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07<sup>th</sup> February, 2017

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| The Secretary<br>BSE Limited<br>Phiroze Jeejeebhoy Towers Limited<br>Dalal Street, Mumbai 400 001 | The Secretary<br>National Stock Exchange of India Limited<br>Exchange Plaza, Bandra Kurla Complex<br>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  |

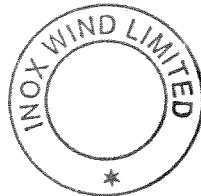
Dear Sir/ Madam,

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

The Company had organized a conference call with the Investors/ Analysts on 03<sup>rd</sup> February, 2017 post declaration of its Unaudited Standalone and Consolidated Financial Results for the quarter and nine months ended 31<sup>st</sup> December, 2016. A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same is being uploaded on the Company's Website, [www.inoxwind.com](http://www.inoxwind.com).

We request you to please take the above on record.

Yours faithfully,

**For Inox Wind Limited**  
**Deepak Banga**  
**Company Secretary**

Encl: as above



## “Inox Wind Q3 FY17 Earnings Conference Call”

**February 03, 2017**



### **MANAGEMENT:**

**MR. DEVANSH JAIN – EXECUTIVE DIRECTOR, INOX WIND LIMITED**

**MR. JITENDRA MOHANANEY – CFO, INOX WIND LIMITED**

**MR. LOKESH PAREEK – CORPORATE INVESTOR RELATIONS, INOX WIND**

**MODERATOR: MR. BHAVIN VITHLANI – RESEARCH ANALYST, AXIS CAPITAL**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Inox Wind Q3 FY17 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 this conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Bhavin Vithlani from Axis Capital. Thank you and over to you, sir.

**Bhavin Vithlani:** Thank you, Keith. Good evening, everyone. On behalf of Axis Capital, I will like to welcome everyone to the earnings conference call for Inox Wind. From the management, today we have with us Mr. Devansh Jain – Executive Director, Inox Wind Limited; Mr. Jitendra Mohananey – CFO, Inox Wind Limited; Mr. Lokesh Pareek – Corporate Investor Relations, Inox Wind.

So the flow of the call would be, we will have Mr. Mohananey running you through the presentation which has been uploaded on the exchanges. And then Devansh giving us the industry outlook. So, over to you Mr. Jitendra.

**Jitendra Mohananey:** Thank you very much, Bhavin. And a good evening to everyone. Thank you very much in advance to all the participants for attending this call. The Board of Directors of Inox Wind Limited have approved the Results for the Third Quarter in the meeting concluded just now. And we have uploaded the results along with the earning presentation on the website of BSE, NSE as well as the website of the Company.

During the quarter, our focus has been on execution of orders, primarily in the states of Gujarat, Karnataka, MP and Andhra Pradesh. We had around 200 megawatt ready for commissioning as of December end and another 80 megawatt erected and to be commissioned during the current quarter. However, demonetization has affected logistics of finished goods and last mile of execution at site during the month of November and December, though the business, , has come back to the normal operations from the end of December. Further, during the quarter we have bagged orders to the tune of around 330 megawatt, which includes orders from private sector IPPs like Renew, Sembcorp and Adani which are basically repeat orders, and also PSUs like SJVNL and NTPC. Now, in case of NTPC it was for its maiden foray into wind energy.

Having said that, some of the operational highlights I would like to present you for this quarter as under.

During the quarter, we have sold Nacelle and Hub of 266 megawatt which equates to 133 sets, against 166 megawatt on 83 sets during the same quarter in the last year. Similarly, number of towers sold during the quarter was 180 megawatt, which equates to 90 units, against the same number during the same quarter of last year. The number of blade sets sold during the quarter are for 140 megawatt, which equates to 70 sets, as compared to 180 megawatt on 90 sets during the same quarter of last year.

Further, the highlights of nine months of current financial year as compared to the last year for the same period are as under:

During the nine months' period of the current financial year we have sold Nacelle and Hub of the capacity of 428 megawatt which equates to 214 sets, against 498 megawatt or 249 sets during the same period in last year. Similarly, the number of tower sets sold during nine months' period of current financial year are 466 megawatt which equates to 233 units, as against 520 megawatts or 260 sets for the same period of last year. The number of blade sets sold during nine months' period are for 509 megawatt which equates to 256 sets, as compared to 460 megawatt or 230 sets during the same period of last year.

With this, I will come to the quarterly comparison of the financial numbers:

In terms of financial results for the quarter – our revenue went up from Rs. 950 crores in quarter three financial year 2016 to about Rs. 1,161 crores in quarter three of current financial year. So, there is an increase of 22% on top-line. EBITDA including other income went up from Rs. 174 crores to about Rs. 198 crores. EBITDA margins are; however, marginally lower from 18.4% to 17.1%, which we will cover later. Profit after tax went up from Rs. 105.7 crores to Rs. 107.5 crores. The PAT margins are marginally lower from 11.1% to 9.3%.

In terms of cost breakup, the raw material and EPC cost which was 71.8% on the revenue is now marginally up to 73.1% due to change in the product mix of large rotor and higher hub height products. Other variable cost is broadly in line with the last year's quarter, as a result of this cost structure EBITDA margin went marginally down from 18.4% to 17.1%.

On the front of working capital, momentum of uptick in collection continues with robust commissioning and execution. Further in quarter four significant improvements in the net cash flow is very much expected. receivables remain at more or less the same level and our gross working capital has gone down from Rs. 2,025 crores to Rs. 1,961 crores.

