



IWL: NOI:52: 2018

08<sup>th</sup> December, 2018

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

**Scrip code: 539083**

**Scrip code: INOXWIND**

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

Dear Sir/ Madam,

The Company had organized a conference call with the Investors/ Analysts on 05<sup>th</sup> November, 2018 post declaration of its Unaudited Standalone and Consolidated Financial Results for the quarter and half year ended 30<sup>th</sup> September, 2018. A copy of transcript of conference call held with 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 Limited Q2 FY2019 Earnings Conference Call”

November 05, 2018



**ANALYST: MR. ANKIT SHAH - RESEARCH ANALYST - AXIS CAPITAL**

**MANAGEMENT: MR. DEVANSH JAIN - EXECUTIVE DIRECTOR – INOX WIND LIMITED  
MR. JITENDRA MOHANANEY – CHIEF FINANCIAL OFFICER – INOX WIND LIMITED**

**Moderator:** Good day ladies and gentlemen and a very warm welcome to the Inox Wind Limited Q2 FY 2019 Earnings conference, hosted by Axis Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would hand the conference over Mr. Ankit Shah from Axis Capital. Thank you and over to you Sir!

**Ankit Shah:** Thank you Ali. Good evening everyone. On behalf of Axis Capital, I would like to welcome all of you to the Q2 FY2019 earnings call of Inox Wind Limited. We have with us the management represented by Mr. Devansh Jain, Executive Director of Inox Wind Limited and Mr. Jitendra Mohananey – Chief Financial Officer. We start with the brief presentation from the management post which we will open the floor for Q&A. Now I would like to handover the call to Mr. Mohananey for his opening remarks. Over to you Sir!

**Jitendra Mohananey:** Good evening everyone. I am Jitendra Mohananey and I will take you through the presentation. First of all I welcome all the participants of this earnings call. The Board of Directors of Inox Wind Limited has approved Q2 FY2019 results in their meeting, which had recently concluded. I trust you would have had an opportunity to go through the results.

Just to give you an overall perspective of the quarter gone by, Inox Wind has continued to be profitable in second consecutive quarter, after a year long gap on the back of ongoing SECI-1 execution.

The company is back to normalized operations and is ramping up execution each quarter. In terms of financial results we ended the quarter, which is Q2 with the revenue of Rs.437 Crores as compared to 80 Crores in the previous year for the same quarter. We have returned to EBITDA profitability with EBITDA of Rs.58 Crores as compared to an EBITDA loss of Rs.13 Crores in the previous year of the same quarter.

We had a PAT of Rs.2 Crores as compared to a PAT loss of 46 Crores in the same quarter of the last year. Inox Wind continues to be profitable during the quarter on the back of ongoing delivery of our SECI-1 order. This is the second quarter of profitability post a turbulent FY2018, which was affected due to transition to an auction regime in the wind sector.

Coming to the operational highlights we have continued operations across our manufacturing facilities in Gujarat, Himachal Pradesh and Madhya Pradesh. We delivered 90-megawatts and commissioned 16-megawatts during the quarter. On the balance sheet front, I would like you to focus on, slide #7 and 8 of the presentation, which gives details of our focus on balance sheet improvement during the quarter and the past couple of quarters before that.

Now during Q2 inventory has stabilized on the back of continued SECI execution. We are moving towards an efficient working capital cycle under the auctioning regime, which is demonstrated by the fact that working capital level remains the same even after the ramping up of operations. The net debt to equity ratio remains at a healthy 0.36 times versus 0.49 times in Q2 FY2018. The closing net receivable number is optically higher but it includes the quarterly sale of Rs.437 Crores as well as significant portion of Q1 revenue.

At the end of Q2 FY2019 in terms of working capital, inventory stood at Rs.764 Crores, net receivables at 1,305 Crores, payable at 838 Crores and others are about 52 Crores. This translates into a net working capital of Rs.1179 Crores. As the execution picks up pace in the coming quarters we expect inventory levels and working capital levels to ease going forward and stabilize further on the back of better coordinated production, inventory planning and execution of wind projects.

