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19<sup>th</sup> February, 2016

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Scrip code: 539083	Scrip code: INOXWIND
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Dear Sir,

**Sub: Submission of Transcript of the Earning Call for the Quarter/ Nine Months ended 31<sup>st</sup> December, 2015**

Pursuant to the Regulation 30 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation 2015, we would like to inform you that the Company is submitting the Transcript of the Earning Call for the Quarter/ Nine months ended 31<sup>st</sup> December, 2015, a copy of which is enclosed.

We request you to please take the above on record.

Yours faithfully,

**For Inox Wind Limited****Shubha Singh  
Company Secretary****Encl : As Above**



## “Inox Wind Q3 FY-16 Post Earnings Conference Call”

**February 08, 2016**



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

**MODERATOR:**    **MR. BHAVIN VITHLANI – AXIS CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to Inox Wind Q3 FY16 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 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. Good evening everyone and welcome to the Earnings Conference Call for Inox Wind. From the Management we have with us Mr. Deepak Asher – Director and Group Head of Corporate Finance, Inox Group, Mr. Devansh Jain – Director of Inox Wind and Mr. Dheeraj Sood – Head of Investor Relations at Inox Group. Without much ado, I would now like to hand over the call to Mr. Deepak Asher for his opening comments post which we will open the floor for Q&A. Over to you, Mr. Asher.

**Deepak Asher:** Thanks very much Daryll, and thank you Bhavin. On behalf of the board of Inox Wind Limited, I'd like to extend a very warm welcome to all investors, analysts and other participants on the call. We thank you for your interest and for taking the time to attend this call.

Before I give you an overview of the financial results I would like to start by saying that the board has approved the results at about 2 PM today after this they were uploaded on the company website as well as the websites of the National Stock Exchange and the Bombay Stock Exchange. These are results for the quarter and nine months ended December 15.

Before we get in the numbers I would just like to highlight some significant business developments that have occurred over the last three months. We've entered into two strategic long-term technology agreements with our technology partner AMSC. One of the concerns that was being expressed by investors as you might be aware is in lieu of AMSC's financial situation what would happen if AMSC were to get in further trouble and while we did not expect this to be a significant concern because the technology for the Wind turbine, the 2 megawatts turbine was completely absorbed by us. However, because AMSC continue to be a significant supplier or the exclusive supplier for the ECS, Electrical Control System that we use in our turbines, we thought it would be appropriate to address this concern and to that extent we have entered into an agreement with AMSC whereby we have secured exclusive and perpetual license and knowhow for manufacturing the ECS for the 2 megawatts turbine. This has several advantages for Inox Wind including first of all to reduce the dependence on AMSC and hence create long-term security for us in the event that AMSC was unable to supply the ECS to us. Beyond that while this was the primary objective, but beyond that it also increases our control on the supply chain, it leads to significant cost savings because of the indigenization of the ECS and also reduces our foreign-exchange exposure.

Secondly we have also entered into an agreement with AMSC to collaborate on the development of a 3 megawatt turbine for Indian conditions. This will ensure that IWL will remain at the cutting edge of WTG technology and a 3 megawatt turbine when it is operationalized would improve the efficiencies and also lead to lower cost of generation for our customers.

Apart from these two key significant developments on the technology front, on the project implementation front, we have common infrastructure commissioned for about 600 megawatts recently which will see a significant pickup in project execution in the coming months. We commissioned a 400 megawatts, 220 KVA substation and transmission line at Rojmal, Gujarat in December and this would cater to the requirements of customers such as Sembcorp Green Infra, Tata Power and GACL. We have also commissioned during the month of January, a 200 megawatts, 220 KVA substation and transmission line at Nipaniya Madhya Pradesh. This would cater to the requirements of customers such as ReNew Power, Mytrah Energy and CESC. We are during this quarter commissioning Common Power Evacuation Infrastructure of another 200 megawatts at Lahori in Madhya Pradesh which should happen during this quarter itself. The commissioning of these Power Evacuation and Infrastructure facilities will ensure increased synchronization between supply and commissioning, reduce the commissioning backlog and to that extent not only improve financial performance but even working capital management.

With these broad business development highlights, I would like to now take you through the financial numbers. I will take you through the quarterly numbers for the quarter ended December '15 which is Q3 of FY16. We ended with revenues of Rs. 9.4 billion; this was slightly higher than Rs. 9.3 billion that we clocked in Q3 of FY 15. Now I would like to explain here that there was little bit of a mishap in terms of operations in as much as about 40 turbines which were almost ready for production could not be shipped out because some components suffered a delay in terms of custom clearance and hence could not reach the site well on time. In fact, the time lag was just about 10 to 15 days and hence we missed on being able to bill those turbines and clock those revenues for the quarter ended December. In revenue terms, the value of this was roughly about 247 crores and hence if we had been able to book this had the procedural delays and custom clearance delay had not happened, our revenues for the quarter would have been about Rs. 11.8 billion clocking growth of roughly about 27% over Y-on-Y.

EBITDA for the quarter ended December was Rs. 1.5 billion as compared to again Rs. 1.5 billion of last year which is a growth of about 1% but if you adjust for the delayed shipments by about a fortnight of what I just mentioned, the EBITDA could have potentially closed at about Rs. 216 crores or Rs. 2.16 billion which would have a growth of about 41% over the EBITDA for the last quarter. EBITDA margins remained at about 16.4% but as I said adjusting for this delayed shipment would have been 18% for the quarter.