In terms of order book, our order book as of September 30<sup>th</sup>, 2016, was Rs. 1,346 megawatt. During the period as I have explained, fresh orders that were for 330 megawatt, execution during the quarter was 266 megawatt. Certain orders to the extent of 104 megawatts were removed due to financial issues at the end of customers. This has led to closing order book of around 1,306 megawatt, which represents roughly about 12 to 15 months of our execution time. Our pipeline of project site continues to remain extremely robust; we have more than 4,500 megawatt of project site as on the end of December.

**Devansh Jain:**

I would just like to add a little bit on the 1 gigawatt SECI wind auction. So, one of the major developments over the quarter has been the announcement of the first ever competitive auction for wind energy where we have seen a 1 gigawatt auction being announced by SECI. The good news is, it is in the public domain, the bids have already been submitted by multiple parties, we expect the auction to be conducted over the next three to four weeks and the results announced

immediately thereafter. This was a game changing move for the sector because of three or four key reasons:

One, what happens with this, if you have got long-term PPA signed upfront which give financial security not just to the developers and manufacturers but also the bankers which ultimately reduce the cost of financing of wind power projects.

Second, there is going to be an expansion of the market because what these auctions are essentially doing is taking wind energy from the windy states to the non-windy states that are unable to fulfill their non-solar RPO because you cannot sell wind in these states. MNRE is expecting to conduct auctions ranging from 4 gigawatts to 6 gigawatts year-on-year to fulfill the non-solar RPO demand of these non-windy states which presently is excess of 25 gigawatts.

More importantly, we also have a longer execution period available for these projects. Typically, in the normal turnkey projects which we do; we ideally get four to five months given the policy flip-flop and the delays in terms of PPA signing and policy announcement by many states. Here, because of the upfront PPA you have 18 months to execute the project from thereon which enables a far more synchronized production planning as well as commissioning which ultimately enables significant reduction in working capital requirements. We believe, with the first tender the cost of wind energy would come down to certain extent which would probably make wind energy the most competitive source of power in the Indian markets, which in-turn would further aid expansion of the wind market.

With that, we will be happy to take on any questions which investors may have.

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

**Mohit Kumar:** Sir, we are expecting receivables to come down in this quarter, Q3. However, we did not see any significant reduction in receivable.

**Devansh Jain:** Which is correct, we expect receivables to come down to certain extent, due to the fact that the last mile connectivity was delayed because of the whole demonetization impact. As you could see in the presentation in what we stated, we have got almost 200 megawatt of turbines ready for commissioning as at 31st of December, and 80 megawatt erected which would probably get commissioned over Q4. Now that 200 megawatt could not get commissioned, we also had some impact on logistics where a lot of finished goods which we carry could not get dispatched. As a result of which, while we expected receivables to come down to a certain extent in this quarter and more so in Q4, we were unable to carry out significant reduction in this quarter, but I think that was more a temporary gap because of the significant impact of demonetization in November and December.

**Devansh Jain:** And as a matter of fact, the receivables have not increased.

**Mohit Kumar:** So, how is the execution in January has it picked up? And do you maintain our guidance for the full year?

**Devansh Jain:** Well, I think execution continues to be very robust across sites. While end mile connectivity and commissioning were not visible, but importantly execution in terms of erections continue rapidly and since December end we are back to very, very robust commissioning and execution across all sites. And I think barring the impact of demonetization which may probably impact us by 50 megawatt to 60 megawatt, from a full year perspective I think we are well on track for the overall targets of the company.

**Mohit Kumar:** Last question sir, we have order book of 1,304 megawatt, so is there any deadline for us to execute this order by March 2017, given that the GBI and AD and all those were away?

**Devansh Jain:** No, in fact, there are different parts within this order book, many of them are for within March but many of them are beyond March. So for example the NTPC order, the SJVNL order, a couple of PSU orders which we have are for period ranging from March until, for example, November 2017. So these are not dependent on AD and GBI. We also have a couple of private sector orders from private sector IPPs which were linked to whatever can be done within March is done within March; otherwise we ship those to the larger rotor turbines into the next financial year.

**Moderator:** Thank you very much. We have the next question from the line of Asuthosh Narkar from HSBC. Please go ahead.

**Asuthosh Narkar:** Just a repeat question on the order backlog and receivable cycle. If you can tell me out of this roughly around 1,300-odd megawatt how much of it is actually executable as per your agreements in FY18?

**Jitendra Mohananey:** FY18 or FY17?

**Asuthosh Narkar:** No, FY18.

**Jitendra Mohananey:** We do not have the exact numbers, but approximately 700 megawatt would be something which would be executable beyond FY17.

**Asuthosh Narkar:** Okay, 700 megawatt beyond FY17. So, of this 1,300 megawatt we are basically arguing that 600 megawatt kind of execution we would do during the last quarter?

**Jitendra Mohananey:** Approximately.

**Devansh Jain:** And to some extent we always have the flexibility where, like I mentioned in my previous answer that in certain IPP for example where we are doing a 100 rotor diameter project, for example at a 50 megawatt turbine project we do let's say 45 megawatt, we have the flexibility of converting remaining 5 MW to 113 and executing by April, because the policies continue, what

has expired is GBI. Like, tariff has got expired in states like AP and Gujarat where we are doing a large chunk of execution this year.

**Asuthosh Narkar:** Sure. And just to carry on the same question, the 330 megawatt orders which we received during the quarter were these for delivery during the current year or for the next year? What I want to understand is, have customers started placing orders for FY18 or is it still going on for FY17?

**Devansh Jain:** Absolutely, I will just put two names in the public domain, since we spoke about them; NTPC and SJVN were two orders worth 50 megawatt each which we won in this quarter, both of these are for execution in the coming financial year. I mean, if we do in this financial year, good, but these are actually for May and November 2017 to be precise.

**Asuthosh Narkar:** The next question was on your receivable cycle; recently your finance team argued that on the commissioning part you tend to get not more than around five to seven or ten lakhs, 10% of the revenues. So of this 2,400-odd crores of receivables, how much of these would actually be more than six months old?

