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**Scrip code: 539083**

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

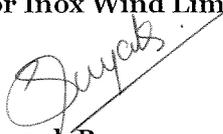
Dear Sir/Madam,

The Company had organized a Earnings conference call with the Investors/ Analysts on 7<sup>th</sup> August, 2018 post declaration of its Unaudited Standalone and Consolidated Financial Results for the quarter ended 30<sup>th</sup> June, 2018. 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





“Inox Wind Limited  
Q1 FY 2019 Earnings Conference Call”

August 07, 2018



**ANALYST: MS. PRANJAL JAIN - AXIS CAPITAL LIMITED**

**MANAGEMENT: MR. DEVANSH JAIN - EXECUTIVE DIRECTOR – INOX WIND LIMITED**  
**MR. ATUL SONI – HEAD OF INVESTOR RELATIONS – INOX WIND LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Inox Wind Q1 FY 2019 Earnings conference hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Pranjal Jain from Axis Capital. Thank you and over to you Madam!

**Pranjal Jain:** Thank you Karuna. On behalf of Axis Capital, we welcome all the participants for the Inox Wind conference call. The call will be initiated by a brief management discussion on the earnings followed by a Q&A. The management of the team is represented by Mr. Devansh Jain, Executive Director and Mr. Atul Soni, Head of Investor Relations. Over to you Mr. Soni for your opening remarks.

**Atul Soni:** Thank you Pranjal. A very warm welcome to all the participants of this earning call. The Board of Directors of Inox Wind Limited has approved the Q1 FY2019 results in their meeting, which has 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 turned back into profitability after a four-quarter gap on back of the start of SECI-1 execution. The past 12 months have been a period of painful transition, which the company has successfully weathered and we now look forward to strong execution and profitability in the coming quarters.

In terms of the financial results, we ended the quarter with revenues of Rs430 Crores as compared to Rs106 Crores in the previous year quarter. We returned to EBITDA profitability with the profit of Rs70 Crores as compared to an EBITDA loss of Rs13 Crores in the previous year quarter. We had a PAT profit of Rs10 Crores as compared to a PAT loss of Rs39 Crores in the same quarter last year. We view this quarter results as a start of an upward trajectory for the company post the turbulent transition period.

Coming to the operational highlights, we have recommenced operations across our manufacturing facilities of Gujarat, Himachal Pradesh and Madhya Pradesh after a near four-quarter gap. We delivered 80 megawatts and commissioned 22 megawatts during the quarter.

On the balance sheet front, we continued our focus on improving key balance sheet metrics like reducing receivables, working capital and debt levels. I would like to bring to your notice slide 6 and 7 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 Q1, inventory reduced by Rs150 Crores on back of the start of the execution of SECI orders. We have reduced our receivables by Rs315 Crores in comparison to Q4 FY2018. Do note that

the closing net receivable number is optically higher, but it includes the quarterly sales of Rs430 Crores. On the networking capital front we have reduced it by Rs58 Crores during this quarter.

At the end of Q1 FY2019 in terms of working capital, inventory stood at Rs779 Crores, net receivables at Rs1175 Crores, payables at Rs635 Crores and others are about Rs138 Crores. This translates into a net working capital of Rs1181 Crores. Going ahead we expect inventory levels to come down as the execution picks up pace in the coming quarters. We also expect the working capital levels to ease going forward and stabilize going ahead in the auction regime as it ensures better coordinated production, inventory planning and execution of wind projects.

On the debt equity front, we ended the quarter at an improved net debt to equity ratio of 0.32x versus 0.35x in the preceding quarter.

In terms of project site we continue to be amongst the largest project site holders in the states of Gujarat, Rajasthan and Madhya Pradesh.

We have sufficient project site inventory as of June 30, 2018 for installation of more than 5000 megawatts. In terms of manufacturing capacities, our blade manufacturing capacity stands at 1600 megawatt and with minor capex we can debottleneck our nacelle and hub capacity from the current 1100 megawatts.