At PAT level we closed at about Rs. 1.03 billion which again was similar to the PAT of about Rs. 1.0 billion that we clocked in the last quarter which is Q3 of FY15, PAT margins were about 10.9%. PAT margins would have been at about 12.3% adjusted for delayed shipments because of the custom delays. In fact PAT in absolute terms would have been about Rs.1.47 billion or 147 crores.

Figures for the nine months ended December '15 it as compared to nine months ended December '14; Revenues grew by 45% which is Rs. 25.85 billion as compared to Rs. 17.79 billion. Adjusted for delayed shipments it would have been about Rs. 28.32 billion, a growth of about 52%. EBITDA grew by about 32%, Rs. 2.87 billion; grown to about Rs. 3.77 billion, a growth of 32% and adjusted for the delayed shipments would have been Rs. 4.38 billion and EBITDA margin of 15.49% for the nine months. PAT grew at 36% from Rs. 1.7 billion to 2.4 billion. Adjusted for the delayed shipments would have been Rs. 2.86 billion, PAT margins would have been at about 10.11% at against 9.4% which was actually reflected in the results.

Volumetric data: sales booked in the third quarter this year was 166 megawatts, down by about 17% compared to 200 megawatts that we did in Q3 of last year. As I said the adjusted for the delayed shipments sales would have been 248 megawatts a growth of 24%. Commissioning for the quarter was 166 megawatts. This by the way is the highest quarterly commissioning that we have done so far. This was 5% higher than the 158 megawatts that we commissioned in Q3 last year.

For the nine months period sales was 498 megawatts, a growth of 31% over 380 megawatts that we did in the nine months last year adjusted for the delayed shipments sales could have been 580 megawatts a growth of 53%. Commissioning for the nine months 384 megawatts, 104% growth over 188 megawatts that we did in the nine months ended December '15. So as you can see there has been a significant pickup in the commissioning and with the completion of the site infrastructure and the evacuation facilities at the three places I just mentioned in my introductory remarks, you should see this ramp up of commissioning happening in this forthcoming quarter as well.

In terms of cost analysis for the three months ended December 15, raw material cost fell from 76% in December '14 to about 72% in December '15 as a result of which the EBITDA margin remained at about 16.4% in December '14 compared to December '15 and this as I mentioned would have been 18.8% adjusted for the delayed shipments. For the nine months ended December, raw material was 73.6% as compared to 74.5% for the earlier years nine months. EBITDA margin was 14.6% as against 16.1% last year but as I mentioned earlier as well EBITDA margins would have been at about 15.49% adjusted for the delayed shipments.

In terms of working capital, our working capital for September was about 151 days comprising primarily of receivables of 198 days, inventory of 62 days and payables of 109 days. This has marginally gone up to about 155 days in December '15 comprising of 179 days of receivables, 101 days of inventory and 112 days of payables. However as I mentioned because of these

steps that we have taken in order to be able to control working capital which is enhancing manufacturing capacity to remove the mismatches between our manufacturing capacity of nacelles, hubs, blades and towers and because of the common infrastructure for power execution which is now in place with both these things we will lead to better synchronization of component supply as well as reduce lag between supply and commissioning, this should lead to significant lower working capital days. In fact we seem to be on track in terms of attaining our target of bringing down working capital to roughly about 120 days by the end of this quarter which is March 16.

On the order book update; the total order book as of 31<sup>st</sup> December is about 1146 megawatts, this represents roughly about 12 to 15 months of project execution time. We added about 110 megawatts of orders during this quarter and therefore if you look at the breakup we started this quarter about 1202 megawatts of order book, order book expanded by about 110 megawatts. We executed about 166 megawatts of order and therefore the closing order book is roughly about 1146 megawatts. The key highlight is that we continue to strengthen our position and increase our market share across IPPs, PSUs, utilities, corporate and retail customers. We have a very robust order inflow visibility of roughly about 1200 megawatts orders in advance stage of discussion. Wherein an increased traction that we are witnessing across accelerated depreciation driven customers and we are maintaining our momentum in the tender market. We have bagged orders from PTC India as well as for example GIPCL. Our diversified and reputed clientele include Sembcorp Green Infra, Continuum Wind, Mytrah Energy, Tata Power, Bhilwara Energy, CESC, ReNew Wind Energy, Ostro Energy and PSUs like NHPC, RITES, GACL and GMDC amongst others.

As far as project sites are concerned, we continue to be amongst the largest land bank owners in this sector. We have land banks in Gujarat, Rajasthan and Madhya Pradesh and in each of these states we are the largest land bank owners. We are focused on increasing land bank further in South India; we have acquired multiple sites at low acquisition cost in Andhra Pradesh for example. We have at this point of time sufficient land bank to see installation of about 4500 megawatts of wind power projects. As I mentioned this reflects industry leadership position across wind-rich states in India.

In terms of manufacturing capacity, the blade plant at Madhya Pradesh has now commenced production. Out of the total eight mould facility, five moulds are operating at 100% capacity utilization. The facility to manufacture the 100 meter rotor dia and 113 meter rotor dia variants at this plant is now operational. We have commenced trial production for the tower plant and this facility is one of the largest manufacturing facilities in Asia.