**Devansh Jain:** I think we mentioned this last time as well, I am not sure whether you have got that right. From a commissioning perspective we just do not get 5%, typically commissioning is about 20% of the turbine. For example, thumb rule, if a turbine is sold at roughly Rs. 6 crores, approximately 20% comes on commissioning and about 5% comes one, two, three months thereafter which is handover, takeover and punch points so on and so forth. As you may have seen we have got 200 megawatts which was standing, ready for commissioning as at December end, that alone would entail a collection of approximately Rs. 300 crores with less than Rs. 5 crores or Rs. 10 crores of work left to be completed on those turbines. That alone would significantly add to connections and reduce receivables. Second, due to the whole impact on logistic because of demonetization, to a great extent while you have completely synchronized production going on, some amount of blades and towers could not get dispatched because of the fact that we did not have these trailers available in the market, which actually kind of got dispatched over December end and January, once trailers started coming back into the routine cycle.

**Asuthosh Narkar:** So, I do not mean to probe into how you manage the business, what I am trying to understand is 200 megawatt is what you could not kind of commission, there are roughly 10 days around 1,200 crores and probably...

**Devansh Jain:** 200 megawatt would roughly translate to Rs. 300 crores of collections, and with Rs. 300 crores of collections, receivables would go down to 2100.

**Asuthosh Narkar:** So, what I want to understand is out of this 2400 which we have right now, how much of it is more than six month's old due?

**Devansh Jain:** We will get back to you but I would estimate it to be about Rs. 400 crores over six months.

**Asuthosh Narkar:** Only Rs. 400 crores?

**Devansh Jain:** That is right.

**Moderator:** Thank you very much. We have the next question from the line of Suyesh Kapoor from Maple Vyapaar Pvt. Ltd. Please go ahead.

**Suyesh Kapoor:** Sir, my first question is regarding this article which has come in ET Now a few days before regarding Mr. Narain Karthikeyan; he will invest Rs. 1,200 crores in Inox Wind Farm. So if you can please give you views, is it is possible, if it is legally permitted to give your view, if you can please give your view, sir?

**Devansh Jain:** I am sorry, we do not comment on market rumors. And in any case the supposed article spoke about Inox Renewables; the company we are dealing with over here is Inox Wind. So honestly, we have no comments on Inox Renewables.

**Suyesh Kapoor:** No, are Inox wind farms and Inox Wind not related? If they are not related I am sorry I have asked a wrong question.

**Devansh Jain:** Inox Renewables is an independent company; Inox Wind is an independent company.

**Suyesh Kapoor:** I am sorry. Sir, regarding your working capital I have one question. The cash flow, sir please throw some light like what steps your company is taking to recover his view sir, how are our receivables secured sir, what are the risks associated with receivables, if you can in a nutshell give some views on it sir, our receivables, on receivables point if you can give some views.

**Devansh Jain:** I think what we have tried to communicate and what we have spent the past nine months doing is we have completely synchronized the supplies of nacelles, blades and towers. Historically what was happening, in many cases while contracted people supply the nacelles, the blade and the tower separately, customers ended up not making the rightful payments because they said let the complete supply come in, the whole nacelle, the blade and the tower. So what we did consciously over this financial year is ensured all the backlog is cleared, and going forward we supplied complete turbines. Number one. Number two, what we started doing was reducing the lag by building common infrastructure in advance. So for example, Inox wind is already sitting on over 500 megawatt - 600 megawatt of common infrastructure which reduces the lag between supply and commissioning. Yes, we have two or three sites for the common infrastructure still being built, but we already have 500 megawatt to 600 megawatt of common infrastructure ready. It is a different matter that because of the whole demonetization the last mile connectivity got delayed over the last month, but that was a temporary blip of 30 - 45 days in Q3 which impacted a whole of industries.

In terms of receivables, we do not have any sticky assets. Sometimes customers delay the payments because in some cases the mortgage of the land has not been created, in some cases the



PPA got delayed, in some cases customers financial closure got delayed. We do not have cases barring let's say 50 megawatt - 100 megawatt where customers are actually defaulting and dishonoring payments, because simply put, we are the O&M service provider to the turbine, this is proprietary, we control the turbine. And I am not saying that we are crazy people over here, but end of the day if we do our jobs and if customers have two, three, four months of delays, end of the day all good customers end up making all the payments. A month or two, or three months of delay does not change the game, we are not dealing with irrational, illogical customers who do not make payments. Yes, they do delay payments at times but they are not people who are sitting with money and not paying us dues at all.

**Suyesh Kapoor:** So in the past has there been any default on the part of the customer or there has been no default on the part of the customer?

**Devansh Jain:** Well, there are delays; we probably have about Rs. 20 crores to Rs. 30 crores of sticky receivables. But what we have done with that Rs. 20 crores to Rs. 30 crores of sticky receivables, we have stopped providing O&M services on those one or two customers. At some point in time that money will come into us, but honestly that is less than 0.4% of the sales of this company.

**Suyesh Kapoor:** Sir, regarding shareholding pattern, if you can comment. Sir, you are holding, if I am not wrong, December 2016 the promoters are holding 85% of the shares. Now sir, as per the SEBI mandate you also know that the promoters can hold only 75% shares. So sir, regarding this 10% what is the plan of the management, how they are going to divest it?

**Devansh Jain:** You are right that promoters own 85%, but you are incorrect that we are supposed to own 75%. What SEBI mandates is that within three years of listing promoters need to reduce their holding from 85% to 75%. So we are in full compliance of all laws, it is not that we are breaching SEBI regulations at this point.