In terms of project sites, we continued to be amongst the largest project site holder in the states of Gujarat, Rajasthan and Madhya Pradesh. We have sufficient project site inventory as of September 30, 2018 for installation of more than 5000 megawatt. With almost 9-gigawatt of auctions conducted in past 12 months and various auctions lined up over the next few months. There is a very strong visibility on order inflows for the Indian wind power sector. This coupled with wind tariffs being lower than thermal prices, we expect the sector to see a robust sustainable growth going forward.

That is the broad overview of our operational and financial performance and how we see the sector going forward. I along with our executive director Mr. Devansh Jain are open to take questions now. Thank you, you might start the question and answer session.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Good evening Sir. Couple of questions; first is on the Sir we have executed mere 170 megawatt in first half given that we start with the order book of 950 megawatt, how do you see your H2 FY2019 planning out, can we see a higher volume execution in H2FY2019 especially SECI 1 and SECI 2 orders?

**Devansh Jain:** Well we certainly would look forward to stronger execution in H2. I think one of the factors, which has to be kept in mind is that we are also executing in sync with the readiness of the central grid so while we have connectivity in place the central grid has to be ready for us to connect the turbines we keep erecting and executing, for us to be able to commission them, and actually, what has been happening is that the customers had delayed our ability to supply these turbines also to a certain extent simply because nobody wanted to incur interest during construction for turbines which would have been supplied and erected and lying uncommissioned, if the central grid was not ready. As the central grid is moving towards completion and so is our common infrastructure we will be ramping up supplies and commissioning as we move forward. So you would have bunching up of the commissioning, which will happen towards beginning of the new calendar year depending on when the central grid connectivity would be ready. So we would certainly see stronger execution as we move forward over Q3 and Q4. But from a manufacturing perspective I think to a great extent while we have limited quantity for SECI 1 now which we would supply over Q3. Over Q4 is where we start supplying more quantities towards SECI 2 driven by the fact that the central grid would hopefully be in place by then.

**Mohit Kumar:** Is it possible to guide the numbers if possible to execute 500 megawatt in the entire year?

**Devansh Jain :** Mohit we do not give very forward-looking statements but I think what we have have maintained in the past is that it is fairly rational to assume SECI-1 will be concluded and a part of SECI-2 should be completed over the course of this financial year.

**Mohit Kumar:** Okay. Sir the second similarly on this Sir auction suddenly the given the guidance of 10-gigawatt of auctions auction was supposed to be done in FY2019, we already in October now and we have done 1.2 gigawatt how do you see you know how much quantity of SECI will be able to do the balance of the year?

**Devansh Jain:** Mohit I am not sure where this number came in from, but we never guided nor did we say 10 GW.

**Mohit Kumar:** It is the Government of India guided

**Devansh Jain:** No, See what the Government of India is guiding for 10-gigawatt of auctions per annum, please get that right. The implementation period is 18 to 21 months for this so what you auction in so if you got about 9-gigawatts of auction done in the sector so far you would see implementation of this over the next 12 to 21 months.

**Mohit Kumar:** Do understandable that but the issue was when I think comparing one and a half years back, somewhere in September-October 2017, the government has given the guidance that they will do 10 gigawatt each of auction in FY2019-FY2020 so that we achieve 60 gigawatt by end of FY2022 , which is their target.

**Devansh Jain:** Mohit I think there are two parts to do, one is the Government of India is guiding auctions per annum and that is, so for example if you look at it broadly they have done about 9 gigawatt in the past 12 months, now whether it is 9 or 10 is not that big a difference. Second, they are not saying that the execution of this auction will happen at the same pace, execution timeline for this are 18 to 21 months, please keep in mind what they guided also for this year the government was guiding for 3 to 4 gigawatt, what Inox Wind maintained in the market was we believe it will be closer to 3-gigawatt simply because while we have the connectivity for SECI 1 and 2, the first and foremost the central grid needs to be ready, while we can build a substation and transmission line but if the PGCIL grid and substation will be ready only in December or January, what can you do, we cannot erect all the turbines and keep waiting, since none of the IPPs will pay us and incur wasteful interest during construction, . Also those who do not have connectivity yet, and are going to get connectivity in the next financial year, are obviously not going to start supplying and erecting turbines from today, because the cost of doing that and the interest which will be incurred during that period is tremendous and IPPs are always trying to minimize this expense. What you are going to see is this 9 to 10-gigawatt which is being auctioned in the past twelve months play out over FY2019 and FY2020. The auction, which will take place going forward, will be implemented over then 21 months. The industry is at about 38-gigawatt today, we have half of FY2019, 2020, 2021, 2022, so three and half years, if you put three and half years when then you add 18 months to already what is been done, 10-gigawatt and add another 10 gigawatt in 18 months, doing 60 gigawatt by 2022 is a fairly achievable goal.