In terms of new product launches, we have already commercialized the 100 rotor dia turbine and we plan to be launching the 113-meter rotor turbine with a hub height of 100 meters and 120 meters in this financial year. This you might recall is significantly more efficient than the existing turbines. In fact, the 100 rotor dia turbine was about 25% more efficient than the 93 rotor dia turbine and today it constitutes more than 70% of our sales and in fact once we launch

the 113 rotor dia turbine which is, based on the power curves that we have initially established, is about 20% more efficient than the 100 rotor dia turbine. What this leads to is definitely more efficient power curves, higher operational uptime, much lower operation and maintenance cost, increased margins for us because the cost of production of this turbine is much lower than improved efficiency of this turbine, higher market share, higher returns for investors and it expands the market because these larger turbines are also ideal for lower wind pockets.

So this broadly is a snapshot of our operating performance, both in quantity as well as value terms. I would now like to open house for any questions that you might have.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Vishvesh Mehta from Birla Sun Life. Please go ahead.

**Vishvesh Mehta:** Can you give some numbers in terms of what has been the ordering in terms of the entire Wind market for the quarter ended December and what would be it for the nine months? What would be our share in the sense?

**Devansh Jain:** It will be easier to answer the orders which have been placed, this point in time we have got 30% to 35% market share and in terms of incremental order inflows in the market as well we did about 30% to 35%. To some extent a lot of order inflows have become back ended in Q4 because we did mention this last time 2 or 3 states have their three-year tariff policies coming to an end in March '16 and there was a lot of grey area around about the tariff so and so forth would be in those states. A lot of clarity has emerged around that and hence now you are seeing a lot of momentum in terms of finally we are negotiating and closing transactions with these IPPs. So I think from a full year perspective you will see a massive jump over the number of orders that get placed over the next three months, I mean this quarter as opposed to what happened until December.

**Vishvesh Mehta:** Would you peg the market closer to 3 gigawatts or much higher number?

**Devansh Jain:** From the order execution perspective what happened over this financial year, the markets will be close to 3 gigawatts from an order inflow or order which goes into the market, its function of what kind of order books people have so on and so forth. But incremental orders in the market would also be to the extent of above 3 gigawatt.

**Vishvesh Mehta:** You are saying chunky pipeline is going to be there for the Quarter 4 so I think Deepak sir also mentioned this, 1200 megawatts that is there on the discussion board? So over the next six months or so what sort of industry pipeline are you envisaging so 1200 is your number, the concern has been in terms of the ordering in the market size also so as I was just trying to understand.

**Deepak Asher:** Our assessment of the market size and that might be a perhaps a relatively easier question to answer, our assessment and you must appreciate that there is no authentic data to confirm what

the order books of other competitors looks like but based on what we know, market intelligence indicates that total commissioning this year should be roughly about 3000 megawatts. So we could peg the size of the market for this financial year ended March '16 at about 3000 megawatts. Again depending on how some regulations shape up next year you could see anywhere between 20% to 30% growth next year depending on how soon, for example power policies that states have announced, tariffs have announced, what happens to the RGO, regulatory changes which are expected, it could be anywhere between 20% to 30% growth.

- Moderator:** Next question is from the line of Deepak Narnolia from Birla Sunlife. Please go ahead.
- Deepak Narnolia:** I have couple of questions more related to industry, this RPO obligation for wind energy 8is % and solar is additionally 8% as per the new tariff policy, correct?
- Deepak Asher:** If you could please continue with the question and we could respond to it together.
- Deepak Narnolia:** My question is whether this 8% is interchangeable or the total RPO obligation is 16% for the states and is it interchangeable between wind and solar?
- Deepak Asher:** No, as far as I understand they are separate RPO obligations for both forms of renewable energy, wind as well as solar, so in the sense they are silos operating individually.
- Deepak Narnolia:** 8% is separate for each segment?
- Deepak Asher:** Yes.
- Deepak Narnolia:** How is the market in Rajasthan doing?
- Devansh Jain:** So I think Rajasthan is buying as much power as is required for them to fulfill their RPO obligations. At this point in time they are not exceeding purchases; they are not buying volumes which are exceeding the RPO obligations. The market is toned down to that fact and the market is at about 550 megawatts odd in Rajasthan per annum at this point in time...
- Deepak Narnolia:** 550 gigawatts?
- Devansh Jain:** 550 megawatts per annum incremental capacity year on year.
- Moderator:** Our next question is from the line of Balchandra Shinde from Centrum Broking. Please go ahead.
- Balchandra Shinde:** Can you give the order book region wise breakup?
- Deepak Asher:** Let me see if I can pull it out.

- Devansh Jain:** About 40% would be Madhya Pradesh, 20% would be in Rajasthan, 27% would be in Gujarat and the remaining would be in Andhra Pradesh.
- Balchandra Shinde:** If you can give me how much was the term sheet and letter of intent in our current order book?
- Devansh Jain:** I think we mentioned this many times, at all points in time and this point in time also about 80% of our order book would be firm contracts in place and about 15% to 20% would be from LOIs.
- Deepak Asher:** To add to that, you know there can be LOIs and there can be LOIs, we consider an LOI an LOI only if it contains all the key commercial terms so all the pricing, the warranties, the guarantees, the payment terms everything that could be show stoppers later on are all tied up in LOI. It's not only a mere statement of intent; it's actually a commercially tied up letter of intent.
- Balchandra Shinde:** I missed out on the execution part, just wanted to recheck, 166 megawatts we executed in third quarter?
- Deepak Asher:** Right.
- Balchandra Shinde:** And order inflow is around 110 megawatts.
- Deepak Asher:** Yes correct.
- Devansh Jain:** Yes correct over the last quarter, incremental.
- Moderator:** Our next question is from the line of Abubhav Gupta from Maybank. Please go ahead.
- Anubhav Gupta:** My first question is on delayed turbines of 40 numbers which you mentioned. Does this belong to a single customer or the multiple?
- Devansh Jain:** These are spread across three or four customers. As was explained some of the components got stuck up at customs due to certain technical delays there and by the time they were cleared and reached the plant, there was a little insufficient time in terms of turning around the products and dispatching them. So because of about a week to 10 days of delay we could not take them into Q3 as per plan so these are spread across customers.
- Deepak Asher:** But again just to add to that all these arrived within the first fortnight of January, they were manufactured then they were shipped out and therefore that volume and that revenue and that profitability has not vanished, it is just and instead of being booked in December they have to be booked in January so to that extent it will be incremental over what our plan for this quarter was.
- Anubhav Gupta:** So you expect fourth-quarter to be super strong then, right?

