbines that we already are producing. Now for those of you who are not familiar, the Electrical Control Systems are what are called the brains of the Wind Turbine, in as much as they enable reliable high performance operations of the Turbine by controlling power flows, regulating voltage, monitoring system performance, controlling the pitch of the wind turbine blades and the yaw of the turbines all in order to maximize efficiencies. The Electrical Control Systems under the present arrangements are components that we buy from AMSC and to that extent we were dependent on AMSC for the sourcing of the ECSs. In order to secure ourselves from a supply chain perspective, it was in our interest to start manufacturing those ECSs ourselves and the agreement that we have reached is one under which AMSC provides us with the technology to produce these ECSs, they will help us develop the supply chain for the components that go into manufacturing these ECSs, they will help us set up the manufacturing facility and thereafter we will manufacture the ECSs ourselves. So that, apart from a significant cost advantage that would give us because of indigenization of the supply of ECSs, it will also give us security and to that extent independence from AMSC as far as being able to source the ECSs are concerned.

The second agreement that we have reached with AMSC also is to collaborate on the development of 3 MW Wind Turbine design, currently, our workhorse is a 2 MW Turbine but going forward it is possible that at least at some sites we will be able to deploy the 3 MW Turbine in order to further enhance efficiency and reduce the cost of generation for our customers and we are in that sense developing the pathway to reach the goal of being able to produce 3 MW Turbines in terms of collaborating with AMSC in developing the design and the technology for this Turbine as well.

The third of course is a Long-Term Supply Agreement for the ECSs. While as I mentioned we would eventually have the technology and the license to manufacture the ECSs we would continue to buy a part of requirements from AMSC and we have therefore also entered into a long-term supply agreement for a period of about 5 to 7-years depending on how volumes pan out going forward at a price which is fixed and therefore it also gives us cost security in terms of sourcing this ECSs for the foreseeable future. So these are the three key agreements that we have reached.

The primary objective was, as I said, to ensure security of the ECSs supply, independent of AMSC, which we have been able to do by which we will eventually get there in terms of setting up the manufacturing facility, we already sourced the technology and the license to be able to do that and the spin off benefit of that also would be reduction in cost of manufacturing a turbine because of the indigenization which will lead to a lower cost of production of the ECSs. So these are the broad brush of the agreements that we have entered into. If Devansh would like to add anything further to that we could do that, otherwise we could head in for Q&A.

Devansh Jain:

Sure, may be just add two or three things on top of that; I think post the IPO we heard some concerns from some of the investors that given the financial condition of AMSC, how would we be secure on the ECS front. While we have spoken about this, that we already have a source code in an escrow account, people were still concerned to a certain extent that there could be disruption of 3 or 4-months. While we realized that, we have been working on this for the past couple of months and then what we have announced as of yesterday is something very-very significant to that extent wherein we are now absolutely independent in terms of having ability to source and manufacturing ECS Systems.

Second, I think the savings which accrue to us from this in-house manufacturing will be substantial. Again in terms of the broad financials what have been agreed with the AMSC I think the press release from AMSC talks of \$210 million landmark agreement. What we have done is we have entered into a License Agreement which would cost us about \$10-odd-million which would be structured payments over the next 1-odd-year, and to the extent of the savings which will accrue to us from the manufacturing of the ECS Systems, while I cannot fix number to it, but margins in terms of manufacturing this critical component are fairly significant, and depending on what kind of volumes we manufacture going forward, I think the payback period would typically be less than 2-years. So I think this would significantly boost profitability for us going forward.

Third, I think this also opens the door for us to continue our relationship with AMSC and get into newer products platforms. While I mentioned this many times in the past that from an Indian market perspective we cannot introduce too many larger turbines given the physical challenges in terms of moving larger turbines and larger rotor diameters, but there are certain sites where we could put up 3MW turbines on site for building wind park facilities. And given this strategic agreement that we now have on the ECS I think it opens the door for us to continue our partnership and our long term corporation with AMSC. So from these three perspectives I think deal we have entered into with AMSC is a very-very significant move for Inox Wind.

Moderator:

Thank you sir. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Anubhav Gupta from May Bank. Please proceed.