**Suyesh Kapoor:** No, I do not mean to say breaching, I mean if you have any plans regarding 10%.

**Devansh Jain:** Just to remind you, we still have a year and three months to go, and at the right point in time I am sure the Board of Directors will evaluate various all options to ensure we are in compliances with all laws.

**Suyesh Kapoor:** That only I mean to say that what your plan is.

**Moderator:** Thank you. We have the next question from the line of Deepak Aggarwal from Elara Capital. Please go ahead.

**Deepak Aggarwal:** I need one clarification. Is it fair to say that what we are trying in the first half of this year in terms of avoiding all the mismatches in the production across the three major components, servicing is now behind us? And I suppose all the three things are perfectly synchronized?

**Devansh Jain:** Well, absolutely. Well, I would not say they are perfectly synchronized...

**Deepak Aggarwal:** I mean almost.

**Devansh Jain:** Almost, we will have five or ten sets in any quarter but other than that we have completely synchronized supplies going out in the market at this point in time.

**Deepak Aggarwal:** Sir, my second question is, can you comment, you mentioned in the opening remarks we expect around 50 megawatt kind of effect from the yearly guidance, 50 megawatt to 60 megawatt. So we have guided for about, if I recollect, around Rs. 5,000 crores - Rs. 5,500 crores and approximately 950 megawatt to 1000 megawatt of full year target. So, are you meaning that we are moving the range from 900 megawatt to 950 megawatt?

**Devansh Jain:** Well, it is hard for me to say futuristic numbers, hard for me to give out numbers. But broadly we would be about 50 megawatt to 60 megawatt off from the broader target that we set out for the Company.

**Deepak Aggarwal:** Third question is, yes we are now having some good orders and it is very good that we have managed to get orders from companies like NTPC, SJVN which is adding to the strong set of customers in your kitty. How do you see the market for FY18, especially in the line of 1 gigawatt tender? So do we think that IPPs will still go for a bilateral ordering or they will wait for bidding and we would not see this kind of route available?

**Devansh Jain:** Again I would restate it, we have one of the largest order books in the industry, probably the largest or the second largest, plus/minus 100 megawatts which are in some of the most marquee IPPs and PSUs, we have Sembcorp Green Infra, Adani, so on and so forth. With respect to guidance in to the coming financial year, see I think there are two parts to it, the SECI auction is in addition to the bilateral transaction which continue in the market and the turnkey projects which we keep executing in multiple states. SECI is expanding the market by enabling wind to be setup in the six or seven windy states and not putting the burden on those states only to buy wind, in fact taking that power through the central grid which is PGCIL to the non-windy states. So that does not put pressure on these six or seven windy states in terms of using only their evacuation capabilities and using only their discoms to make payments and purchase wind energy. So this expands the market, number one.

Number two, we have private sector IPPs and PSUs continue to place orders or continue to debate, private sector IPPs kind of paused because at this point in time they start focusing more and more on execution in Q4 where we start seeing some amount of that coming through Q1 and Q2. This time we have policy clarity barring the fact that GBI has expired. So private sector IPPs are in discussion for next year orders, obviously many of them are waiting to see whether they win or lose in the SECI auction and how much they have not been able to corner and then they start closing more and more private sector deals. But there is a huge momentum and with more and more IPPs coming into India the market is only expanding in terms of demand on the private sector side. The public sector side continues to increasing reaching tremendous increase over the past one and a half years, since the past one and a half years more and more and more PSUs

continue to order, those who were ordering in the past continue to expand their size. So for example, we have had people like GMDC who came up with 25 gigawatt, expanded to 50 gigawatt, now looking at more tenders. NTPC has just fallen into wind, they are looking at taking out a very, very larger tender in the coming one or two months. We have had GIPCL which is expected to take out very large tender in the coming month, and Coal India, so on and so forth. So, the entire momentum of demand from PSUs continues unabated. The private sector obviously is just waiting for these auctions to come to an end before they start their momentum for the next financial year.

**Deepak Aggarwal:** So my only concern is that given the bid discovered price post this auction, do we see some kind of a downward pressure on the preferential FIT for FY18 in the windy states?

**Devansh Jain:** Well, in states where you already have FIT announced and I would say two or three, Gujarat has an FIT of about 4.19, AP is at about 4.7 and Karnataka is at about 4.5. These are the three key states which are really working in terms of fulfilling the RPO and have FITs. Other states like Rajasthan, Maharashtra, and Madhya Pradesh have honestly been on the backburner, barring fulfilling their RPO of 50 megawatt or 100 megawatt they have not been buying more wind power. So, these are the states which actually with this competitive bidding kicking in are waiting to kind of announce state specific competitive bidding such that these markets will also open up eventually. And yes, possibly in some states where you have tariff of Rs. 5 but they are anyways not putting up any wind power, their tariffs will drop to Rs. 4 - Rs. 4.5. But if a state opens up, the market opens up and those who are competitive and have advanced technology will be the players who will be able to play and compete in those markets.

**Moderator:** Thank you very much. We have the next question from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

**Jonas Bhutta:** Three questions from my side. Sir, firstly, you mentioned that almost 600 megawatt equivalent of your order book is due or likely to be sort of commissioned or sold in as per Q4. Would you like to clarify that whether it is commissioning or it is sales?

**Devansh Jain:** Well, it is a mix of both, Jonas. Thank you for your question. It is a little subjective in the sense in some cases where we supply the complete set we believe they are out of our orderbook but in many cases where there are incomplete supplies to some extent because of dispatches going to the next quarter, those would not be counted as sales. So, I think overall from a commissioning perspective, yes, we would see very, very robust commissioning, including the backlog of Q3 into Q4, I think the commissioning numbers would be closer to the numbers we speak of. Sales would probably be plus/minus 50 megawatt - 100 megawatt apart from that.