**Mohit Kumar:** Okay Sir. Do you have heard anything on the SECI 6?

- Devansh Jain:** We have already got 9-gigawatt of tenders done, in fact 9.95 to be precise in the past 15 months. Firstly, we need to execute those, the infrastructure for that needs to be in place, there is no point in SECI 6, 7,8,9,10 continuously happening whereas connectivity not keeping pace with that. Secondly, the government has already announced the 2.5-gigawatt wind solar hybrid in the public domain which kind of got delayed because people have to have connectivity in place, the central grid needs to catch up with that, there is another Gujarat 1-gigawatt tender coming out, there is another NTPC tender coming out for 250 MW so I think the order inflow and visibility is very strong in the sector. But yes, the grid needs to catch up pace, which is now happening, of course there is a lag between auctions and transition period and the grid infrastructure being ready. I think SECI 5, 6, 7 is honestly not a point of concern now. Please do keep in mind that the tariff has become so competitive today, they are lower than thermal cost of power Rs. 2.5 to Rs. 2.8 per kwh that all the states are more than willing to come to buy this power.
- Mohit Kumar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Vinod Chandra Agarwal an individual investor. Please go ahead.
- Vinod Chandra A:** Good evening Sir. My question was on the follow up what right now we are discussing that the central grid line, so is that the central grid line is now in process, which only support the SECI 1 or is it they are implementing to support the SECI 1, 2, 3 &4 all that together, means, let say that we are saying that around January it would be ready so would it be ready only for SECI 1, or will it be ready for SECI 1, 2 and more also?
- Devansh Jain:** I think what I can answer is that what is being readied at this point in time is the central grid which we would be connecting our SECI 1 and 2. I cannot answer this for other people who have connectivity there because I am not privy to that information but yes, from our perspective SECI 1 and 2 would be connected to this transmission line, which would be ready probably in January. And then we will plug and play all the turbines, which we keep erecting and supplying on to the central grid.
- Vinod Chandra A:** Thanks that is from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Raj Shah an individual Investor. Please go ahead.
- Raj Shah:** Sir your margins are too low any comments on that?
- Devansh Jain:** It is a very subjective point to raise. I think if you look at FY2017 when people were on negative margin of course we have done positive, if you look at our Q2 number our EBITDA margins are a healthy 12%-odd and if you look at a H1 result our EBITDA margins are extremely healthy at 14%, I

mean these are probably the highest EBITDA margins in the entire sector globally so I am not sure where you come back with a statement that our margins are too low.

**Raj Shah:** Thank you.

**Moderator:** Thank you. The next question is from the line of Saurabh Kumar Singh an Individual Investor. Please go ahead.

**Saurabh Kumar Singh:** Thank you for giving me the opportunity. Devansh nice to see you recently on TV and so we are all excited about wind power and big money is coming in, Warren Buffet has invested and Google have got Makani Power and with all this money coming in there is lot of technological development and these companies like Makani were funded by Google. They have got very good ability to hire and retain good employees lot of technological developments means we need very good employees how well are we placed in attracting talent and retaining them, also we do not seem to have much of social media presence, almost all good companies they have a good social media team, because lot of investors who are investing in the stock they are foreigner, FPIs, they do a lot of research on social media they look into all these things so one is about how good is our HR policy to attract and retain employees and the second thing is research and development, how focused are we on that and the third can you come up with the small team that you have even one or two people to create a social media presence?