- Deepak Asher:** We would expect it to be quite strong even without this but yes with this it will further add to whatever we were expecting.
- Anubhav Gupta:** Second question is on the new orders, the incremental orders which you are getting Q-o-Q. In last three quarters it has declined to 110 megawatts from 162 megawatts in first quarter.
- Devansh Jain:** I think most importantly I think what I have been trying to reiterate I think where you have multiple states, where policies are coming to an end in three states, multi-year tariff policies which have been prevailing for the past three years in the states coming to an end which is Gujarat, Madhya Pradesh and Rajasthan. Maharashtra markets are anyways down to 400-500 megawatts per annum so it's very difficult for people for incremental orders to flow through. What's changed is over the past three months or two months, a lot of more clarity has emerged around the tariff expected in Madhya Pradesh and Gujarat and now we are seeing a lot of momentum in terms of people, in terms of customers moving forward and closing orders. You will see a significant bump up in terms of order book as we move forward or in terms of order inflows as we move forward. Because at this point in time honestly the only state which is being firing in terms of orders is Andhra Pradesh because that was the state which opened up over the course of this year with a three year tariff policy or a five year tariff policy.
- Anubhav Gupta:** Like you mentioned in FY16, the total market size in India could be around 3 gigs so I guess this is a bit lower versus what was being maybe written before around 3.2 gigs could be FY16 so...
- Devansh Jain:** I don't know what you are talking, I mean I am not sure there are people who talk of 2 gigs and people who talk of 4 gigs I think the general expectation in the market and we always typically get guided by the CRISIL estimate, the market was expected to be at around 2.6 to 3 gigs in this financial year and at about 3.6 gigs in the next financial year. We can only put out a best estimate and we believe that the market will be at about 3 gigs by the end of this financial year and probably growing by 20% odd in the next financial year which would be a function of how the state policies and the RGO plays out.
- Anubhav Gupta:** Thanks so much and best of luck.
- Deepak Asher:** Thank you.
- Moderator:** Our next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vara:** Thanks for taking the question. Firstly in terms of execution for the entire year, would you be still on track as to whatever you are expecting maybe last quarter about 850 megawatts?
- Devansh Jain:** That's right, we are broadly on track to achieve what we set out to achieve in this full financial year.

- Abhijeet Vara:** Second question is in terms of EBITDA margin, now the asking rate has gone up for Q4, if you have to achieve entire year EBITDA margin of 17% but still that can be achieved, is it?
- Devansh Jain:** It's a hard question to answer I think I would answer it in two ways. One, to some extent the margins that you see in Q3 are suppressed given the fact that 80 megawatts of volume shifted out. I think if you add that our margins over this quarter were 18.8% okay, that's for Q3 adjusted for those 80 megawatts. The blended average EBITDA for the nine months is 15.5% and Q4 is typically the strongest quarter in the Wind sector, now whether we achieve 16% or 17 or 18 is very difficult to answer at this point in time but clearly we have aims and we have targets and I think we are working towards them.
- Deepak Asher:** But also what is important to remember is in this quarter around 8% of our costs were fixed cost. Now this is because we commissioned the MP facility and therefore already begun running the overhead for that facility. But the volume pickup is actually will be seen more significantly in this quarter I'm just giving an example if you could double your volumes this quarter as compared to what you did last quarter is 8% fixed overheads could actually go down to 4% which means there could be a 4% EBITDA margin expansion because of operating leverage. I'm not for the moment suggesting that that is going to happen but I'm just giving you an example of the significant potential that exists because of larger volumes in this quarter.
- Madan:** Hi, this is Madan from Sundaram. My question is on the raw material cost as a percentage to sales sequential as well as year on year there is a significant saving there, if you can explain what contributed to this.
- Devansh Jain:** I think two or three things, while I think we always maintain in Q1 typically when we enter into negotiations with some of the key component suppliers is for X volume which we expect to do over the course of the whole financial year, sometimes we've had certain volumes of the previous order flowing into Q1-Q2 of this year. So a lot of the revised pricing has started flowing over Q3 and Q4 that's one significant saving which is playing out. Second, I think steel prices have gone down significantly to the extent of almost 20% to 25% in terms of the weighted average products for the inventory that we carry that is leading to saving in raw material pricing. These are the two big things, the key components where the new renegotiated prices are started playing out over Q3 and will play out in Q4 and the steel savings which is leading to raw material pricing going down.
- Deepak Asher:** And also if I may add, significant part of our sales as I mentioned more than 70% is on the 100 rotor dia turbine which has a higher price as compared to the 93 rotor dia turbine and therefore the denominator is higher and therefore the raw material cost in percentage terms is lower as compared to what we sold last year.
- Madan:** What was the mix for Q3 and H1? 100 meter dia?