**Jonas Bhutta:** So, the 200 megawatt that sort of slipped is part of that 600 megawatt, right?

**Devansh Jain:** That is right.

**Jonas Bhutta:** So, effectively then you have fair visibility on at least the 30% part which should happen and the balance 70% you are saying that that by normal progress can at least be fold, may not be commissioned but at least be sold?

**Devansh Jain:** That is true. And second, just to remind, everything does not need to be commissioned in March, there are a lot of PSU orders within our order book which are ranging from May to November. So it is not, while Inox would have liked to do even that now, but it is not that if we do not do those in March those orders are not valid.

**Jonas Bhutta:** Also, just slightly more or a maintenance kind of question. So, now when you say that you sold 266 megawatt nacelles and hubs, but the blade sales and the tower sales are still lower than nacelles. So, more from a modeling perspective, if we have to just arrive at a rule of thumb sort of ASP per megawatt, because nacelles and hub still account for just about 30% or 35% of the turbine cost, so we are effectively then not getting the right picture. How should we be looking at this, if you can?

**Devansh Jain:** So Jonas, I think what we have been doing is making synchronized supplies. If you look at Q1, we had lot more blade and tower, less nacelles. Q2, again a lot more blade and tower, less nacelles. Q3, we have a lot more nacelles because now nacelles are typically where we require spending more money. So we have made it more back ended because we have been clearing all the backlog of blade and tower which we have successfully cleared. To some extent, because of the logistic impact due to demonetization we have not had all our blades and towers go out, they are not booked in sales and in Q3 for some extent the inventory is higher because of the commissioning backlog and some amount of blades and towers. But from a full year perspective we probably have completely synchronized sets, to some extent maybe a little bit more blade and towers. I would say on a blended average basis if you look at roughly from a sales perspective, commissioning picks up, take a thumb rule of Rs. 6 crores a megawatt, you will be able to do the math.

**Jonas Bhutta:** And largely on the O&M, I just wanted to understand what are the terms of trade here given that you will be completing the three-year period sort of the asset base would expand next year as you finish the three free moratorium period in FY18 and progressively. So I just wanted to understand the terms of trade here?

**Devansh Jain:** So, with respect to the first few projects where we gave two years or three years of O&M period, some part of those are already beyond a two or three-year period and that is what is recognized as revenue in our income from operations, which is very insignificant at this point in time. But with every successive year going by; the fleet was getting larger and larger, installation on ground was getting larger and larger. And those revenues start getting accrued. So for example, I think if last year we did 800 megawatt, three years or two and a half years on an average if let's say 10 lakhs per megawatt per annum O&M revenue, we would be earning that which would be recognized as revenue at that point in time. And we typically escalate 5% to 10% year-on-year depending on the scope of O&M services which we provide.

**Jonas Bhutta:** And is there a plant availability that you have to guarantee? And if yes, then what is that, even if you help mention what is the industry average that is also fine with me.

**Devansh Jain:** First of all, we technically give a machine availability guarantee ranging from 95% to 97%, which is the industry average. And so that is machine availability which from that you got force majeure or storm or force majeure events or if the grid is not available due to grid issues, machine typically are always available at 98% to 99%. Same for the fact that we have some scheduled maintenance or one-odd unscheduled maintenance, machine availability is a fairly standard at 98% - 99% in the industry as long as you have got a fairly decent crew operating these turbines. Some cases where you may not, for example in 5-10 turbines where you are not able to fulfill any guarantees, as a standard clause you have got penalties linked to the O&M contract price. I hope that answers your question?

**Jonas Bhutta:** Yes, so this is what the industry calls the P90, P75, so if that is the jargon, so what is that?

**Devansh Jain:** P75 and P90 is energy estimation. So for example you have your wind resource assessment and let's say the PLF has shown as 23%, so they may put a probability, a P90 probability of a site means a P50 will be 26%. Bankers and investors mostly take investment decisions based on P75 numbers. It means there is a 75% probability of hitting that PLF.

**Moderator:** Thank you. We have the next question from the line of Abhijit Vohra from Sundaram Mutual Fund. Please go ahead.

**Abhijit Vohra:** Sir, I have two questions. First is, has Inox Wind bid in the wind auctions in own name?

**Devansh Jain:** Yes we have, we have bid for 250 megawatt as a developer.

**Abhijit Vohra:** So, will the assets be owned or you will try to match it with the order book you have?

**Devansh Jain:** No, so let me just explain this to you. What we do presently in India is we do turnkey projects where we have got the land bank with and we start building the projects and then we get customers and then we start supplying the turbines and taking it forward. Under SECI what is happening you win the bid and you sign the PPA upfront. So barring the fact that you are signing the PPA upfront and giving a 10 lakh bank guarantee for executing the project in an 18 month period, there is no equity investment on our balance sheet for these projects and Inox Wind will not be investing any equity in putting up these projects. What will happen once you win the bid, and we have been discussing with multiple customers, we will have a back to back agreements with those customers who will simply take over that project.

**Abhijit Vohra:** In terms of stake holding also, you can offload the stake?

**Devansh Jain:** Well, so how it works is typically you are allowed to offload up to 49% in the first one year and after a one year period we can transfer the 51% to an IPP as well. But this is more of a structuring issue with IPP, so what they typically do is they will probably take 51% in escrow,

they will take rights, pledges on that 51% because they are the ones who end up owning that SPV for that asset, and because they are funding it. Inox Wind is not the owner of that asset and will not fund that asset, it is just that we have bid because we want to win PPAs upfront; I mean everyone is bidding to win and secure PPAs in their respective names. So this is unlike solar or what some of our competitors may have done where they won some projects in auction and funded them by keeping it on their balance sheet and only later sold it after funding it. We do not intend to keep any of these assets on our balance sheet.