- Anubhav Gupta:** The first question is on the amount of CAPEX which we are looking for setting up this kind of unit in India? When do we expect this unit to start production?
- Devansh Jain:** We intend to put up CAPEX close to Rs.2 to 3 crores because at the existing nacelle manufacturing facilities we would earmark a certain area for that. CAPEX is absolutely minimal and minor assembly shop which is required, Technology license fee would be structured over the next 12 months. CAPEX perspective otherwise it is only Rs.1-2-3 crores, nothing significant. With respect to the timelines for manufacturing product, I think we would expect to start manufacturing ECSs over the next 9 to 12-months as we are not establishing a new manufacturing facility. We would use our existing manufacturing facility and earmark an area for the production of ECSs, it could happen very quickly in the next 12 months.
- Anubhav Gupta:** How much savings in terms of margin if you have done some internal working, could you....?
- Devansh Jain:** I cannot give you exact numbers but I think typically with these electrical control system components, margins in this could be in excess of 20-25% in the savings which could accrue to us in terms of in-house manufacturing of ECSs
- Anubhav Gupta:** Second question is on the broader terms. Since the imports constitute almost 60% of the total raw material cost since now you are working to reduce the import, so do you have any number in mind by how much percentage you want to bring the imports down over the next 2 to 5-years?
- Devansh Jain:** So I think the broad numbers you are talking are not correct, I am not sure where your numbers have come from. I think from the cost of turbine perspective the import constitutes about 35% of the overall turbine cost... imports in terms of the entire turbine which is the blade, the tower, the nacelle and the entire EPC piece to manufacture the Turbine. Both are about 35%-odd, not 60%, #1; #2, I think for us we have a supply chain spread across Europe, China and India, at the end of the day we keep increasing or decreasing the sourcing from different suppliers depending on where savings accrue the most, for example, if Euro strengthens very-very significantly we will increase dollar sourcing, if dollar strengthens very significantly we will increase Euro sourcing. But having said that we also have a lot of Indian sourcing, but for certain components the sourcing from overseas irrespective of the dollar-euro is still significantly cheaper#1 from a quality perspective imported components are far more credible as opposed to some of the Indian components. Having said that I think with what we have done on the ECS front and a couple of other things which we are working on I think overall our dollar-euro mix is up to about 25% going forward. I think we kind of stay at that number thereafter.
- Moderator:** Thank you very much. The next question is from the line of Gaurav Sanghvi from Bajaj Allianz. Please proceed.
- Gaurav Sanghvi:** Just coming back to same question in terms of savings, so we will be saving 20 to 25% of ECS cost, is that understanding right?

- Deepak Asher:** No, frankly, I do not think it is correct at this point of time to labor too much on the savings, yes, there would be savings, "how much they would exactly be" is something that we would probably put out in the public domain a bit later, I think what Devansh mentioned was just a very broad kind of off the cuff kind of assessment. The objective in this case was more to do with security than savings and that certainly has been achieved, and as I say, yes, there would be savings and what to quantum they would be is something that I do not think we should discuss at this stage because this would be in a sense forward-looking statements that I am not comfortable sharing at this stage.
- Gaurav Sanghvi:** So in this case we will be paying some royalty to AMSC or we have paid any one-time charges to AMSC for?
- Deepak Asher:** Yes, while we have agreed to pay a license fee which is as Devansh mentioned roughly about \$12 million and this is going to be paid in stages as the technology is transferred to us from now till possibly over the next 12-months till the manufacturing facility for the ECS is fully commissioned.
- Gaurav Sanghvi:** So this would be one-time payment and after that once we get this technology there would not be any recurring payment?
- Deepak Asher:** That is correct.
- Moderator:** Thank you very much. Our next question is from the line of Chintan Seth from SKS Capital and Research. Please proceed.
- Chintan Seth:** You mentioned CAPEX for the unit will be 2-3 crores and licensing fee outgo will be around \$12 million over the next 12-months?
- Devansh Jain:** That is correct.
- Chintan Seth:** You mentioned that imports currently stands at around 35% of the cost of the Turbine. So how much of that percentage is currently ECS cost on a rough basis?
- Devansh Jain:** It would be about 8% to 10%.
- Chintan Seth:** So you do not want to dwell on the saving part. So we expect significant saving from 8 to 10% coming down or we...?
- Devansh Jain:** I think Mr. Asher has already mentioned that, I think most important for us was to secure long-term security over that. I mentioned that these are proprietary critical products, so margins typically in these products are very high when you get it from a third-party, so obviously once you meet it internally, there would be significant savings to us. I do not think it is appropriate to start discussing do we save 5 lakhs or 10 lakhs or 20 lakhs, I do not think that is the intention of this call.
- Chintan Seth:** On \$210 million what AMSC is showcasing on their press release, what they are saying is that over the next 3 to 4-years the supply agreement value is around \$210 million?