**Devansh Jain:** We appreciate your feedback I think we would certainly work towards improving our presence on social media. I think that is something, which we would have kind of done through our marketing team and our PR team but over the past 15 months with the sector shut down honestly, there was nothing much to look forward to or talk about. But as the sector revives and gets back on track, we will certainly look at increasing our presence on that. Coming to technology and our team, I think we were at the forefront of launching the double fed induction generator in the country, in fact it was probably the first double fed induction generation which was launched in the country and thereafter, others followed in our footsteps. I think even at this point in time over this quarter (the quarter gone by September 30), we have actually done a lot of work and readied ourselves and are virtually on the cusp of launching a next generation multi megawatt wind turbine platform, which will probably be the largest wind turbine in the Indian market and will probably have the lowest cost of electricity per unit generated from an Indian market perspective. I think we are cognizant of the fact that we need to keep pace with technology. We have always done that and I think we are virtually at the cusp of launching a revolution in the market with our new turbine offering. With respect to employees and the team, which we maintain to be honest I think the entire top team of Inox Wind is, i would say about 75% to 80% of the top team of Inox Wind has been with us virtually since inception of this organization. I think they are all driven and motivated by the fact that in a span of five years we went on to become a top three wind turbine companies in this country from zero and we had one of the

most successful IPOs of all time and then of course there has been a very painful period of transition over the past 15 months but we have come out stronger, we have survived, we have seen a lot of companies fold up, a lot of companies go bankrupt, we have had our fair share of problems in these 15 months but we are now standing strong and I think with every passing quarter we should only become stronger, as we get stronger, I think the employees will also feel proud and motivated and obviously they get their fair share of return.

**Saurabh Kumar Singh:** Thank you so much for the positivity. Again please keep in mind that wind power you know as investors we are looking to make money and wind power in the long run and now no one is expecting lot of profits immediately like e-commerce, so there are lot of companies who can create good value for shareholder even if they are not making profit so we should not be so focused, always about I mean people are calling in as the analyst always about profitability but I think we need to build a foundation for long-term success and you are doing that well, so in many aspects you are doing that well, let us please keep up the focus and let us make this as huge company in the years to come.

**Devansh Jain:** Thank you for encouragement we will do that absolutely.

**Moderator:** Thank you. The next question is from the line of Manish Kamakia an individual investor. Please go ahead.

**Manish Kamakia:** I would like to know is this connectivity grid issue of a particular State?

**Devansh Jain:** Well honestly all the wind project presently under the central auction are virtually being implemented only in Gujarat and Tamil Nadu. So it is specific but I think yes, most people who won SECI 3 and 4 onwards do not have the connectivity allotted to them or those who have the connectivity allotted, do not have bays, which are now being constructed and would be ready by sometime middle of next year. What we are implementing under SECI 1 and 2 is something where we already have connectivity, but the central grid transmission line and the substation for the same will be ready probably in January that is what we meant.

**Manish Kamakia:** We have won 200-megawatt in SECI 3 and 100 megawatt in SECI 4 so how is the connectivity issue over there?

**Devansh Jain:** Well we would be using same connectivity in Gujarat as the winner of SECI 1, 2, 3 and 4, we would be implementing it on the existing substation and transmission line which would be build, we will have to build a smaller transmission line for the same as we move forward but that is very far away, post our SECI 1 and 2 execution ,we will build another transmission line to connect it to the central grid.

**Manish Kamakia:** Do we get an extension in case this connectivity is not there for people who have already won?

- Devansh Jain:** Well, I can just talk of what is happening in SECI 1 a few of the winners of SECI 1 who were not given connectivity have been given extension, some of the other players in SECI 1 where for example even in our case where the connectivity itself is not ready the grid is not ready by the central grid, I think the government is cognizant of the fact and is expected everybody will be given an extension.
- Manish Kamakia:** This 600 megawatt where we are expecting advance stage of closure so there also what about the connectivity issues, are there any issues, or do you think that only once the connectivity is there the order would be finalised?
- Devansh Jain:** No this connectivity is being readied by middle of next year we said and these are for implementation over the next financial year so we have enough time. The connectivity should be well in place for that. While they have the connectivity but now the infrastructure does not exist, so the infrastructure is being readied towards the middle of next year and these would be implemented from next financial year. That 600-megawatt is not for implementation in this financial year.
- Manish Kamakia:** Okay got it.
- Moderator:** Thank you. The next question is from the line of Ketan Gandhi from Gandhi Security. Please go ahead.
- Ketan Gandhi:** Are we fully kind of fully tied SECI 3 and SECI 4?
- Devansh Jain:** Ketan Bhai, the answer would be a yes and a no, may be will take this question offline, there certain strategic things we were doing but yes I mean with the new technology which we are launching the multi megawatt turbine which is virtually on the cusp of launch I think getting 3 and 4 out of the way it is not rocket science. What we have done at this point in time is 1 and 2, which we were implementing because 3 onwards we have the flexibility to use products which are new in the market under 1 and 2 what was the norm was we have to use products which already existed under the RLMM. There is something called RLMM where you have got certain wind turbine models but for 3 onwards you can bring the new products. So we will in all probability be using our new multi megawatt turbine for SECI 3 and 4.
- Ketan Gandhi:** So do you think will get the certification in that all the process will be over by that time?
- Devansh Jain:** Yes, well in time, for SECI 4 the deadlines are ahead of March 2020 and for SECI 3 the deadline is sometime around November 2019.
- Devansh Jain:** We are looking at doing it much earlier fairly early of a calendar year 2019?