- Deepak Asher:** I don't have it quarter wise but very broadly for the year on the whole we should expect about 70% of our sales to be on the 100 rotor dia turbine.
- Madan:** How much? 70%?
- Deepak Asher:** Yes 70%
- Madan:** So if we can approximately tell how would likely to be in H2 as compared to H1?
- Devansh Jain:** No full-year, we expect it to be 70-30 in the full year.
- Deepak Asher:** In fact in Q4 I think 90% would be 100-rotor.
- Madan:** Given all this are we sufficiently confident that Q4 also might see raw material cost at these levels as Q3?
- Deepak Asher:** Well I think the benefit for the reduced raw material input prices would continue in Q4. We see no reason as to why they should not. Operating leverage would kick in, the fact that a much larger proportion of sales mix will be to the 100 rotor dia turbine, we don't see any reason as to why we should not be able to continue on the path of the lower-cost trajectory.
- Moderator:** Our next question is from the line of Ankur Sharma from Motilal Oswal Securities. Please go ahead.
- Ankur Sharma:** If I look at our other expenditure on the consolidated P&L, that number is gone out to about 79-80 crores odd over the last two quarters versus closer to 50-55 crores odd in the previous quarters so what's driving that increase?
- Deepak Asher:** Firstly, it will be the commissioning of the MP facility which led to higher overheads. Secondly I think there would be also some commissioning-related expenses being booked here. I have to dig out the break-up but it also reflects higher volumes as well.
- Ankur Sharma:** The run rate would pretty much continue at these levels?
- Deepak Asher:** Yes that's correct, as there is no abnormal expense.
- Ankur Sharma:** Number 2 when I look at our subsidiary numbers where we have the whole commissioning revenues getting booked, now again this quarter is where we have a loss of close to about 22 crores odd despite a significant pickup in the commissioning volumes per se. I'm just trying to understand when do we actually start seeing this break even and getting back to maybe 8%-10% EBITDA margin as what we have been told earlier where we intend to be. If you could just tell us what's happening there and why have we seen these continued losses?

- Deepak Asher:** First of all, I would once again reiterate our request that there is really no commercial justification to look at the profit and loss account or the balance sheet of the subsidiary on a standalone basis. Because that subsidiary frankly has no reason for existence except to complete the execution for the supplies by Inox Wind and to that extent we actually negotiate contracts with customers on a turnkey basis and then split it up between equipment supply and commissioning. Hence technically you see a blended 16% EBITDA margin, this could well be a 20% EBITDA margin on the supply and (-4%) EBITDA margin on commissioning. It really doesn't matter how you cut your cloth as long as your blended EBITDA margin is roughly about 16%. As I said it really doesn't make too much sense to look at that and split up. Secondly, we have also mentioned this during the earlier calls that in a situation where your commissioning is actually phasing up quarter-on-quarter and therefore going up significantly, your EPC expenses are being incurred as and when your project infrastructure is being set up, however, your revenues are being booked when the projects are actually commissioned and hence there is a lag between the expenditure being incurred and the revenues being booked. You would normally not see that lag if you are in a steady state but in a situation where you are on a significant growth path, that lag will continue to happen. So as I said it really doesn't matter what the subsidiary standalone results are as long as on a blended basis we are able to maintain our overall target.
- Ankur Sharma:** Fair enough, that's it from my side.
- Moderator:** Next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Just a few housekeeping numbers I missed out. Could you just repeat the debtors and the payable numbers along with cash and debt?
- Deepak Asher:** You mean in value terms or in terms of number of days?
- Jonas Bhutta:** Value terms will be helpful.
- Deepak Asher:** Let me see if I have value numbers on hand. Receivables were 1899 crores as of December which was roughly about 1802 crores as of September. What is the other number that you wanted?
- Jonas Bhutta:** The credit payables.
- Deepak Asher:** Payables were 951 crores as of December, 804 crores as of September, cash and cash equivalents were about 507 crores as of December.
- Jonas Bhutta:** And the gross debt?
- Deepak Asher:** The gross debt as of December end was about 1384 crores.

- Jonas Bhutta:** Second bit I wanted clarification on was we mentioned that we've sold about 166-odd megawatts, is that the same number even for commissioning so we've commissioned what we have sold?
- Deepak Asher:** Yes that's correct though it's purely incidental but that is correct.
- Jonas Bhutta:** What would be the breakup between turnkey and equipment?
- Devansh Jain:** Turnkey would be about 85% of it, equipment supply was finished. It is less than 20-30 megawatts of equipment supply in this.
- Jonas Bhutta:** I just wanted to understand you said that on the revenues that were missed because of this slip-up in terms of components not coming in time, the implied EBITDA margin works out to about 24%?
- Devansh Jain:** No, 18%.
- Jonas Bhutta:** So on a 247 crores lower revenue, you said that EBITDA would be about 59.5 crores? Basically you mentioned that if had it been not for this amount your EBITDA for the quarter would be closer 216 crores.
- Deepak Asher:** If you are computing the EBITDA purely on the missed revenues versus the missed EBITDA, yes it would translate to roughly about 24%. But I don't think in your accounting that is the right way to do it because the fixed costs would already have been embedded in the existing operations.
- Jonas Bhutta:** Okay, got it.
- Devansh Jain:** You can see that in this raw material prices going down fixed costs have gone up from 4% to 8%
- Deepak Asher:** So in that sense this 24% EBITDA is really actually on marginal cost basis because your fixed overheads is already been loaded on the existing operations.
- Jonas Bhutta:** My last question was on the Continuum order so basically we've given out a press release in Jan so is that 24 megawatts part of the 110 megawatts that we have booked as order inflow or will that flow-in in the fourth quarter?
- Devansh Jain:** That will be a part of fourth quarter.
- Jonas Bhutta:** Have we started execution on the 250 megawatts odd, it was roughly 400 megawatts order of which 170 we've commissioned so the balance 250 megawatts odd have we started execution on that?

