

IWL: NOI: 40: 2016

13th September, 2016

The Secretary BSE Limited Phiroze Jeejeebhoy Towers Limited, Dalal Street, Mumbai 400 001	The Secretary National Stock Exchange Limited Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai 400 051
Scrip code: 539083	Scrip code: INOXWIND
Fax No 022-22723121/2037/39/41/61	Fax No 022-2659 8237/38

Dear Sir,

Sub: Submission of Transcript of the Earning Call for the Quarter ended 30th June, 2016

Pursuant to the Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the Transcript of the Earning Call for the Quarter ended 30th June, 2016.

We request you to please take the above on record.

Yours faithfully,

For Inox Wind Limited


Deepak Banga
Company Secretary



Encl : As Above



“INOX Wind Limited Q1 FY 2017
Results Conference Call”

September 02, 2016



ANALYST: MR. BHAVIN VITHLANI - AXIS CAPITAL LIMITED

**MANAGEMENT: MR. DEEPAK ASHER - DIRECTOR AND GROUP HEAD,
CORPORATE FINANCE – INOX GROUP OF COMPANIES
MR. DEVANSH JAIN - DIRECTOR - INOX WIND LIMITED
MR. DHEERAJ SOOD - HEAD INVESTOR RELATIONS – INOX
GROUP**

Moderator: Ladies and gentlemen good day and welcome to Inox Wind Q1 FY2017 results 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 the 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 now hand the conference over to Mr. Bhavin Vithani, Axis Capital. Thank you and over to you Sir!

Bhavin Vithani: Thank you Vuyo and hello everyone. On behalf of Axis Capital, I welcome you all to the first quarter earnings conference call for Inox Wind. Today we have with us, the entire senior management of Inox Wind represented by Mr. Deepak Asher – Director and Group Head of Corporate Finance for Inox Group, Mr. Devansh Jain – Director of Inox Wind Limited and Mr. Dheeraj Sood – Head of Investor Relations at Inox Group. Without much ado, I would now like to handover the call to Mr. Asher for his opening remarks post which we could open the floor for Q&A. Over to you Mr. Asher!

Deepak Asher: Thanks very much Bhavin. Thank you very much to all investors and analysts who have taken the time and interest to attend this call. The Board of Directors of Inox Wind Limited has approved the results for the first quarter. The board meeting just concluded about a little more than an hour ago and we have uploaded the results along with an earnings presentation on the websites of both the BSE and NSE as well as the company website. I hope you have had the opportunity to take a look at them within the short time that we had. In fact, that is one of the reasons why we had to delay the commencement of this call for about half an hour to give you an opportunity of having a look at the results.

As you might have seen our focus in this quarter has been both about consolidation and correction. One of the concerns that we as management and perhaps you as investors and analysts had was the working capital cycle in this business and we have focused our attention over the last quarter in order to analyse and correct the root causes that led to that working capital and obviously this is a process that will take time. It is not going to happen in one or two quarters itself but I am happy to say that we are on the right track and directionally we should see an improvement in working capital as we go forward.

Therefore as I mentioned the focus was not as much on growth and profitability for this quarter and to that extent the financial numbers might appear to be lesser than what some of you had expected, but I would also like to say that our guidance in terms of the results for the full year remains intact and there is nothing that should concern any of you, concern which you might have had just by looking at the quarterly results, for the full year I think these aberrations will correct themselves and our targets in terms of topline as well as the bottomline remain intact.

Having said that some of the operational highlights that I would like to present to you for this quarter is that the production was geared towards improving the working capital cycle. I had mentioned on the last call that one of the key reasons that the working capital blockage had occurred was because there was a mismatch in manufacturing capacities and therefore to that extent this quarter we have focused on correcting that mismatch and hence in terms of production, we have consciously not produced as many Nacelles and Hubs as we possibly could in order to correct that mismatch and we have focused largely on manufacturing Blade Sets, which has a significant backlog as well as Towers and hence we have made during this last quarter 99 Blade Sets equivalent to about 198 MW, 74 Towers equivalent to about 148 MW, and just about 20 Nacelles and Hubs equivalent to about 40 MW and as a result of this at the end of the quarter, a significant part of the inventory backlog has been cleared with higher production of Blade Sets and Towers.

I am happy to also inform you post the end of the quarter as of this date, almost the entire inventory backlog has been cleared and we expect that clearing of this inventory backlog would lead to a significantly improved working capital cycle going forward. In terms of physical numbers, for the first quarter of FY2017, which is April to June 2016 as compared to the Q1 FY 2016 which is April to June 2015, versus Nacelles and Hubs of 120 MW which we made last year, we made about 40 MW of Nacelles and Hubs as I mentioned, against 120 MW of Blades last year, we made about 198 MW of Blades so that is a growth of about 65% in Blade volume production, against 140 MW of Towers last year, we made about 148 MW of Towers this year and in respect of commissioning against 78 MW commissioned last year, we commissioned about 48 MW this year.

The higher production of Blade Sets and Towers has virtually cleared a significant part of the inventory backlog in the first quarter and by now as I mentioned the entire inventory backlog. We expect commissioning activity which was on the lower side in the first quarter essentially because the policies have been announced towards the end of the quarter, the commissioning activity should pickup significantly going forward because now we have virtually all the major state policies announced and in place.

In terms of financial results, our revenues went down from 643 Crores in Q1 FY2016 to about 435 Crores in Q1 FY2017. EBITDA including other income went down from about 113 Crores to about 66 Crores. EBITDA percentage went down from 17% to 15.2%. EBITDA without other income went down from 93 Crores to 45 Crores. In percentage terms it went down from 14.5% to 10.5% and PAT went down from 60.4 Crores to 11.8 Crores. PAT margin went down from 9.4% to 2.7%. As I said let us not read too much into these results. This was a conscious decision. The focus was not on growth and profitability as much as it was in correcting the imbalances in the manufacturing and hence as I mentioned over the year now that this has been corrected, we should see revenues and profitability in line with our overall guidance for the full year.