**Abhijit Vohra:** Second question sir is, the interest cost in Q3 has gone up, if you could give an idea on the debt figures and networth figures for Q3?

**Devansh Jain:** Can we share these numbers with you offline?

**Abhijit Vohra:** No problem. Thank you .

**Moderator:** Thank you very much. We have the next question from the line of Ruchi Mittal from CD Equisearch. Please go ahead.

**Ruchi Mittal:** Sir, about this 1 gigawatt tender which is floated, I understand that you can bid for a smaller amount, like you bid for 250 megawatts. So is it possible that you are allotted an even smaller amount?

**Devansh Jain:** Technically yes, there is a possibility. Because it is a function of, what I would not like to reveal at this point in time is you are supposed to bid in lots of 50 megawatt. So, I mean, typically if a person has bid in lots of 50 megawatt, yes, practically it is possible for him to only get 50 megawatt. But what I would not like to reveal at this point in time is what Inox Wind has done with respect to the 250 megawatt.

**Ruchi Mittal:** And you said that you will be getting a timeframe of around 18 months to complete this order. So like how, I just wanted to understand how are you planning to recognize your revenue? For example, if you get the entire 250 megawatt so will you be recognizing it at the end of the entire 250 megawatts or...?

**Devansh Jain:** So, how we do typically in turnkey projects, there are two parts in let's say a Rs. 6 crores turbine roughly. You have got let's say Rs. 4.5 crores which is the supply money which when you supply the turbine and major risk and rewards are transferred to the IPP, you recognize revenue. And then there is an EPC revenue of let's say Rs. 1.5 crores per megawatt which Inox recognizes only on commissioning. So, we do not recognize that in part, so we do not say casting done so x% we will recognize, erection done so x% we will recognize. We recognize the EPC service revenue only on commissioning. So what would happen typically in this as well, let's say we supplied 50 megawatt to a customer, we will recognize revenue of that 50 megawatt when substantial risks and rewards have been passed on to the customer, and that is a function of what the contract says, is it on dispatch, is it on site, is it on verification at site, etc, etc. And then on

commissioning we will be recognizing the remaining 25% odd, similar to what we do at this point in time.

**Ruchi Mittal:** And sir, another question, your order book stands at 1,300 megawatts, so you said that generally you get four to five months to complete your orders and then further PSUs you just mention that you are getting nine months. So like, can you break that with 1,300 megawatts like how much is four to five months, how much is nine months?

**Devansh Jain:** I am sorry, I cannot do that. But what I meant by that was, typically PSUs announce which and award tenders based on existing policies. So, if in a middle of the year the policy changes the PSUs carry that risk. What happens is private sector IPPs they keep waiting; rightfully they keep waiting for the policies to come. And in many cases and in many states policies typically come six months into the year. So, when policies come six months into the year and then they start negotiating and closing contracts which takes another month or two months, then you have effectively got a four or five month period to execute those orders.

**Ruchi Mittal:** And sir, another question. Your achievables, sir, you said that 200 megawatt worth of money you have not received, so how much will that amount to?

**Devansh Jain:** No, what I meant was 200 megawatt was ready for commissioning which we could not commission. Where had we commissioned that typically we would have built customers for commissioning and collected that money which would typically have been Rs. 300-odd crores approximately. And if we had commissioned them and got that Rs. 300-odd crores as well, our achievable would have, while they remain the same and they have not increased, would have gone down by approximately Rs. 300-odd crores.

**Ruchi Mittal:** And sir, will you be able to share your current short-term borrowings figure?

**Jitendra Mohananey:** We will discuss those out and share those with you shortly.

**Moderator:** Thank you very much. We have the next question from the line of Pawan Parakh from HDFC Securities. Please go ahead.

**Pawan Parakh:** Sir, just wanted to check, so if I am not wrong, 200 megawatt is the volume of turbines which are dispatched but not commissioned?

**Devansh Jain:** Which are erected, not dispatched they are erected. So virtually all the execution was done barring the last mile connectivity which is typically the small transmission lines, BOP sector which was to be done which requires a lot of local payments which contractors make which got impacted because of the whole demonetization.

**Pawan Parakh:** And sir secondly, we have done just about 230 megawatt - 240 megawatt of commissioning in this year so far, so what is the number we are looking at for the full year FY17?

**Devansh Jain:** Broadly like we mentioned to you, I think we had significant execution in the previous quarter, not commissioned. Execution includes doing the foundation, erecting the turbine and making it ready for commissioning. So like I mentioned to you, maybe we have Rs. 4 crores or Rs. 5 crores or Rs. 10 crores of job, but it was more the whole demonetization which impacted these small, small, small local contractor payments which they need to do, not what Inox Wind needs to do. So, I think if we look at it from that perspective we are virtually at about 250 mw commissioned and roughly 200 mw ready for commissioning as of nine months; if we just build up the momentum you will get to a fairly large number of commissioning in Q4, Pawan. If we maintain the same pace as Q3 we should probably get to about 800 megawatt of commissioning.

**Pawan Parakh:** And a similar number of annual volumes also, so 800 megawatt to 900 megawatt for the full year?

**Devansh Jain:** Well, take for the fact that because of demonetization where we are not going to be able to make blades and towers due to certain delays, we will not be supplying those turbines; we will take them to the following year. So I said that would possibly have an impact of 50 megawatt - 60 megawatt on us.

**Pawan Parakh:** So, 900 megawatt is what we should be looking for FY17?

**Devansh Jain:** I do not want to put specific numbers out there, but I think barring 50 megawatt - 60 megawatt of supplies we are firmly on track for execution. I mean, execution happened; it is just that the last mile commissioning did not happen and even the PPAs were signed.