**Ketan Gandhi:** Sir we have around 1000 Crore of borrowing and interest cost is around 40 Crore per annum I mean per quarter, last two quarter we have paid almost 70-80 Crore and I am failed to understand how much, why so much high interest?

**Devansh Jain:** I think there are three parts to it I think while our overall interest cost would be about 10% to 11% I think what is happening is with the resurrection of the sector, we have been paying banks a lot of these one time charges, for enhancement of limits and for restoration of limits. Also we have got forex charges into this.

**Jitendra Mohananey:** Yes, some forex charges have also come in financial charges so precisely because of that this financial costs have gone up, or it is in line with the previous quarter but going forward we expect that this will further get rationalized and we expect to have endeavour to reduce it.

**Ketan Gandhi:** So next half you would think I mean it could be between 11% to 12%?

**Devansh Jain:** If you look at our net debt position, our net debt position is about 718-odd Crores, so to that extent obviously the interest cost have to continuously go down, I think what has happened is over the past 15 months because virtually all the banks withdrew from the sector I think getting back banks into the system wind sector was a task, which we spent a lot of time on over the past six months and I am happy to inform that a lot of our banks have now started supporting us, we have got multiple bank limits back in place, I think banks did realize that there was a very painful transition period and I think given what was happening in the country and the larger economy, banks are getting scared and kind of pulling out from any sector, which have the least /slightest sign of pressure. I think given the fact that post our Q1 results the company has turned around and now execution is back and we continued in Q2 and obviously this keeps increasing and on order book side, there is a fairly strong order book visibility. I think the banks are now gradually getting comfort and coming back again, so I think in due course of time these one-time charges will come down to great extent and obviously as we keep reducing our net debt interest cost would naturally come down. I am sure you would have noticed that over the past five to six quarters we have reduced our borrowing by almost 400-odd Crores, so even in this painful period, our net debt had been continuously coming down.

**Ketan Gandhi:** Right. Your thought on rupee depreciation, how much will be the impact to us?

**Devansh Jain:** Well so to the extent that there is a committed price and committed agreements in place for this financial year, there is nothing we can do we cannot pass on anything and obviously to some extent there has been such a tremendous decline in Dollar and Euro that there will be some impact on us which is reflected in our, if you look at from an EBITDA perspective you can see that there is a 7 Crore to 8 Crore impact due to the forex over this quarter but going forward, I think bidders are also realizing what is happening on steel prices, what is happening on Dollar, what is happening on Euro. Manufacturers have to get rid of old inventory and had to kind of do pressure sale of assets that is

done logically. None of the manufacturers will now make new turbines to loose money, you can loose money on old inventories so in over SECI 1 and 2 to great extent while we had a fairly profitable phase in SECI 1 and 2, most of the other manufacturers who had huge inventory were dumping inventory just to survive and get rid of old assets. Going forward all the new assets which are being produced while you have more efficient turbines, nobody is manufacturing turbines at marginal cost or not to make money, I mean you might as well not produce anything and that is also reflected in there being a little bit more sanity in terms of bids so we may now see tariffs closer to about 2.75 to 2.77, and as we move forward may be the tariff will reflect the PLFs of site as well, the grade 1 sites kind of diminish, PLF will drop so tariff will reflect that, in case Dollar Euro depreciates that would reflect that. What we could do as a company we have hedged our best. While we can localize and domesticate most of our supply chain there are certain components, which have to be imported both for quality reasons as well as competitive reasons and in that we have got a mix of borrowing so we have got a mix of Dollar, we have got a mix of Euro and we have got a mix of Yuan. I think that kind of is the best thing that we could do to hedge our exposure on that front. But yes, having said that with such a tremendous decline in the Dollar Euro there is bound to be some impact on us and that is kind of reflected in our Q2 numbers.