In terms of cost breakup, raw material and EPC cost which was 73.4% of the overall sale price is now down to 69% which is a cost saving of about 4.4% point. Other variable cost was about 3.5% last year and it is down to about 2.9%, which again is an improvement of about 0.6% point. Fixed overheads went up from 8.6% to 17% but this as I mentioned was largely because we were at very low levels of capacity utilisation essentially because our focus was on correcting the mismatches in production and once we attain the planned level of capacity utilisation this should correct itself. As a result of this cost structure the margins as I mentioned, the EBITDA margins went down from 14.5% to 10.5% but that is a drop of 4% point, which as I mentioned should not just correct itself but actually we see an improvement in the EBITDA margins as we go forward with improved capacity utilisation.

On the side of working capital, our overall working capital as of June 2015 was 165 days that has gone up marginally to about 180 days. Receivables from 182 days have gone up to 197 days. Inventory has gone up from 97 days to 172 days and creditors have also gone up from 107 days to about 125 days, which led as I mentioned to overall working capital cycle from 165 days to 180 days. However, as I mentioned, we expect over the coming months for this to correct itself and come back to what the original levels of working capital were which is in absolute terms roughly about 1600 Crores.

In terms of order book, our order book as of June 30, 2016 is about 1,240 MW. This represents roughly about 12 to 15 months of execution time. The order addition for the quarter was about 184 MW and hence if you look at the order build up, 1104 MW, which was the opening order book, increased by 184 MW, which were the additions during the quarter. Execution during the quarter was 48 MW, which led to a closing order book of about 1240 MW. Beyond this we have also closed several significant orders post Q1 and hence our order book as of now is actually even healthier than this.

Key highlights are that we continue to strengthen our position and increase market share across IPPs, PSUs, utilities, corporates as well as retail customers and we are maintaining the momentum in the tender market. We have bagged the orders from entities such as IOCL, PTC India, and GIPCL. Our diversified and reputed clientele include all the major IPPs including Adani, SembcorpGreen Infra, Atria, Tata Power, CESC, etc., and PSUs like IOCL, NHPC, RITES, GACL, GMDC etc.

We have now aligned our manufacturing capacity with the expansion of the Blade and the Tower facilities and therefore our overall current capacity in MW terms is for Nacelles and Hubs about 1100 MW, for Blades about 1600 MW and for Towers about 600 MW. With the doubling of the Blade manufacturing capacity to 1600 MW and the enhanced Tower manufacturing capacity production capacity for Nacelles, Hubs, Blades and Towers are now fully aligned. Tower manufacturing can very easily be outsourced because it is not a very high tech item and hence the fact that it is just about 600 MW should not impose us any constraints in terms of future operations. As a result of synchronized

production of Nacelles, Hubs, Blades and Towers going forward we expect to be able to supply complete sets of WTGs and hence will lead to a better working capital cycle.

Our pipeline of project sites continues to remain extremely robust. We have more than 4,500 MW of project sites as of end of June, which should be good enough for at least another five to six years of project execution. We remain amongst the largest land bank owners in Gujarat, Rajasthan, and Madhya Pradesh and we are now focused on increasing the land bank further in South India, where multiple sites have been acquired at a very competitive acquisition costs for example in Andhra Pradesh as well as Karnataka. So as I mentioned we continue to maintain a leadership positions across wind rich states in India.

We have launched in this year the 113 meter rotor turbine. As you might recall, we had mentioned that successively we have improved the turbine efficiencies from the first model which was 93 rotor dia and 80 meter hub height to 113 rotor dia and 120 meter hub height which we are set to launch during the latter part of this calendar year and the improved efficiency of 113 rotor dia and 120 meter hub height turbine is about 40 to 45% higher than the first turbine that we launched and this improved efficiency leads to higher generation, better uptime for our customers, lower operational maintenance cost and hence higher IRRs for the investors. For us it leads to increased margins and higher market share and for the sector it also expands the market because the more efficient turbines are ideal for low wind pockets and hence the wind rich sites which they can exploit becomes larger. So that is a broad overview of the operations.

We have also on the slide given you some overall picture of this sector, the positive sector tailwinds that we expect should help the sector to grow and a diagrammatic comparison of wind versus solar, which was again a question often investors have. In terms of share price performance data, price currently is about Rs.186, market cap of about Rs.4000 Crores, 52 week high/low was 411 to about 181, promoters and promotor group continue to own about 85.62%, FII is about 1.38%, DII is of about 5.06% and the public stake holding is about 7.94%.

One other issue that I thought I would mention is one of the concerns that was expressed during the last call and interaction with investors was an intercorporate deposit that we had given to our group company Inox Renewable Limited, an amount of about Rs.278 Crores as of March. We are happy to inform you that while we had indicated that this would be liquidated during the year, but as of date this has already been repaid to the extent of about Rs.200 Crores and hence the outstanding ICD is somewhere in the region of now about Rs.80 Crores only and this also we expect to be able to liquidate over the forthcoming few months. So that is the brief snapshot of performance and I would like to open it for Q&A and my colleague, Devansh also would be happy to field any question that you might have.

- Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentleman we will wait for a moment while the question queue assembles. We have the first question from the line of Mayur Gathani of OHM Portfolio. Please go ahead.
- Mayur Gathani:** Good evening everyone. Thank you for the opportunity. Sir couple of questions, can just tell us what are your targets for FY2017 if you can just rerun with?
- Deepak Asher:** Frankly we do not give quantified forward-looking guidance, but we would like to mention that we expect the sector as most independent analysts expect it to be in the tune of about 4,000 to 4,500 megawatts for the full year. We have had a market share of roughly about 25% last year and we do not see any reason as to why we should not be able to achieve that this year as well.
- Mayur Gathani:** Your margins were on 15% plus for FY2016, so with this 10% you should be able to do better than that in the corresponding nine months?
- Deepak Asher:** I think so, we should at least be able to maintain the kind of margin profile that we had earlier because as I said with the economies of scale with larger volumes there should be a slight improvement, but I think it would be conservative to assume that we should be at least be able to maintain the EBITDA margins of last year.
- Mayur Gathani:** Overall the working capital you feel over the full year FY2017 should be in the range of Rs.1600 Crores?
- Deepak Asher:** Yes that is what we had indicated earlier and we see no reason to revise our expectations.
- Mayur Gathani:** What was your megawatt sales figure for this quarter?
- Deepak Asher:** As I mentioned it was bit disjointed because there was a kind of, it was not uniform across different components of the turbine. We sold about 40 megawatts of Nacelles and Hub, about 198 megawatts of Blades and about 148 megawatts of Towers and we commissioned about 48 megawatts of turbines, so depending on, the product mix was a bit skewed because the focus was on trying to correct the mismatches in the backlog of production.
- Mayur Gathani:** So going forward do we see inventory days falling? I mean inventory days now at 172 you have done this correction, so inventory days should fall?
- Deepak Asher:** Going forward we expect inventory should also fall because of the mismatches in production being corrected, you also expect receivables to be more efficiently collected because of the fact there were two reasons as to why receivables were at the levels as they were, one was mismatch in production, which as I said as of now has been completely cleared and the second was the lag between production

and commissioning Now this obviously could not be fully addressed in the first quarter itself because we saw state policies being announced towards the end of the first quarter, but going forward we expect that that issue also to be corrected and as a result of which our receivables will also be at more manageable levels than what they have been historically.

Mayur Gathani: And the first case when you keep talking about mismatch of production, is because we did not have our own plants and hence there was a mismatch or we were anyway outsourcing it from somewhere else, so this was an intentional thing to do or now we have changed the policy and now we want to do everything in line as or else we will have lot of inventory?

Deepak Asher: No, it is not as if we did not have the plants, we had the plants with the capacity in the Blade plant was lower than the capacity in the Nacelles and Hub plant and therefore we could not manufacture as many Blades as we could Nacelles and Hub, but as I mentioned to you what we have done is we have expanded the Blade capacity over the past few months, the Blade capacity now is 1600 megawatts versus Nacelles and Hub of 1100 megawatts and hence this is far in excess of what we would need for the full year sales and hence there is sufficient slag in the capacity in order to also clear the backlog.

Mayur Gathani: So earlier the Blades were not sourced from outside, they were all made in-house only and hence this discrepancy?

Deepak Asher: That is right.

Mayur Gathani: And anything on the regulatory perspective do you see, I mean we see some tendering that is expected in the coming quarters from the government side?

Deepak Asher: Devansh will take that.

Devansh Jain: I think two or three big ticket things have happened on the regulatory side. One has been the fact that the government has mandated a non-solar RPO obligation for the entire country to be at 8.75% for this financial year, which is going up to about 10.25% in FY2019. What that does is it opens up a market size of almost 20,000 to 25,000 megawatts for all the states where wind energy so far could not be set up, but how do these guys fulfill the non-solar obligation if they cannot set up wind turbines that's where these central tenders come in. What the government is now doing, they are coming out with the first 1,000-megawatt tender under the aegis of SECI. They have already had two rounds of hearings and meetings and it is expected that in the next 45 days to 60 days, the first 1000-megawatt tender will be announced. What that will enable us to do is, just as you have central solar tenders under SECI where you bid an Xprice and get your PPAs and then you get an Xamount of time to execute projects, we will be able to execute these projects. By the way PTC has been chosen as a

trading entity for that who will be signing the PPA with respective states, so this will enable states like, for example, West Bengal or Uttar Pradesh or Delhi, which until now has not been fulfilling the non-solar RPO obligation because they were not capable of setting up wind turbines, to come and source the power and that would expand the market moving forward. Needless to say, I think it is going to be common sense that the most competitive wind turbine manufacturers are the ones who will be able to catch a maximum market share under central tendering. While 75% of the market is probably with the top three guys, we are the lowest cost producers with the highest margins and I think we should be able to capture a fairly large chunk of this market.

Mayur Gathani: So will you be directly bidding for this or you will have a partner?

Moderator: Sorry to interrupt you Mr. Gathani. We request you to return to the question queue as we have other participants waiting to ask questions.

Mayur Gathani: Okay.

Moderator: Thank you. Next question is from the line of Abhijth Vara of Sundaram Mutual Fund. Please go ahead Mr. Vara.

Abhijth Vara: Thanks for taking my question. First question is what is the debt and networth position as on date?

Deepak Asher: Okay just give me a moment I will try and pull that up, in the meantime you want to go on to the next question?

Abhijth Vara: Secondly I wanted to understand since the inventory backlog has been cleared, as on date the commissioning would be quite chunky in Q2 is it and subsequently the receivables will also start flowing?

Devansh Jain: Well two things one yes commissioning will go up substantially over this quarter; however, having said that what we did share with investors was that the Gujarat tariff policy was announced on the August 30, 2016 just two days ago, as a result of which multiple PPAs, we had a lot of standing turbines as all our investors are aware, we have had a lot of common infrastructure ready and built in Gujarat, but a lot of standing turbines are without PPAs because policy had expired and the tariff policy finally has been announced on August 30, 2016 so a huge chunk of our PPAs have now been moved and are being signed, so we would see a huge amount of commissioning happening over the next 30 to 45 days of all the erected turbines and that momentum will continue into Q3 and Q4 and yes so to that extent a lot of receivables will also start coming in as we are talking over the next few weeks.