**Moderator:** Thank you. We have the next question from the line of Asuthosh Narkar from HSBC. Please go ahead.

**Asuthosh Narkar:** Just one question on the auctions, so when we say that we have bid for 250 megawatts, speaking to other participants in the industry, we would have already tied up with certain players who would have separately bid as well right, or is that not the case?

**Devansh Jain:** Well, I would not want to answer that question due to strategic reasons. But what I can say for the 250 megawatts that we bid, we have tied up back to back with customers if we were to win bids.

**Asuthosh Narkar:** So, just to understand, what would be the reason why the customer would not bid on its own directly other than going through you is there a specific advantage?

**Devansh Jain:** No, in some cases the customer is bidding himself, so of the 2600 megawatt of bidding that has happened, maybe about three or four manufacturers who have bid and remaining eight to ten bids are from IPPs themselves.

**Asuthosh Narkar:** So, basically the customer is trying to increase his probability by asking you to bid separately as well?



**Devansh Jain:** Absolutely.

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

**Mohit Kumar:** A couple of questions sir regarding auction. Can you comment on this transmission thing in Tamil Nadu and about the land, do we have the land? I believe that the capacity where you are putting up bids is in Tamil Nadu, am I right?

**Devansh Jain:** I do not want to disclose that, but yes we have bid for 250 megawatts. I believe what is in the public domain is that we have bid for Tamil Nadu, so that is all that we would like to state at this point in time, we do not want to disclose that for confidentiality reasons.

**Mohit Kumar:** And sir, the initial financial bids have been submitted and how the auction will be conducted?

**Devansh Jain:** So, the initial financial bid have already been submitted by all parties, what now happens is SECI evaluates the bids and invites everybody for the reverse auction. So we expect in the next two to three weeks within February, SECI will be inviting all the eligible parties for reverse auction which will be a live auction where you will have participant 1, participant 2... participant 10, etc and you will have live bidding. So you will know and then results will be disclosed at the end of that bidding.

**Mohit Kumar:** Sir, GBI was not extended in this budget, so have you heard anything of policy makers, is there a chance that still can they include as a part of Finance Bill 2017?

**Devansh Jain:** Well, I do not think so. I think the government had made it abundant clear declared that the GBI expires at the end of this financial year and even on the accelerated depreciation the government had come out with an amendment about four months ago saying that going forward AD would be reduced to 40%, which is far better than what the industry expected of no accelerated depreciation. So I think the budget was fairly in line with what the sector had been expecting, there were no surprises.

**Moderator:** Thank you. We have the next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.

**Sunil Jain:** Sir, about this GBI, since it is being discontinued so what will be the impact on return for the investors, specifically...

**Devansh Jain:** Well, I think as we go forward people are moving to larger and larger turbines, higher and higher hub heights, and larger rotor diameters. So to that extent I think advancement in technology will fairly negate any potential impact of GBI being done away.

**Sunil Jain:** If we consider like-to-like then what will be the additional benefits we were getting from because of...

- Devansh Jain:** Well, it is hard to put like-to-like while GBI typically is rated about 1.5 percentage points in terms of IRR, but you cannot say like-to-like because the industry is now moving to 113 meter base, the industry is now moving to 120 meter towers which compensate far in excess of what GBI provided until now. So for example, earlier we had a 100 meter blade, now we have a 113 meter blade which increases energy by around 14% or 15% where 92 meter towers which are now shifting to 120 meter towers which increases energy by about 15%. So while with this improvement in technology the cost of energy continues to come down. So your returns may not increase at the end of IPPs because of GBIs being done but their returns do not diminish because advancement in technology protects the present level of margin these IPPs are making.
- Sunil Jain:** And sir, this 200 megawatt what you had said, these have been commissioned now or still in the process?
- Devansh Jain:** Well, the significant part of that has been commissioned, some part is left but it should be commissioned over the course of any of these days. But yes, a significant part, of that has already been commissioned.
- Moderator:** Thank you very much. We have the next question from the line of Deepak Aggarwal from Elara Capital. Please go ahead.
- Deepak Aggarwal:** Sir, just one follow-up, even in this budget we have this 80IA income tax benefit, where there was a sunset clause, has been taken away. So, do you think that will have some impact going forward the way private IPPs are looking in terms of their returns?
- Jitendra Mohananey:** From an IPP perspective it really does not impact their margin to a significant extent, and from AD perspective anyways there is no impact because we end up paying MAT. And in wind because your depreciation is so high, IPP perspective that the net amount which is left in any case virtually is subjected to MAT. So, we do not think there is any meaningful impact because of 80IA being done away.
- Moderator:** Thank you very much. We have the next question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** I think in previous con-calls you have mentioned that we will be debt free by end of this financial year, is it on track?
- Devansh Jain:** We are well on track, we firmly remain committed to what we stated, and we are on track to be net debt free by the end of this financial.
- Ketan Gandhi:** And another question is, sir if suppose Inox Wind has to do 1000 megawatt of order in any financial year, so what could be the age at the end of each quarter? My guess it that between Rs. 1200 crores to Rs. 1500 crores should always be receivables. Is my understanding correct or?

**Devansh Jain:** Well, you see in an ideal world if you want to do 1000 megawatt you will split it into four quarters, 250 megawatt - 250 megawatt - 250 megawatt - 250 megawatt, in which case you would typically have 1200 ~~megawatt~~ crores to 1500 ~~megawatt~~ crores of receivables at the end of any quarter. The problem is, in this sector until now you typically have policies which get announced many months into the financial year. Historically, because of less manufacturing capacity Inox Wind used to keep manufacturing turbines and carrying that inventory so as to not lose the opportunity and then fulfilling the market demand. And that is exactly what we have done over this financial year, clean up all the past by supplying all the blade and tower and now we are making only synchronized turbine supplies. So for example, when I said that we may be 50 megawatt to 60 megawatt short, it is because we can make those nacelles but we will not be able to make those blades and towers. And we do not want to supply any desynchronized supplies into the market. I mean, honestly whether we supply 50 megawatt, Rs. 300 crores - Rs. 400 crores more in Q4 or we do it in Q1, it is more important that the company is sustainable and we do what is the right for the company. And hence, consciously now we are only supplying complete sets in the market.