**Ketan Gandhi:** When we can hear for the new technology an announcement next half or next year?

**Devansh Jain:** Well I think we are on the cusp of launching our next generation multi megawatt wind turbine and I am hopeful that in the next few weeks, you will be hearing on that.

**Ketan Gandhi:** I have some more, I will joint back in the queue.

**Moderator:** Thank you. The next question is from the line of Vipul Shah an individual investor. Please go ahead.

**Vipul Shah:** Congratulations for good set of numbers. Sir, your net working capital has stabilised from March onwards, so it is around 1200 Crores, so can we expect any further reduction in that?

**Devansh Jain:** Well, I think, to some extent as we said, as we increase our pace of execution, for SECI and that is also keeping in mind that we have to keep it in sync with the readiness of the central grid, otherwise, IPPs are not willing to get supplies in advance and increase their interest during the construction phase. I think going forward what we are going to look at is in terms of inventory levels, inventory levels stabilizing to some extent. Given the size that there were a lot of old inventories continue to be consumed, with respect to our old receivables we continue to collect a lot of old receivables but with more and more central grid readiness and our common infrastructure being ready, I think the collection of the new supply would be much faster because as you keep supplying and you keep connecting to the central grid then people are more willing to pay, otherwise to some extent everybody wants to delay acceptances, dispatches and so on and so forth to save interest but I think from an overall perspective we would continue to see further improvement in networking capital.

Having said that please do keep in mind as sales ramp up as absolute sales ramp up our absolute net working capital will be a function of that. So from a percentage point of view, yes, we would continue to see more improvement as we move forward.

**Vipul Shah:** Okay Sir and next, what should be our quarterly run rate for maintenance income O&M agreement?

**Jitendra Mohananey:** I think going forward from next quarter we should be approximately 20 Crores but that is something may be we can work on the numbers and share with you offline.

**Vipul Shah:** Approximately you said Sir 20 Crore right?

**Jitendra Mohananey:** 20-odd Crores a quarter

**Devansh Jain:** 20-odd Crores a quarter which would keep increasing as you move forward and more and more of the fleet gets off the free warranty period.

**Vipul Shah:** And lastly Sir what is the import content in the percentage terms as far as raw material goes?

**Jitendra Mohananey:** While in terms of sales price, our imports would be at about 33%.

**Vipul Shah:** So import currency is dollar?

**Jitendra Mohananey:** Dollar, Euro and Yuan, it is a mix.

**Vipul Shah:** Okay, so we must have some loss on forex so can you quantify?

**Jitendra Mohananey:** That is reflected in this quarter.

**Vipul Shah:** So what should be the forex loss?

**Jitendra Mohananey:** We had a forex loss of about 8 Crore to 9 Crores in this quarter.

**Vipul Shah:** You elaborated earlier about bank charges over and above this interest cost so what should be the bank charges?

**Jitendra Mohananey:** The financial cost is around 39 Crores for the quarter.

**Vipul Shah:** Yes, 39 Crore includes the forex, bank charges and interest right, all three.

**Jitendra Mohananey:** Yes, it is inclusive of interest and bank charges so in case you need a breakup then we will provide you separately you can email us.