- Deepak Asher:** I think predominant part of that value is the value of the long term supply. As I say the supply would probably be over a period of 5 to 7-years and what their press release mentions is the value of the supply which will happen over that period.
- Chintan Seth:** It does not include the licensee part
- Deepak Asher:** Includes the licensee as well, but as I said the licensee is a very small part.
- Moderator:** Thank you very much. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please proceed.
- Abhijeet Vara:** Firstly, how frequently does the ECS technology change and will Inox Wind have access to the new technology which will be developed by AMSC?
- Deepak Asher:** There continue to be some engineering improvements that keep on happening in the ECS' from time to time and the current technology agreement that we have will include all such improvements that are made in the ECSs that are used on the 2 MW platform that we currently produce.
- Devansh Jain:** Again, just to clarify on that, those improvements with respect to any platforms we use with respect to the ECS is already being supplied to the existing platforms, you do not have changes on that. The products we are already manufacturing will have standard set processes. If we are going to take out additional variants going forward those would be the changes but the technology agreement provides for them.
- Abhijeet Vara:** And second question is AMSC's press release as you mentioned it includes \$210 million. They would of the back of their mind some long term volumes for 5-7-years tenure. So if there is any shortfall in this long term volume, will there be any penalty on Inox Wind something like that?
- Devansh Jain:** Again, this is an agreement which has been entered into which has no take or pay commitments, #1; #2 if you look at it, this is simply an announcement they have made from an order backlog perspective which any engineering company would do. What we do if we typically enter into agreements for 1 to 2-years and depending on the volumes which Inox Wind does, we anyway show significant volume from then every year given the fact that they have an exclusive right until now to supply the ECS systems. We believe this would last about 5 to 7-years, it could potentially last 20, or it could potentially get over in 2-years, but again to answer your question there is no penalty and there is no take or pay commitment on this.
- Abhijeet Vara:** Regarding Sarayu Power, what I wanted to clarify was since you will be acquiring the land along with the clearances, the wind installation will be sitting on your subsidiaries books. But would you eventually try to sell it to an IPP or will it continue to sit in your books? And if you try to employ similar strategy going forward in Andhra market, so will the wind installations keep accumulating in your subsidiary book?
- Devansh Jain:** Let me just clarify again; while I would not like to take any further questions on this because this is more dedicated to AMSC, but we have taken over SPV because the permissions and the land is

already sitting in the SPV. Transferring it to us first and then to a customer would have been more costly. So by taking over the SPV we now transfer the land and the permissions directly from the SPV to the IPP. This is not going to be sitting on Inox Wind's book under any circumstances. If we just take our land bank, we sit on a 4,500 MW land bank this is only adding to our land bank. At the end of it is land on which we develop projects which is always transferred to the IPPs, they do not sit on Inox Wind's books.

- Moderator:** Thank you very much. Our next question is from the line of Mohit Kumar from IDFC Securities. Please proceed.
- Mohit Kumar:** A couple of clarifications sir; will the license agreement which you are paying will it be capitalized or it will be passed through P&L in one go?
- Deepak Asher:** No, I think it is capitalized as a part of the ECS CAPEX for the ECS manufacturing facility and then it will be amortized as allowed under the accounting standards.
- Mohit Kumar:** Sir when you say we are going to collaborate to develop 3 MW Wind Turbines what do we bring to the table -- do we invest some amount of money and have we something in mind for the next couple of years, what kind of investment will be required from our side?
- Deepak Asher:** That is a bit premature at this point of time, we still need to work out the exact commercial contours of the transaction, as of now it is more like an agreement to agree.
- Devansh Jain:** Again just to add to that AMSC already has multiple platforms; their 3 MW platform has been operating globally for the past 5-years. So when we say we agree to collaborate on this is for Indian climatic conditions, we need certain changes, minor improvements. As and when we go ahead with that AMSC would be over that and then it would follow the typical licensees and royalty payment structure, but you have that still some time away.
- Moderator:** Thank you very much. The next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please proceed.
- Abhinav Bhandari:** Just wanted to understand there are two parts to it, right, so there is one the manufacturing that you would be doing and the other part is the supply that AMSC would be doing. So is there any percentage for going ahead let us say for a year as such that this much percentage you would be manufacturing and the remaining would be a supply from them?
- Devansh Jain:** Typically post the first financial year in-house sourcing would be approximately 50% and AMSC sourcing would be about 50%.
- Abhinav Bhandari:** Going forward this ratio would change, is it?
- Devansh Jain:** For the next 6-years it would remain at that.