- Deepak Asher:** To respond your question the networth is about Rs.1915 Crores and the long-term borrowings are about Rs.52 Crores, these are the long term borrowings and the working capital debt is roughly about Rs.1900 Crores.
- Devansh Jain:** We have cash of about Rs.550 Crores against that. Net debt as on March was Rs.626 Crores and net debt presently would be about Rs.1100 Crores.
- Abhijth Vara:** I will get back in the queue. Thank you.
- Moderator:** Thank you. We have the next question from the line of Ashutosh Narkar of HSBC. Please go ahead.
- Ashutosh Narkar:** Good evening Sir. If you could explain me the process of payment or you know the payment cycle for your products typically how does it happen since we kind of commissioned certain portion in Q4 would that have not kind of bought in the money as receivables over the quarter have increased if you could explain me that or they have largely remain kind of constant that is one? Second one is you mentioned about writing down of inventory or completing the existing inventory moving on that is as a result of which we had this problem, if you can explain me that in a little bit of detail?
- Devansh Jain:** First and foremost with respect to the huge commissioning, which we had done in Q4 and the chunky sales of Q4, as of June majority of the payments have been collected and as we sit today all I would say 97% to 98% of all that money which was owed has been collected barring Rs.30 Crores, Rs.40 Crores, which may be against some punch point or one odd turbine all that money has been collected. As you may see we had a fairly significant amount of inventory mismatch as a result of which a lot of collections were not coming in. While a lot of the contracts allowed us for part shipments and end of the day you are supposed to get paid on Nacelle reaching, the Blades reaching and the Towers reaching, what we realized was happening was that most of the customers were saying that the whole complete set reach which consists of the Nacelles Hub, the Blade and the Tower and only then payments were being processed. It had happened in the past. It happened and you could not overnight change that, what we have done now is by completely synchronizing supplies of Nacelle, Blades and Towers we cleaned up the entire inventory mismatch and now all supplies are happening of a complete set, so to that extent going forward and all the inventory mismatch which has been completed now, all that collection has now started kicking in. Now in many cases because typically in Q1 you do not have policies in place in most states and it always take sometime before policies are announced such as Gujarat where the tariff actually got announced only on the August 30, 2016 there is a lot of while contractually it may not be correct, but there have been a lot of delays in terms of collecting payment, but we are happy to inform with finally all the policies in place and the entire inventory mismatch completely eliminated, I think we are on very, very solid wicket to get our receivables well in control and control our working capital cycle as we have committed.

- Ashutosh Narkar:** I am sorry I could not understand if you could explain this, what could be the total duration of this Rs.2400 Crores?
- Devansh Jain:** What would be the duration?
- Ashutosh Narkar:** Yes within what time period is this Rs.2400 Crores likely to get replenished or will come back to us?
- Devansh Jain:** Hard to answer that question because in the sense, you know as we keep dispatching turbines...
- Deepak Asher:** This Rs. 2,400 crores will definitely will come back to us by the end of the year, but there will be more receivables.
- Ashutosh Narkar:** What I am trying to understand is that how much would potentially, a very ballpark number between Q2, Q3 and Q4?
- Deepak Asher:** So again very, very ballpark answer also to that as if you expect annual sales to be in the tune of about Rs.5000 Crores to Rs.5500 Crores and if you expect receivables to be 90 days of sales it would be roughly about Rs.1200 to Rs.1300 Crores in terms of one-fourth of that sales.
- Ashutosh Narkar:** Over the next three quarters timeframe?
- Deepak Asher:** By March, yes, but March is very ballpark, we expect.
- Ashutosh Narkar:** The second question was in terms of the commissioning part, so typically I would assume that at the time of commissioning you would receive the balance 15% or 20% of the money, till that time, but as we have reached closed to the commissioning we would have received around 70% to 80% of the entire money for the project?
- Devansh Jain:** While ideally yes, but like I said a lot of supplies have happened of Q4 which were for Gujarat where the policy expired, so for example we are doing almost 500 to 600 megawatts of our business this year in Gujarat and to that extent a lot of places till the policy was not finally announced and the PPAs were not happening, people were holding that payments.
- Ashutosh Narkar:** And that would be typically what percentage of the total payment cycle, so it would like 30%, 40%?
- Devansh Jain:** Very hard to answer that because again for example in many cases part shipments were allowed where you are supposed to be paid in parts but now when the full turbine was supplied over Q1 with the Blades and Towers being supplied, the policy expired because the policy expired whereas the entire turbine has been supplied, people were waiting for the policy to come in, now that the policy

has come in and the turbine is complete we should be able to collect all our money not just 40%, but 40% plus 20% 60% in the next few weeks.

Deepak Asher: Also one more element, which I may add to that is that regardless of what contracts say, contracts may allow you to do part shipments and contracts may require payments to be made against shipments, practically what happens is customers at times do not pay even for shipments made because they want to see the whole turbine and not just the Nacelles, the Hub, or the Blade and the Tower and secondly even after you supplied everything they end up not paying for supplies because they want to see the turbine commissioned; however, and this typically happens when the payment terms are clean credit. Now we have also tried to shift a significant part of our incremental order book to LCs and when it is shifted to LCs then the discretion that the customer has to hold back payments on terms which are not strictly as per the contracts goes away and therefore, if for example the contracts permits part shipments and payment against shipment all you need to do is produce documentary evidence for that shipment having taken place to claim the payment, so the third element apart from clearing production mismatches and delays in commissioning or backlog in commissioning is the fact that as incrementally more and more orders go towards LCs rather than clean credit that will also help in improving working capital cycle.

Ashutosh Narkar: Sir just last question the same one, correct me if I am wrong, what would happen is typically you would execute the project and then the commissioning would happen and then the PPA would be signed, would that be the correct sequence?

Devansh Jain: No it depends, in some states the PPA is done before commissioning and in some states the PPA is done after commissioning, so for example in Gujarat the PPA is done prior to commissioning, but in a state like Madhya Pradesh the PPA is done after commissioning.

Ashutosh Narkar: So then effectively the chances of substantial up move in the commissioning in Q2 from Gujarat would be significantly higher?

Devansh Jain: It would be, but Q3 will be huge because like I said the tariff policy got announced on the August 30th 2016, we have moved a huge chunk of pending PPAs and as we keep getting the PPA signed obviously all that PPA cannot be done in one day, there is a process, as the PPA keeps getting signed a lot of the commissioning may happen.