- Vipul Shah:** Email to whom Sir?
- Jitendra Mohananey:** If you see the presentation, the email ID is given, it is [investors.iwl@inoxwind.com](mailto:investors.iwl@inoxwind.com). So you can email your queries and we will be happy to address those.
- Vipul Shah:** Lastly Sir what we have paying for technology I mean in terms of as a percentage of sales we are paying or any lump sum amount or how it works?
- Devansh Jain:** At this point in time there is nothing, so the two mega watt product which we were taken there was a lump sum price, which was done about four years ago then there was a royalty on a certain number of turbine which is also being finished, for the existing 2 megawatt platform there is no technology issues but as we move forward with respect to the new technology platform, which were on the cusp of launching we will discuss it at that point in time. It would be similar to having some kind of a lump sum fees as well as some royalty.
- Vipul Shah:** Okay Sir I will join back in the queue. Thank you.
- Moderator:** Thank you. Next question is from the line of Chirag Sarvaiya from JHP Securities. Please go ahead.
- Chirag Sarvaiya:** Good evening Sir. Sir I wanted to know about the hedging policy, what part of our imports are hedged in terms of Dollar, Euro and Yuan?
- Devansh Jain:** At all points in time in the past we used to maintain 50% hedging policy. Simply because you know it could go either side, and we have seen this over the past seven or eight years this 50% hedging policy kind of works both ways, we have both gained and lost at times but on an overall basis Inox is well protected with this. Having said that we have only recently recommenced production so there is very insignificant amount of forex exposure at this point in time but yes, as we ramp up we will relook at our hedging policy whether we need to increase it from 50% given the massive turmoil we seen on the forex side in past six months or whether we stick to a 50% hedging policy.
- Chirag Sarvaiya:** Sir, on the second one was on the other expenses. We have seen a significant rise in the other expenses, if you could just give us a breakup or an explanation for the same?
- Devansh Jain:** I think there are two parts to it, I think two reasons why we have seen an increase on other expense is one is that we had a certain amount of our towers which we have picked up, which were outsourced to vendors, so to that extent expenses are coming for that, and I think we have had a big chunk of royalty, past royalty payments paid out in this quarter. That would be almost 8 Crores to 10 Crores.
- Chirag Sarvaiya:** Sorry I could not get you, royalty expenses, 8 Crores to 10 Crores.

- Devansh Jain:** The royalty and the job work charges put together is about 8 Crores to 10 Crores.
- Chirag Sarvaiya:** Sir, the per megawatt realization would be around what Sir, because I do not know how to calculate it?
- Devansh Jain:** Simply put let us say your turbine costs 6 Crores a megawatt for example, about 75% of that is on supply and about 25% of that is recognised on commissioning of the turbine. So to that extent you will not be able to see the commissioning revenue because we recognise commissioning EPC revenues only once commissioning is done. So otherwise on a typical 6 Crores turbine, we will see about 4.5 Crores of revenue. Blended average I would say may be 6.5 Crores per megawatt will be a thumb rule to go by.
- Chirag Sarvaiya:** Thank you Sir.
- Moderator:** Thank you. The next question is a followup from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** How much we have received money which were pending for more than 365 days in the first half?
- Jitendra Mohananey:** It is about 250 to 300 Crores.
- Ketan Gandhi:** So, out of 500 around 300 Crores that is old inventory?
- Devansh Jain:** What we have at this point in time is Q2 sales are included in this and a significant part of our Q1 sales, it is about 150 Crores to 200 Crores of our receivables.
- Devansh Jain:** Do keep in mind that we still have in terms of the old turbines, which we have been continuously consuming, we are now consuming whatever was left of that 80 to 100 megawatt. While we had over 200-megawatts, we consumed 50-megawatt, then we consumed another 50-megawatt, but we are down to about 100-odd-megawatt of old inventory, which is being consumed under the SECI projects. We will see a lot of that getting recovered in the quarter ahead.
- Ketan Gandhi:** Got it. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Just a clarification, you mentioned about O&M revenue of 20-odd Crores but the last full year's number was more than 160-Crores? So we already had a runrate of more than 40 Crores per quarter?