- Devansh Jain:** I am sorry I am not aware.
- Jonas Bhutta:** So the Continuum orders were two orders right, at the time of IPO?
- Deepak Asher:** Jonas I don't think we will be able to again comment in the public domain on individual customer orders something that won't be appropriate even from the customer's perspective. All we can say that broadly we should be on target as far as commissioning for this project is concerned.
- Jonas Bhutta:** Alright, thanks a lot and all the best.
- Moderator:** Our next question is from the line of Ravinder Vashist from IDFC Mutual Fund. Please go ahead.
- Ravinder Vashist:** I have a couple of questions. As Devansh mentioned that Madhya Pradesh in terms of regulations there is lot of clarity now so I just wanted to understand in terms of what's the finalized tariff which Madhya Pradesh has fixed for the year?
- Devansh Jain:** They have not finalized the tariff as yet, there is a draft tariff policy in place. But with respect to multiple meetings that the whole industry has had and what the MP authorities have given comfort to everyone is that the tariff would be upwards of, between 5.5 to 5.6, that's the general expectation at this point in time.
- Ravinder Vashist:** There should be reduction of around 30 paisa from the existing tariff.
- Devansh Jain:** Correct, absolutely.
- Ravinder Vashist:** Second is on the numbers I just wanted to understand as Mr. Asher mentioned that the cost of raw material and the erection and procurement commissioning cost between December quarter FY15 and December quarter this year has reduced by around 4%. Accounting for the revenue missed which happened due to delays in shipment our EBITDA margins should have been 18% instead of 16%. So just wanted to understand even though the raw material cost and the erection procurement commissioning cost have actually reduced by 4% but the EBITDA margins would have improved by only 2%?
- Devansh Jain:** But again you are looking at a blended average, you're looking at the full year so from a full year perspective will be at about 15.5 and margins to go up to 18% in Q4. This is not true for Q1 and Q2 and you don't know what's really in store for Q4 as we have seen Q4 is stronger typically and larger volumes of the 100 meter blades so on and so forth payout in Q4. Fixed costs go down again operating leverage kicks in so it would be unjustified to tell you what we finally expect the numbers to look like as of 31<sup>st</sup> March but clearly as on 31<sup>st</sup> of March we will probably be able to make out how much margin improvement vis-à-vis component reduction takes place.

- Ravinder Vashist:** Only for the nine months and this quarter just wanted to understand essentially even though the reduction and the cost of raw materials and erection procurement is around 4%. But the EBITDA margin improvement including the revenue miss is around 2%?
- Deepak Asher:** As I mentioned to you the fixed cost went up by about 4% Y-on-Y from 4.3% in Q3 FY15 to 8.2% in Q3 FY16 which was essentially because we commissioned the MP facility so we were running on the full overheads but the volumes pick up will happen now and historically you would have seen in the last quarter while the raw material costs went down by 4%, fixed overheads also would have gone up by about 4%. But the fixed overheads of going up by 4% would be corrected as volumes pick up and the raw material savings would be for keeps. In that sense you would see further improvement in margins going forward.
- Ravinder Vashist:** So fixed overheads essentially would be the substation commissioning charges?
- Deepak Asher:** No even the salaries, the admin cost in the MP manufacturing facility which got commissioned
- Devansh Jain:** We employ almost 1000 people there.
- Ravinder Vashist:** That's all from my side, thank you gentlemen.
- Moderator:** Our next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** I heard that you said there is a lot of saving in terms of this steel cost. After this imposition of minimum input price do you see hence going forward it will not be having that impact on the raw material cost?
- Devansh Jain:** Two things, first of all we source almost 75% to 80% of our steel domestically and to that extent we were not importing and the MIP does not really impact us. Having said that, to some extent if steel prices go up in the domestic circuit then certainly it will have some impact on us. Now within this financial year we've already tied up almost 95% of the steel that we require till March. You can't buy steel in March and produce the tower within March itself so the last consignments of steel are probably being shipped out at this point in time, beyond which we will not be buying anymore steel for this financial year. Moving onto the next financial year, I think we will probably do our costing and figure out what actions need to take place depending on what happens in the budget and whether MIP is really applicable to some of the grades which were importing and what impact it has on domestic prices.
- Ketan Gandhi:** Suppose steel price in domestically we are sourcing 75%, if it increases by 10% how much impact can we have on our operation?
- Devansh Jain:** Rs. 3 lakh per tower into depends 500 megawatts should be 15 crores possibly. But this is all theoretical because at the end of the day pricing is dynamic and these newer products are coming out in the market, the pricing is increasing at a pace which is faster than the cost increase. That's also leading to incremental margins as we move forward.