Ashutosh Narkar: Okay. Thank you.

Devansh Jain: For example, if some of the PPAs come in on September 20, 2016 and if let us say the commissioning happens on the October 5, 2016 while it is happening and a lot of collections have happened, on the

September 30, 2016 you may not be able to see that, but yes there should be a significant jump within Q2 itself in terms of the commissioning numbers.

Ashutosh Narkar: Thank you very much gentlemen. All the best.

Moderator: Thank you very much. We have the next question from the line of Amish Shah of Bank of America. Please go ahead.

Amish Shah: Just trying to understand your inventory days, you have mentioned that the effort in the quarter was geared towards correcting the working capital cycle and you have mentioned in the presentation that it has corrected, but inventory days has actually gone up as per the working capital cycle presented in the slide, so just trying to understand or are we getting it wrong?

Deepak Asher: Inventory levels appeared to have gone up in terms of number of days because the production level for the last quarter was very low, if you look at absolute amount the numbers have not gone up as significantly as number of days.

Amish Shah: But given that Q1 is such a small portion of your annual sales you should have less of an impact on the inventory days if the inventory had corrected significantly right?

Deepak Asher: As I said what we expect to happen is over the next few quarters as the absolute volumes go up and the inventory levels in absolute term remain the same in terms of number of days you will see this going back to normal levels.

Amish Shah: My second question is regarding just trying to understand how a mismatch in production of Nacelles, Hubs, and Blades and Towers, has that led to the decline in margins or is there some other reason as well and if the mismatch in production of different Nacelles, Hubs, and Blades has led to the decline in margins then could you explain that I mean in terms of how is it leading to a decline in margins?

Deepak Asher: Well I think the decline in margins has largely been because levels of capacity utilization during the last quarter were significantly lower. For example, you know on the Nacelle and Hub plants we were working at about 15% capacity utilization and hence fixed overheads were absorbed only by that level of production, once you get to proper level of capacity utilization you should see that the overheads in terms of operating leverage on a per unit basis will go down and if I remember I had indicated when I have given you the cost structure that while margins have gone down on a YOY basis from 14.5% to 10.5% which is a 4% fall that was largely because there is a 9% point increase in overheads and this is largely because of lower levels of capacity utilization and as you reach normal production level, which is what we expect going forward, this aberration would get corrected and the margins will go back to about what they were originally expected to be.

- Amish Shah:** That's fine. Thank you.
- Moderator:** Thank you. Next question is from the line of Prayag Shah of Kotak. Please go ahead.
- Prayag Shah:** Good evening Sir. My question is has there been any impact of adoption of Indian Accounting Standard on our revenue booking?
- Deepak Asher:** Well, not very significantly, marginally yes, I mean we had some impact because of, for example, straight lining of operation and maintenance revenues, but I would not say that was very material. There has been some reclassification like leasehold land being regrouped as prepaid expenses rather than fixed assets and stuff like that, but nothing very significant.
- Prayag Shah:** What is the position of uncommissioned unit as on today?
- Devansh Jain:** Well as of March we were at about 400 megawatts. We supplied 80 megawatts, 40 megawatts, we would have about 400 odd megawatts uncommissioned, 500 odd megawatts.
- Prayag Shah:** And Sir what is the receivable position as of date?
- Deepak Asher:** What is the what position?
- Devansh Jain:** 2417, that is on the presentation as well.
- Prayag Shah:** Thank you.
- Deepak Asher:** As of June 30.
- Devansh Jain:** That is as of June 30.
- Moderator:** Thank you. We have the next question from the line of Bhalchandra Shinde of Anand Rathi. Please go ahead.
- Bhalchandra Shinde:** Good evening Sir. My first question is related to what we have specified on the slides like Nacelle and Hub sales, Blade and Tower would like to know what kind of execution cycle you have for Nacelle, Hub, and Blades and Tower obviously Blades and Tower execution cycle will be slightly lower right versus Nacelle and the Hub?
- Devansh Jain:** You mean the manufacturing time?
- Bhalchandra Shinde:** Yes manufacturing time.

- Devansh Jain:** Well it is virtually the same, Blade is typically made in about 40 to 48 hours, Nacelle is made in about 96 hours and a Tower takes about 12 days to manufacture.
- Bhalchandra Shinde:** So if we see spurt in demand we might not see that kind of a mismatch at that level means scarcity on the Nacelles and Hub?
- Devansh Jain:** We have got 1100 megawatts of Nacelle capacity and we have got about 1600 megawatts of Blades, these are two key criteria, so I think from a spurt in demand I think we are well on track for what we are doing over the course of this financial year. In fact the Blades were increased to 1600 because while you could still make some incremental Nacelles by having a third shift the Blade is limited by the number of moulds and the plant size you have, so there is no way 1600 megawatts of Blades can go up, Nacelle could still go up, so I think we have created enough manufacturing capacity to take care of targets as well as to clear all the past backlog.
- Bhalchandra Shinde:** Regarding the order book if you can specify a majority which region caters to what kind of our order book in the percentage term where is Rajasthan placed, Gujarat?
- Devansh Jain:** What I will tell you, is what we intend to execute over the course of this financial year. Because the order book at different points in time also includes orders, which may be for the following years depending on policies so on and so forth. So from this year's perspective we expect to do 50% of our overall business in Gujarat. We expect to do about 20% of overall business in Andhra Pradesh and about 9% of overall business in Karnataka, 15% of overall business in Madhya Pradesh and the remaining 4% to 5% would be in Rajasthan.
- Bhalchandra Shinde:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia of Elara Capital. Please go ahead.
- Deepak:** This is Deepak here from Elara. I wanted in the previous question you mentioned something 500-megawatt of uncommissioned capacity, what exactly is that?
- Devansh Jain:** Typically what you supply in a quarter is backlog, which you carry into the next quarter for commissioning. There is a lag between supply and commissioning, so the backlog of supply and commissioning at this point in time is about 500-odd megawatt, ideally this should be about 300 odd megawatt, but given the fact that we now have policies in place across the board, I think there should be huge ramp up in terms of commissioning and this backlog will go down.
- Deepak:** Okay and my next question if I got it right you were mentioning that receivable is you are expecting going to 90 days, so ideally if you are receiving around 5000 Crores of topline, so it should come down to around Rs.1200 Crores, Rs.1300 Crores?