- Jitendra Mohananey:** These include the O&M straight lining under Ind-AS. I think we can answer this offline. That is under Ind-AS. There is a straight lining policy, otherwise our O&M revenue are at about 20-odd Crores.
- Giriraj Daga:** This is cash generation.
- Jitendra Mohananey:** That is correct.
- Giriraj Daga:** Sir, my second question is as per your understanding the feedbacks, what you have done with the ministry, partners and investors, what should be the normal, if you can give any guidance on what should be the normal fair assumption to work with the auction part of it. What is the amount of auction we can have in FY2019?
- Devansh Jain:** Well, I think, the government is talking about doing 10-gigawatts per annum and as we see it over the past 15 months they have conducted about 9.9-gigawatts of auction in terms of visibility, there is already a 2.5-gigawatts of hybrid out there. So you can assume 1.2 GW wind in that so there is another SECI of about 1.2 out there, which adds another 2.4 GW, there is a 1000 megawatt of Gujarat auction, which is coming up, 3.4 GW total and I would assume even if one more auction comes up in the next three months so that would be close to 4.5 to 5-gigawatts till year end, so in that sense if we look at it from an 18 months period that would be close to 15-gigawatts in an 18-months period which really puts the government on track for a 10-gigawatts runrate, but having said that even if the market is a 5-to7-gigawatts market per annum it is huge, I mean, there is enough for four large players to kind of be very healthy.
- Giriraj Daga:** Understood Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Vinod Chandra Agarwal an individual investor. Please go ahead.
- Vinod Chandra A:** Sir, I have one more question with regards to our new platform which is coming to like let us say about 3-megawatts, so our current manufacturing capacity, 1600-megawatt, that translates to 800 towers x2 megawatt platforms so when we launch the new ones is it fair to assume that our manufacturing capacity will be increased up to 2400-megawatt?
- Devansh Jain:** Again, let us talk about the new technology once we announce it, but having said that there are three parts to this, there is blade, there is a tower and there is a Nacelle. The Nacelle is one single unit in which specified number of machine parts and components are housed. Whether you have a 2-megawatt product or a 3-megawatt product or a 4-megawatt it is about how many nacelles you can produce, obviously as turbines get larger and more complex, they probably may take a little bit more of manufacturing time, so to that extent while your absolute megawatt is increased it will also decrease to some extent because of more complexities and underlying time taken, so let us assume it

is 3-megawatts, so maybe instead of 2400 it could be 2000-megawatts per annum manufacturing capacities. I do not think that is going to come in the way of us being ready to take market share, but as we said in the past as well, we are not driven by absolute market share and I think 700, 800, 900, 1000-megawatts is a enough number to execute and is a fairly large topline with a fairly large/significant profitability for us to have. We are not a company, which is driven by taking 20%, 30%, 40% market share. We are not topline driven instead we are bottom line driven and are focused on production/execution which can be achieved in a fairly smooth manner without facing too many hurdles because do not forget, this is not just a turbine manufacturing business, because at the end of the day it is dependent on land, connectivity, I can tell you today, I can do 3-gigawatts per annum or more by putting up more factories, if you only tell me to supply turbines, but that is not how the Indian market works. You need to take care of grids, lands, connectivity, RoW, there are loads of infrastructure issues, and I think a 700, 800, 900-megawatt number is fairly a large number, which would lead to significant topline and profitability.

**Vinod Chandra A:** Thank you Sir.

**Moderator:** Thank you. As there are no further questions, I now hand over the conference over to Mr. Ankit Shah for closing comments.

**Ankit Shah:** Thank you. On behalf of Axis Capital, I would like to thank the management for giving us an opportunity to host this call and also to all the participants for joining the call. Sir, would you like to make any closing remarks?

**Devansh Jain:** We thank everybody for being a part of this investor call. I would like to wish everybody a very Happy Diwali. Just to sum up a couple of key comments, I think, the July-September quarter has been our second consecutive quarter of profitability after the very painful transition period of the past 15 to 18 months where we have seen a lot of players exit the sector as well as a lot of people virtually closed down. We have had our fair share of problems over these 15 months, but I think, we progressively strengthened our position and emerged stronger and I think with our ongoing supplies and execution of the SECI projects which pickup pace as we keep moving forward, I think, the company will go from strength-to-strength. We expect to continue to see more benefits of the auction regime flowing into our financials which would reflect in fairly more efficient working capital parameters in terms of percentage as well as increase in profitability as we move forward. I think there is a fairly large chunk of auctions, which have been conducted over the past 12 months and we have a very healthy pipeline visible so there is a very strong visibility of order inflows for the Indian Wind Power Sector. Our case in point also, we are in advanced discussions for a very significant number of additional orders, which I think, will add to our fairly significant order book at this point in time. What we have also done over this quarter as execution was still slow and ramping up, we have readied and focused a lot on our next generation multi-megawatt wind turbines, which we expect



*INOX Wind Limited*  
*November 05, 2018*

to launch and announce in the next few weeks, which I think would be a very significant move for the Indian markets. I think with that we would sign off. We look forward to catching up with all our investors in the next quarter. Once again a very Happy Diwali to all of you. Thank you.

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