- Moderator:** Our next question is from the line of HR Gala from Panav Advisors. Please go ahead.
- HR Gala:** I just wanted to know, what is the component of other income and other operating income of 53 crores in 9 months, a significant increase over corresponding period of last year?
- Deepak Asher:** Could you please repeat the question. Where did you see the 53 crores?
- HR Gala:** 53 crore of total other income and other operating income.
- Deepak Asher:** So you are aggregating both the other operating income, 46 crores of other income and 6 crores of other operating income.
- HR Gala:** Yes.
- Deepak Asher:** The other income would essentially be the treasury income. We are sitting on cash that was raised through the IPO and which will be deployed on the objects of the IPO over time so there was surplus cash. Even as of today we have a net cash of about 500 crores so that earns interest and the operating income would be sundry operational related income like sale of scrap, insurance claims, etc.
- HR Gala:** How much CAPEX are we going to incur in this year and next year?
- Deepak Asher:** CAPEX that we plan to incur would be roughly about 50 crores in this year on the tower plant, the balance amount that needs to be spent is roughly about 60 crores next year on the blades and the nacelles and hub plants.
- Devansh Jain:** 100 crores odd over the next one and a half years.
- HR Gala:** So far how much have we spent in FY 16?
- Deepak Asher:** We would have spent roughly about 110 crores.
- HR Gala:** Total will be 110?
- Deepak Asher:** Yes
- HR Gala:** Including this 50 crores?
- Deepak Asher:** Not including 50 crores, 50 crores will be spent in this quarter and about 110 in the first nine months.
- HR Gala:** First nine months, so it will be 160 crores?
- Deepak Asher:** That's correct.

- HR Gala:** And next year it will be only 60 crores?
- Deepak Asher:** Roughly about 60 crores.
- Devansh Jain:** We will end up spending close to 200 crores cumulatively.
- HR Gala:** Okay, 200 crores.
- Devansh Jain:** So 100 done, 100-odd to go.
- HR Gala:** How much megawatt you said you will be close to executing it for FY16? I missed that number.
- Deepak Asher:** We didn't say that. We are not giving forward-looking statements except saying that guidance that we provided during the IPO still largely holds true.
- HR Gala:** What was the IPO guidance?
- Deepak Asher:** Again I don't have it right now. I can probably share it with you later please.
- Moderator:** Our next question is from the line of Deepak Narnolia from Birla Sun Life. Please go ahead.
- Deepak Narnolia:** My question is again related to this Rajasthan, what the kind of competition is there in Rajasthan you are facing?
- Devansh Jain:** What kind of competition?
- Deepak Narnolia:** You have land bank of 2500 so other players are also operating in that state?
- Devansh Jain:** Yes, there are almost all the players operating in Rajasthan but that's true for pan India.
- Deepak Asher:** Frankly speaking if you look at the competitive situation, there are three large manufacturers there is Gamesa, there is Suzlon, there is Inox all three should have roughly about equal market share of about 25%, I'm talking at a pan India level. There are 20 other smaller players which would have the balance market share. Some players would have slightly larger share in some states versus the others so I think this is how the competitive situation across the country is.
- Deepak Narnolia:** You said this in some of the states' tariff policies expiring that was in March '16?
- Devansh Jain:** That's right.
- Deepak Narnolia:** That's why markets have slowed down in those particular four states.
- Devansh Jain:** That's right, temporarily, till the new tariff policies are in place.

- Deepak Narnolia:** So you said that the quarter four is likely to be chunky but if the tariff is going to expire in March '16 then I believe ordering should start post that in those states.
- Deepak Asher:** Let's understand our order book currently is about 1000 megawatts so even if ordering starts after a year that should be good enough for us. What we are going to execute this coming quarter is not going to be the orders that would be placed in the next quarter but what will be placed in the next quarter will actually be executed maybe 9 months or 12 months later.
- Deepak Narnolia:** You said chunky about the execution, not ordering?
- Devansh Jain:** Both.
- Deepak Narnolia:** Because when you said that ordering have slowed down in those states because of tariff policy it is being getting expired on March '16.
- Devansh Jain:** Because now clarity has started emerging in those states what the tariff policy will look like. You don't get clarity six months in advance of expiry so over the past 1-2 months there have been intense discussions, there have been draft tariff papers taken up the respective authorities of those states and multiple meetings with the wind industry to understand what the estimated tariff would be in many of these states. As people are getting more clarity the IPPs are moving forward in terms of placing orders.
- Moderator:** Our next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** My first question is on the realizations per megawatt. Now we have always been targeting around 5.5 to 6 crores per megawatt but in the last nine months it is around 4.7 crores including this 80 megawatts of slippages so why is it so?
- Deepak Asher:** I think what you are looking at is the fact that, I would assume that you are dividing the total revenues by the total quantity sold.
- Ankit Babel:** Yes.
- Deepak Asher:** Now if you remember we had also mentioned to you that the realization of roughly about maybe 6 crores comprise of 4.5 crores of supply and 1.5 crores of commissioning so because there was significant supply in this quarter and commissioning was not in equal number, it wouldn't be right to divide the total revenues of supply plus commissioning by the total volume of only supply.
- Ankit Babel:** But last year also it was less than 5 crores, this year till nine months also it is also less than 5 crores.
- Deepak Asher:** It will always remain like that unless commissioning and sales are exactly equal.