- Devansh Jain:** We would expect receivables to be at about Rs.1300 Crores, Rs.1400 Crores roughly.
- Deepak:** So it is almost Rs.1000 Crores realization in cash over the next few quarters?
- Devansh Jain:** That is right.
- Deepak:** My last question is now that Gujarat FIT, most of FITs are out for the peers, so how do you see the order inflow environment shaping up for the balance part of the year and may be early next year?
- Devansh Jain:** Again I think we expect the market and there are various estimates as well, but honestly if you ask us our opinion we believe the market would be anywhere from 4 to 4.5 gigawatts over the course of this financial year. In terms of order booking and order inflows, a lot of this has actually gained traction post the policies coming up. So for example even after the Gujarat policy came out we have had a lot of orders which will virtually closed, but you know at end of the day not sealed because people still like to see what the tariff would be and we are happy to say that since the tariff has come out, a lot of orders have actually been closed. From an Inox Wind perspective, I think we have a very, very robust order book and I think barring one or two deals here and there we are virtually tied up for the course of this financial year. With respect to the next financial year, I think it is still little too early because for the next financial year people would typically start talking towards Q3 end of Q4 beginning once they have more clarity on GBI, AD and so and so forth. While the good news is that given the fact that a lot of these tariff policies have finally being announced and a lot of them are again three-year policies such as in MP, Andhra Pradesh and Gujarat, we should start seeing momentum in order booking for the next financial year from Q4 into Q1. This excludes the fact that the 1000-megawatts central tender is expected in the next 60 days which in any case would create further momentum for the coming financial year.
- Deepak:** My last question like as you mentioned in opening remarks on these 1000-megawatt tender two rounds of discussion has already happened with the industry. So what were the key issues that people highlighted do you think that that can be either stumbling block or that can accelerate?
- Devansh Jain:** No I do not think there were any specific key issues. I think the draft document was a well-documented paper. Of course there were some concerns and confusions such as for example what happen when GST kicks in, will it be a pass through. So that was the biggest question mark and I think what the government agency has agreed to do was make that a pass through depending on whatever the tax rates would be. So I think while it is still needs to be implemented in terms of the final policy which comes out. I think there were minor operational hiccups or questions nothing significant. Because again this is on the same line as the SECI tender for solar energy, so they have already gone through this multiple times, so no major surprises or bottlenecks.
- Deepak:** That is it from my side. Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Rajkumar Rathi of Centrum Capital. Please go ahead.

Rajkumar Rathi: Good evening. I wanted to understand we hear that some of the state government are not paying on time to the wind producers and some state governments are not even signing the PPAs while the projects are ready, so how the situation is impacting our business?

Devansh Jain: First and foremost to answer the question on state governments are delaying payments, in certain states instead of the regulatory cycle time of 60 days payments are being made after 90 days, due dates of 100, 120 days of due dates, but that is something which is taken care of, which concerns the IPPs and more importantly the IPPs have already started factoring four to five month delay in terms of payment cycle and calculating the IRRs. What is important is that from a capital turnover ratio, the capital intensity to turnover ratio is very low in wind turbines. What I mean by that is for example for Rs.6 Crores per megawatt turbine, you typically generate Rs.1 Crores to Rs.1.2 Crores of topline, so if the delay in payment is let's say four months or six months you typically have Rs.40 lakh or Rs.50 lakh delayed. Now that does not have a very significant impact in terms of IRRs and it probably effects IRRs by half a percentage point and I think this is something which most IPPs have taken in their stride, but I would also like to reiterate it until now there has not been a single case where there has been default in payments. There have been delays, but not default in payment. With respect to your question on, turbines sites are ready, but people are not signing PPAs to our knowledge this is happening only in one state, which is Maharashtra where there has been a political stand off with the industry where about 900 megawatts of assets are standing on the ground where PPAs are not being signed. This is not what is happening in any other state. We expect this would be resolved in the near future, because the government and industry are in dialogue, but I would also like to point out to you that Inox Wind has less than 40 megawatts standing there where PPAs have not been commissioned and we have collected 95% of all our money against those turbines. We have less than Rs.20 Crores blocked in those turbines. If it is some of our other competitors where 300 to 400 megawatts each blocked in Maharashtra.

Rajkumar Rathi: Okay, on the receivable side, our receivable remains almost same Rs.2400 Crores in March and June. So how about the collection of those receivables which were outstanding in March?

Devansh Jain: As I mentioned to you, we have collected a large chunk of those turbines which had been commissioned in March over June, but as of today barring 1% or 2% or 3%, the entire amounts due to us from March commissioning have been collected. I think majority of the receivables which you see there are due to the fact that we had huge amount of inventory mismatch the Blade and Tower piece and second this commissioning backlog which is delayed because of state policies and what you have seen us do over Q1 is consolidate and correct, correct this issue at hand where we did not have enough Blades and Towers and given the fact that we now have all these policies in place, we should

have huge amount of collection kicking in over the next few quarters and as was also answered in one of our previous calls, we expect broadly our receivables to be about 90 days which would entail about Rs.1300 Crores to Rs.1400 Crores of receivables, so that we will lead to huge amount of liquidation in the months to come.

Moderator: Thank you. The next question is from the line of Ruchi Mittal of CD Equisearch. Please go ahead.

Ruchi Mittal: Good evening Sir. Can you give me a figure for your current receivables like as on day today?