**Ketan Gandhi:** So, do you mean to say that those receivables can be brought down much, much lesser?

**Devansh Jain:** Yes absolutely, I think going forward with more and more execution coming in receivables will go down, and more importantly because of the auctions coming in this whole uncertainty of carrying inventory, when will the order come, or if suddenly the state decides to stop signing PPAs and you are left in the limbo goes away. So you have got an upfront PPA and then you can plan your manufacturing and commissioning very uniformly, 100 megawatt monthly or so on and so forth. In which case your working capital requirement will crash, there will be insignificant working capital requirement in that scenario.

**Ketan Gandhi:** Sir, then after next six months we can see that period or earlier?

**Devansh Jain:** Yes absolutely, I mean, I hope as long as the auctions happen which we think will finish this month, I think that will certainly happen, Ketan.

**Moderator:** Thank you very much. We have the follow-up question from the line of Suyesh Kapoor from Maple Vyapaar Pvt. Ltd. Please go ahead.

**Suyesh Kapoor:** Sir, which companies are your technological partners? And how much amount the Company has invested in research and development?

**Devansh Jain:** So, our technology partner is a company called AMSC where we have taken exclusive licenses for manufacturing 2 megawatt turbines with different rotor diameters and turbines of different heights. We have already paid them for all the upfront technology fees and the royalties say for some royalty which is due on some blade variants. So, we have got exclusive licensing; now there is no day to day work on that technology. But yes, we continue to work with that extensively on newer products which we intend to launch in the coming quarters.

- Suyesh Kapoor:** Sir, is Gujarat Fluorochemicals your client?
- Devansh Jain:** Not at this point in time. Gujarat Fluorochemicals is a chemical company they are not a wind IPP.
- Suyesh Kapoor:** And sir, one more question. In the last financial year has the Company developed any new design of windmill? I am listening your commentary, sir you are putting more emphasis on big turbines, but in villages part of Africa they are generating or they are rather focusing on producing smaller wind turbines so that wind energy can be provided to the villages where it is difficult to install these larger turbines. So is the Company working in that direction, sir?
- Devansh Jain:** Well, that is a different business model altogether, we are working on hundreds and thousands of megawatts over here, we are not in the business of supplying 5 kilowatt, 10 kilowatt. It is like solar rooftop versus utility scale solar. So you can do 10,000 rooftops with 10 kilowatts and get to 10 megawatt, and we can make 10,000 turbines of 10 kilowatt and get to 50 megawatt - 100 megawatt. What Inox Wind's business model is to supply multi megawatt turbines in hundreds and thousands of megawatt, we are not here to do 5 megawatt - 10 megawatt of business.
- Moderator:** Thank you very much. We have the final question from the line of Ashutosh Mehta from HDFC Securities. Please go ahead.
- Ashutosh Mehta:** Sir, basically I had one question regarding the orders which have been cancelled or removed from our order book. When have we received these orders?
- Devansh Jain:** These are orders which have been received over the course of this financial year. And in cases, these are typically orders which were to be executed within this financial year. But due to equity issues or in some cases financial closure not achieved, we have gone ahead and resold those sites to other customers.
- Ashutosh Mehta:** So, at this end we are not supplying the any parts pertaining to this order?
- Devansh Jain:** Those were orders which were supposed to happen within a deadline, but because these guys did not achieve their financial closures, we went ahead and offered those turbines on those projects to other customers which are reflected in our order book. And as a result, we have knocked off those orders from our order book.
- Ashutosh Mehta:** Going ahead also considering the order book of 1306 megawatt, do you see anything further being removed from the order book during this quarter?
- Devansh Jain:** So like I mentioned we almost have 600 megawatt - 700 megawatt of order which are for the next financial year. So barring a 30 megawatt - 40 megawatt which a customer may default or something which we will not implement, to the best of our knowledge this order book is as correct as it can be, as firm as it can be.

**Moderator:** Thank you very much. I now hand the conference over to Mr. Bhavin Vithlani for any closing comments.

**Bhavin Vithlani:** On behalf of Axis Capital, I would like to thank the management of Inox Wind for giving us an opportunity to host the call. And basically before we end the call I would like to hand over the call to Devansh for any closing comments.

**Devansh Jain:** Well, thank you everybody for your interest in our Company. The Company continues to focus and be diligent about completely supplying synchronized sets of nacelles, blades and towers to further improve the working capital position of the Company. It has been a fairly good quarter in terms of execution, the past quarter. And as you all maybe aware, Q4 typically is a huge quarter from execution and last mile commissioning. Our teams are working 24/7 on a pan-India basis to maximize execution and commissioning for this financial year. It is a matter of great pride this year that we have been able to secure repeat orders from a whole host of IPPs, some of the largest IPPs in the sector and the Company continues to make great strides in winning very prestigious PSU orders from some of the largest power sector producers such as GIPCL, SJVNL, NTPC and NHPC. We believe some of the demonetization impact which we had temporarily over November, December is completely behind us, and business is back to normal for us. And we expect to have a fairly blockbuster quarter going ahead. Thank you for your continuous support and look forward to speaking with you all in the next quarter. Thank you.

**Moderator:** Thank you very much. On behalf of Inox Wind and Axis Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.