- Ankit Babel:** When can we expect that?
- Deepak Asher:** Hopefully next year.
- Ankit Babel:** Next year?
- Deepak Asher:** Hopefully in the next financial year.
- Devansh Jain:** And also where we got limited scope of commissioning and equipment supply to that extent the pricing there you will not be able to know what the exact pricing there was and we have had in these nine months almost 20% of equipment supply being supplied in these nine months.
- Ankit Babel:** Do you still expect to become debt-free on the net basis by the end of this fiscal year?
- Deepak Asher:** By the end of this fiscal year perhaps not. It might take a bit longer because if I remember we have 800 crores of debt and I don't think we will be able to generate 800 crores of cash in the next quarter itself. It will probably take a little bit longer but not too long I hope.
- Moderator:** Our next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vara:** The debt is 1380 crores, right?
- Deepak Asher:** Yes that's correct, gross debt including working capital.
- Abhijeet Vara:** So net is 800 crores which you will expect to pay off by next year?
- Deepak Asher:** Cash is 500 crores so we have about 800 crores of net debt. What we do expect over the next three months is obviously cash accruals from operations and I'm sure they will be release of funds from working capital as well. I obviously cannot share numbers with you right now in terms of what we expect that to be by the end of March. But we should see a significant reduction in net debt by March though as I mentioned I don't expect to be completely debt-free by March.
- Abhijeet Vara:** It's good to see your interest expenses coming down finally. But has there been any revision in your interest cost?
- Deepak Asher:** Yes in fact as our financial condition improves we are able to negotiate much better terms with our lenders, with the banks for working capital facilities. This reflects in reduce interest cost.
- Abhijeet Vara:** Could you give me your effective interest rate?

- Deepak Asher:** It is difficult because it's a mix of both rupee lending as well as foreign currency lending through buyer's credit so it is difficult to put a number on an exact effective interest rate.
- Abhijeet Vara:** Sure sir, no problem. That was my question. Thank you.
- Moderator:** Our next question is from the line of Pawan Parakh from HDFC Securities. Please go ahead.
- Pawan Parakh:** I just have question that you said that 247 crores of revenue over 80 megawatts got delayed because of custom clearance in this quarter so the implied realization here stands at about 3 crores per megawatt, is that the import content? I don't think we import so much on a per megawatt basis. This definitely seems on the higher side.
- Deepak Asher:** Let me clarify because of the components that got delayed through customs the clearance we could not bill out a certain part of a turbine which was if I may clarify it is nacelle and therefore the implicit value that you computed on a per unit basis was the value of a nacelle only.
- Pawan Parakh:** I didn't get you, you mean 3 crores per megawatt were the nacelles which we didn't recognize the revenue?
- Deepak Asher:** That's correct.
- Pawan Parikh:** 3 crore per megawatt. Okay sir, thanks.
- Moderator:** We will take one last question from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Can you please explain your policy of booking your revenue in the sense which are the milestones, how much you book on which of the milestones?
- Deepak Asher:** If you look at on a turnkey basis, the price can be broken up into two components, the supply component and the EPC component or the erection and commissioning component. On the supply component again typically and this could perhaps vary from contract-to-contract but typically you are allowed to make shipments of individual components and the key components of the supplies includes the nacelle, the hub, the blade and the tower. So you actually bill when the title in those components is transferred to the buyer which again could vary from contract-to-contract but typically is defined as and when delivery happens. So in short supply component of the total turnkey price is built on making the supply which is making the delivery to the customer. On the other hand, the EPC part or the services part is actually billed to the customer when the turbine is commissioned. So there could be different milestones for payments but that's more of a payment term rather than revenue recognition term. Revenue recognized in supply contracts on supply and in EPC contracts on commissioning.

- Mohit Kumar:** But the EPC part which are the milestones will you book so much of revenues?
- Deepak Asher:** We book the entire revenue on commissioning. As I mentioned the milestones could relate to payment terms and not the revenue booking terms.
- Mohit Kumar:** Okay sir, thank you.
- Moderator:** Thank you. I would now like to hand the call over to Mr. Bhavin Vithlani for closing comments. Over to you Sir.
- Bhavin Vithlani:** I would like to thank all of you for joining us on the call today as well as the management of tInox Wind for giving us an opportunity to host the call. Mr. Asher and Mr. Devansh, if you would like to have any closing comments?
- Deepak Asher:** On behalf of Inox Wind I would like to thank all of you, all investors, all analysts and all the other participants on this call for your interest in this company and we look forward to your continued support in the future as well.
- Devansh Jain:** Thank you everybody for being part of the call. I think we have achieved certain significant milestones over this quarter while we did miss out on some of the volumes which we discussed in this call. I think this would have been an extremely robust quarter having said that we are well on track to achieve broad numbers which we set out for ourselves for this financial year and hopefully Q4 should be a better quarter for us. From an order inflow perspective some people may have apprehensions in terms of what's happening in terms of order inflows and where the market definitely to be moving. But I just wanted to clarify to people that there has been slow down in certain markets given policy coming to an end in those states in the past three years. But over the past one to two months I think things have picked up very tremendously given the fact that there has been a lot of clarity around what the tariff policies are expected to be in these states. As I said we are seeing a very strong traction of order inflows. You will be seeing us making a lot of closures over the next couple of weeks and we will obviously keep all of you informed in terms of press releases so on and so forth with respect to the orderings. Thank you.
- Moderator:** Thank you very but members of the management. Ladies and gentleman, on behalf of Axis Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.