Deepak Asher: I am sorry, we do not have that handy. This is a June earnings presentation we have give the numbers for June. We do not even have the current receivables as of now.

Ruchi Mittal: You are almost two months into the second quarter, what is the trend like?

Deepak Asher: I am afraid, Ruchi, you will need to wait for the September earnings call to get the exact number. The trend is improving as we just mentioned, but what the exact number is you will have to wait for the next call.

Ruchi Mittal: Okay, another question why is this increase in finance cost?

Deepak Asher: All this is essentially, because working capital borrowing from banks was higher in this quarter compared to Q1 of last year and secondly mark to market of foreign exchange exposures on buyer's credit.

Ruchi Mittal: Thank you.

Moderator: Thank you. The next question is from the line of Avi Vora an Individual Investor. Please go ahead.

Avi Vora: Congratulations, first of all on the financial part. My question is regarding the technology front. Are we seeing any trends for the offshore wind farming in India?

Devansh Jain: I do not think so. Nothing is going happen on the not to sound negative, but the cost of offshore is about 2.5 times the cost of onshore. Cost of energy is about 2.5 times the cost of onshore and you move offshore only once you have exhausted onshore potential. In India based on which estimate you go by we have onshore potential ranging from 1 lakh megawatt to 9 lakh megawatts. The current installed capacity is about 27 gigs. So we have a long, long way away before offshore even becomes competitive and worth considering for India.

Avi Vora: Just one more thing the 120-meter hybrid as you mentioned in presentation, can you just inform us more on the technology front of that?

- Devansh Jain:** I am not sure what do you mean by on the technology front, what we mean by the hybrid is the bottom of the part of the Tower is cemented portion. The first 40 meters are cemented portion and 80 meters on top are steel tubular Tower. I think this is the most robust design as opposed to having lattice and tubular simply because in India there is a lot of theft which happens in lattice towers and cemented towers are far more stable and globally this is the most robust design.
- Avi Vora:** Thank you very much Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Suresh Kamathe who is also an Individual Investor. Please go ahead.
- Suresh Kamathe:** I have a question related with you have acquired some companies in the last year and before that and then if I see the annual report revenue of this acquisition companies is zero. So could you please highlight on that?
- Devansh Jain:** I think we mentioned to you many of these companies are virtually shell Companies which have rights and permissions to develop projects and majority of these companies have been acquired in the southern states, so as we keep implementing and developing projects over the course of this financial year, revenues would be recognized in those companies.
- Suresh Kamathe:** Just another question. Does any of your competitors manufacture these two megawatt WTGs?
- Devansh Jain:** Many of them manufactured two megawatt turbines.
- Suresh Kamathe:** I mean in India.
- Devansh Jain:** I am talking of India, virtually between the top three players. The top three players, which control 75% of the market all of them manufacture two megawatt turbines.
- Suresh Kamathe:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar of HSBC. Please go ahead.
- Shrinidhi Karlekar:** This question is regarding order backlog. 1240 megawatt we have at June does that include 500 megawatts for which supply is done but commissioning is balance?
- Deepak Asher:** No it is not an order backlog, it is an order book and order book is net off commissioning already taken place, so the supplies done but commissioning not happen is not yet removed from the order book.

- Shrinidhi Karlekar:** So largely that would be like if I assume 6 Crores per megawatt that would be 1,240 into 6 right?
- Deepak Asher:** Sorry.
- Shrinidhi Karlekar:** In revenue terms, if one has to conclude it, so that would be 1240 to 6 Crores per megawatt right?
- Deepak Asher:** Yes that would be a rough thumb rule, yes.
- Shrinidhi Karlekar:** That was my question. Thank you.
- Moderator:** Thank you. The next question is from the line of Nityanand Bhangare an Individual Investor. Please go ahead.
- Nityanand Bhangare:** Good evening. My question is what will be the impact of GST on Inox Wind specifically and in general for the sector?
- Deepak Asher:** That is to be honest with you, very difficult to say at this stage, because the GST Council is yet to be constituted. We do not know what the revenue neutral GST rate would be. We do not know as to whether renewable energy because of its socially positive impact on the environment would be in this revenue neutral rate or what it be awarded a concessional rate because as I said of its positive impact on the environment. We also need to work on grand fathering some of the exemptions that we have as you might be aware, our manufacturing plants enjoy an excise duty and sales tax, VAT exemption, so we need to ensure or see how they are grand fathered under the GST regime and hence this is to be honest it would be difficult to foresee at this stage.
- Nityanand Bhangare:** But our current rate of taxation is around because of the exemption is around 5% to 6% right for the industry and you do not come under exemption then it is a huge negative impact, is that right?
- Deepak Asher:** Why would you say it is 5% to 6%, I am not sure I follow that?
- Nityanand Bhangare:** The current excise and VAT if you look at including exemptions, how much tax do we pay today on?
- Deepak Asher:** It is not simple as that you know what happens under the GST regime then all your input taxes become off settable so in that sense those taxes cease to be a cost. On the other hand, one has to see if there is a 18% GST on your output, how that is going to be shared between the customers and the Discoms, because obviously tariff will then need to go up. To be honest with you there are too many uncertainties at this stage to be able to conclude as to how GST would impact the sector.
- Nityanand Bhangare:** Thank you.