- Deepak Asher:** But I think it might be fair to say about the long term you can assume 50:50 mix between in-house manufacturing and sourcing from AMSC unless of course for some reason AMSC is unable to supply, in which case we could always make more. As I said the objective here is more to be able to make so that we have security of supply rather than to actually make our entire requirements.
- Abhinav Bhandari:** That number of \$210 million what they are putting is basically considering 50% of your volumes that tentatively you are?
- Devansh Jain:** Possibly yes.
- Moderator:** Thank you. The next question is from the line of Pawan Parikh from HDFC. Please proceed.
- Pawan Parikh:** Sir, basically my question is on this CAPEX Rs.2 to 3 crores which looks pretty low. So for manufacturing of ECS is it primarily an assembly operation, we do not need any machinery anything of that sort?
- Devansh Jain:** That is right, it is primarily an assembly thing and some testing equipment, probably Rs.2 to 3 crores may be on the higher side, it might just lower than that. Please do not forget; we already have the manufacturing facilities built, so we are not dealing in new manufacturing facility, the plants which are already in Himachal Pradesh and the one in MP we will carve out certain area from that to assemble the ECS systems, so we are not building a new civil and manufacturing structure.
- Pawan Parikh:** The assembly operations that we will be having, so the components which will be assembled, these components will also be imported or how do we plan to procure that?
- Devansh Jain:** These are very small components, many of them are available in India, some of them are also imported, obviously, I do not have the split up, what is imported, think of it as a computer screen; you got so many small circuits, these are the things which are assembled into a electric control system. So many of them would be available in India and some of them would certainly be imported.
- Pawan Parikh:** Secondly on the 3 MW Turbine just want to understand what could be possibly the best case scenario we can launch this product in India may be say 1-year down the line, 2-year, anything on that sort?
- Devansh Jain:** Again premature, but when we could ideally launch it within a year, but I think markets are not ready for that at this point in time, but I think over the next 18 to 24-months we should be able to launch it.
- Pawan Parikh:** Whenever we launch the 3 MW will we have to upgrade any of our existing manufacturing facilities to be compatible with 3 MW thing or...?
- Devansh Jain:** No, we do not need to upgrade the nacelle and the tower plant, but obviously depending on the variants of the blade, we need to bring in more molds. So that is an evolution, if you are going to make 100 meters, now you are going to make 130 meters blades you need to keep adding molds to manufacture this. Plants do not need an upgrade.
- Moderator:** Thank you. The next question is from the line of Bhavin Vitlani from Axis Capital. Please proceed.

Bhavin Vithlani:

A question more on the 3 MW. What we have seen is technology in wind actually changes. So if you could give us a perspective like what we understand pre 2006-'07 2 MW was actually a very small part of the market and now it is more of a stable product. Do you believe given that the competition from the solar has been intensifying, this is the answer for the wind industry so that the cost of power generation can be lowered over time as you move higher, is my understanding correct?

Devansh Jain:

I think there are two parts to that question and I will answer that in two ways; #1, from a product portfolio perspective, 2 MW will remain the workhorse in India, it is not going to become 3 MW simply because logistically it is not possible to make 3 MW the workhorse in India. You go to higher turbine, larger turbine with larger rotar diameter to reduce cost of energy, and in the larger turbine with the same rotar diameter does not reduce the cost of energy. While we plan to launch the 3MW eventually in India because we have got certain pockets of large sites of 300 MW site in Gujarat, 300 MW site in Rajasthan where it is economic, we just put a one or two mold facility and supply to those sites the larger turbine. So the 3 MW would probably be a fairly small part of the entire volume that we do. We got 93 meter rotar diameter on the 2 MW platform, we got 100 rotar diameter on the 2 MW platform and now we are launching the 113, now 113 is not something which can go pan India, it is going to go to may be 35-40% of the sites. Similarly, when we launch the 3 MW with larger rotar diameter, it is going to be in limited parts of India.. I think regarding solar we need to do an apple-to-apple comparison. If someone wants to make a 20% return in wind and someone is happy making a 10% return in solar, cost of power will be completely different. For example the best thing which I keep hearing all the time is solar is at 4.63. Please keep in mind people are assuming very aggressive assumptions to make a 14%-odd in best case scenario in equity return whereas in wind at about Rs.5 or 4.5, 4.7, they are making 20% plus equity IRR. So if you want to do an apple-to-apple people are happy making 14% returns, wind could possibly drop to 3.7. Now that is not the case. So again I think we should not get too carried away with this media reports and headline value. Fact is we continue to grow significantly, in fact, solar is now changing from an IPP game to a very-very big players where you have got very-very long-term venture capital funds, pension funds coming in and investing in 300 MW sites or 500 MW sites. We would not dwell into specifics but we have already seen many IPPs who were looking at solar space completely exiting that space and shifting back to wind. So I think they are completely different baskets in terms of guys who want to make those very insignificant returns and then guys who want to make significant returns. So honestly I think wind is still the most competitive source, gives at least 20% higher returns than solar, so we are talking of different baskets of products.

Moderator:

Thank you very much. The next question is from the line of Jonas Bhutta from Phillip Capital. Please proceed.

(Jonas Bhutta):

Sir, just a question on product guarantee. Basically we understood that you have back-to-back arrangements with your suppliers for every equipment that they supply to you. Now in the case of the ECS which will be manufactured here in India, that is a 50% component, will the guarantee lie with you or still with AMSC?

Devansh Jain:

So obviously for the part of AMSC supply of 50% we will have back-to-back guarantee there, for the 50% being manufactured in-house there would not be a back-to-back guarantee, but please do not

forget, for some components that we source we will have back-to-back guarantee and over and above that for the blade and towers which we make in-house and now for the ECS which we will make in-house, we have already taken industrial all risk insurance policy, which covers any manufacturing defect at our end.

- Moderator:** Thank you. The next question is from the line of Chintan Seth from SKS Capital & Research.
- Chintan Seth:** When I look at your indigenous and imported cost of raw material from the annual report, it tells us that 63% is imported and 36% of the total raw materials cost comes from India in indigenous part, you mention 35%. Am I missing something here?
- Devansh Jain:** I mentioned to you the cost of a turbine; cost of turbine includes not just the nacelle, blade, tower or material it includes the entire EPC, it includes all the manufacturing expenses so on and so forth. From that perspective, in terms of cost of turbine, we import about 35%
- Chintan Seth:** So from the accounting perspective, as you reported around Rs.1800 odd crores of your raw material consumed during the year, how much percentage will be ECS here?
- Devansh Jain:** Again, I did mention to you I would get into the specific, but I did mention about 35%-odd of the cost of turbine is imported and ECS is about 8-10%.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management of Inox Winds for closing remarks. Over to you.
- Deepak Asher:** Once again, thanks very much to all of you. As I mentioned, the objective of these agreements was primarily to get security in terms of being able to not having a disruption in our operations in the unlikely event that something were to go wrong with AMSC, ability to supply us the ECS', because till now we were dependent on them as a sole source and this was a cause for concern for us as well as I would imagine for the investors as well. So, in that sense, we have diversified our source of ECS supply and about 12 months time we will be able to make the ECS ourselves and therefore, if something were to go wrong in terms of AMSC's ability to supply ECS' our operation would not be stranded. The spin off advantage of that security also is a fact that the cost of production of the ECS' when we make them ourselves would be lower than what we currently buy them for and hence there would also be cost reduction and hence necessarily margin expansion once we are able to produce the ECS' ourselves. And third, of course, as Devansh mentioned, we have established a longer-term relationship with the AMSC in agreeing to collaborate on the 3 MW Turbine which gives us a clear headway in terms of access to the technology once Indian market is ready for that technology. So we are moving ahead of what the market is and we are ensuring that in the foreseeable future as well we will remain on the cutting edge of wind turbine technology.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Motilal Oswal Securities, that concludes today's conference call. Thank you all for joining us and you may disconnect your lines now.