- Moderator:** Thank you. The next question is from the line of Sameer Kapadia from Fortune Interfinance. Please go ahead.
- Sameer Kapadia:** Good evening. Can you tell me what is the current utilization?
- Deepak Asher:** Current what?
- Sameer Kapadia:** Utilization.
- Deepak Asher:** You mean capacity utilization?
- Sameer Kapadia:** Right.
- Deepak Asher:** As I mentioned to you earlier it is a bit difficult. On Nacelles last quarter was 15%, on Blade it was 50%, on Towers it was 90%, blended average would be I would say may be about 40% of all facilities.
- Sameer Kapadia:** Where do you see it for the whole year?
- Deepak Asher:** For the whole year, we would expect we did about 800-megawatt last year. We would expect may be 20%, 25% growth of what we did in last year.
- Sameer Kapadia:** Okay. So it would be somewhere around how much?
- Deepak Asher:** May be about between 900 and 1000 megawatts.
- Sameer Kapadia:** Secondly in regards with if you can update me in regards with your technology tie-up with AMSC.
- Deepak Asher:** What exactly is your question in respect to technology tie-up AMSC?
- Sameer Kapadia:** It was going to expire somewhere in September 2016 it was there.
- Deepak Asher:** It is a perpetual license. There is no expiry of any tie-up. The license that we have for the two-megawatt turbine is exclusive for India and is a perpetual license. We also have framework agreement for developing a three-megawatt turbine and we also have licensing agreement for manufacturing ECSs.. So, there is nothing, which is expiring in September.
- Devansh Jain:** It is in perpetuity.
- Sameer Kapadia:** Thank you so much.

- Deepak Asher:** There is one more remark is that we have hard stop at 6.30, so I would request all of you to kindly ask as fast as you can please.
- Moderator:** We have the next question is from the line of Abhijth Vara of Sundaram Mutual Fund. Please go ahead.
- Abhijth Vara:** Thanks for the followup. I wanted to seek one clarity you said uncommissioned megawatt are still on order book is it?
- Devansh Jain:** Uncommissioned would to the extent depending on where its complete, where it is not complete, it is hard to answer that depending on where supplies are complete, there it would not be in the order book, where it is complete.
- Abhijth Vara:** So wherever you booked revenue it will not be in order book?
- Deepak Asher:** **Yes that is correct.**
- Devansh Jain:** Correct.
- Abhijth Vara:** Thanks. I will get back to you.
- Moderator:** Thank you. The next question is from the line of Hardik Jain of Widestone Financial Advisors. Please go ahead.
- Hardik Jain:** I just wanted to understand once again that as of March 31, 2016, the receivables are still the same, so in that period you must have commissioned lot of projects, so I just fail to understand why receivables are have not gone down?
- Devansh Jain:** I think what we commissioned in March is something, which we have already collected to a great extent over June and whatever remaining part was left towards punch points has been collected as of now. I think the biggest reason why receivables will go down in the coming quarters is because the entire inventory mismatch. If you just do a broad math the excess Blades which were supplied in Q1 was 150 megawatts or 160 megawatts of Blades which means 160 megawatts of turbines did not have Blades that alone is 1000 Crores which was there and that was not the entire inventory mismatch. Majority of the entire inventory mismatch was corrected, but as of today the entire inventory mismatch is corrected and the mismatch was to the extent of almost 1500 Crores in terms of collections due to Blades. Now this is the money, which will get accrued and collected over the next few months number one. Number two, when policies did not exist in Q1, a lot of the inventory which was supplied over Q1 people were waiting for the policy to come in particularly in Gujarat where we were doing almost 50% of sales this year and where a lot of backlog supplies had been done in

March. As we keep moving forward, all our collections would be because of this incomplete supply being finished now, corrected and second because of commissioning taking place now.

Hardik Jain: We booked our revenue, when we do the supply, is it? . If I understand correctly we have booked revenue at the point of supply is it?

Deepak Asher: It depends on how the contract is structured , so if the contractor is one, lump sum contract for the entire turbine commissioned then revenues are booked when the turbine is commissioned. If the contract is a split contract between supplies and commissioning and there is no link between the two then you book the supply revenue on supply and the commissioning EPC revenues on commissioning. If the contract permits part supplies then you could also book revenues of Nacelles, and Hubs when they are supplied and Blades and Towers when they are supplied. So it is really function of...

Hardik Jain: What is the case for the majority of if we just want to gauge for majority of orders how it is for entire ?

Deepak Asher: Going forward I think a large part it will be turnkey where it is one composite contract for a commissioned turbine.

Devansh Jain: Past it was part shipments and so on and so forth.

Hardik Jain: Thank you.

Moderator: Thank you very much. Due to time constraints, we would be able to take one last question. The last question is from the line of Ashutosh Narkar of HSBC. Please go ahead.

Ashutosh Narkar: Thank you for taking my question again. I had just one question. If you could give us some idea about the 4000 to 4500 megawatts split into various states, you are giving for and the background to this that couple of states like Andhra Pradesh have started signing agreements with few players like Suzlon for 4000 megawatts which gives them some amount of visibility on the PPAs or these acquisition approvals. One is if you could give us outline of where you think demand would come through and second is how do you see and what is your business strategy to kind of in these states?

Devansh Jain: I think as I mentioned to you what we intend to do over the course of this financial year while I will refrain from making comments on specific competitors, but signing MoUs with state governments and signing MoUs with private parties does not secure you PPAs and gives you no preferential access. So making a MoU for 10000 Crores of investment or 5000 megawatts of wind farm does not put you in a better position than any other player in the market. Having said that what we expect in terms of targets over the course of this financial year, we expect Andhra Pradesh to do almost about

1200 megawatts, we expect Gujarat to do about 800 odd megawatts, we expect Karnataka to do about 500, Tamil Nadu to about 500, MP to do about 500 megawatts and Rajasthan to do about 400 megawatts roughly, which would add up to about 4 gigawatts.

Ashutosh Narkar: This was very helpful. Thanks a lot gentlemen.

Moderator: Thank you very much. That was the last question ladies and gentlemen. I would like to hand the conference back to Mr. Bhavin for any closing comments.

Bhavin Vithani: Firstly I would like to thank the management for giving us the opportunity to host the call. I would also like to thank all the participants for logging in. Mr. Asher if you have any closing comments?

Deepak Asher: From our side as well, I would like to thank all the investors and analysts for the time and interest that they have shown in tracking this company. We look forward to your continued support and I am really sorry we could not complete all your questions, but we were constrained for time and we look forward to as I said your interest in this company going forward as well. Thank you very much.

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