Towers can also be expanded with minimum capex as towers are low technology items, which can also be outsourced. Hence, we are fully geared to manufacture whatever the market demand in the auction regime. In our view, the issuance of regulatory guidelines, strong auction pipeline and a renewed focus on increasing the renewable energy footprint in the county all combine to provide an upward trajectory for the sector.

Going ahead we see a journey towards an exciting period of significant and sustainable growth for the Indian Wind Power sector. So that is the broad overview of our operational and financial performance and how we see the sector going forward. I have along with me our Executive Director, Mr. Devansh Jain to take questions now. Thank you, you might start the question and answer session.

**Moderator:**

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:**

Good evening Sir. Congratulations on turning profitable after four quarters. Sir, you executed 80 megawatt in this Q1 FY2019 and I believe that SECI 1 deadline is September – October 2018, does it mean that the Q2 could see to 220 megawatt of volume after the execution and can you just show us the timeline on the SECI 2 order when it is suppose to be executed?

- Devansh Jain:** So first one, with respect to the SECI-1 the original timeline was of October 2018; however, given the fact that the connectivity guidelines were announced only in May, 18 and the bays have been allotted from June,18 onwards and the PGCIL network is not complete which is expected to be completed in the next two to three months as a result of which there is almost a virtual extension for all the SECI 1 projects. I believe you will start seeing commissioning of the SECI 1 projects in Q3, which is in the October to December period and that will be followed by the SECI 2 projects. Do note that the common infra in our case is the same so in our view, I think, over the next two quarters we should conclude SECI 1 and then follow it up with SECI 2 execution.
- Mohit Kumar:** We can expect 600-megawatt execution in FY2019?
- Devansh Jain:** I will not make forward-looking statements, but our endeavor is to finish SECI 1 and a significant part of SECI 2 in FY19.
- Mohit Kumar:** Sir, second question regarding the industry, SECI 5 has been cancelled and the NTPC tender came in today. I see that we have not participated in any of the recent auctions. Is there any reason and what is the status of all the other orders which are still pending from the earlier SECI auctions?
- Devansh Jain:** We are sitting on a 950-megawatt order book where we are focused on executing SECI 1 and 2 and then follow it up with SECI 3 and 4. We have tied up almost all of this capacity to a great extent and we are in advanced stages of closing a very significant megawattage with one of the largest IPPs in the market which has won volumes under the auctions. Given the visibility of our existing order book as well as the potential orders pending in the market, we do not think it is the right time to go in and bid some more projects because as you may be aware you typically get 18 to 21 months to execute these projects, so if you look at our 950-megawatt plus the incremental volumes, which we expect to pickup I think we are virtually tied in for the next two years. As and when we think the time is right we will certainly go ahead bid and take up additional quantities to down sell to third parties.
- Mohit Kumar:** Does it mean that we are not going to participate in SECI 5 and SECI 6 for time being?
- Devansh Jain:** SECI 5 has already been annulled. I think there is going to be another auction in the next two to three months but we will now be very selective in terms of where we participate because like I said we already have a virtual two-year visibility in front of us and there are enough orders out there which potentially are still available for OEMs to pickup, so I think at this point in time we have significant visibility of volumes.
- Mohit Kumar:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

- Ketan Gandhi:** Sir, can you please get me the net and gross debt level?
- Devansh Jain:** So, our net debt is Rs638 Crores if you look at slide 7 and gross debt would be approximately Rs800 odd Crores.
- Ketan Gandhi:** Sir, if you look at the financial result there is a finance cost of around Rs40 Crores, if we have the gross debt of Rs800 Crores, how come finance cost could be so high?
- Devansh Jain:** There are three parts of the finance cost. One is the term loans and the CC, which we have, which constitute a significant part. Second is our LC and BC charges, which to some extent given the fact that we were earlier AA minus and now are A minus and given the environment in the country for the Wind sector some of the banks increased our rates over there. The third piece is some onetime charges, which have been paid to various banks for various limits, which have been given to the company. Please understand that over the past two months, which have been a painful period for the sector, the banking community on a larger basis had completely turned away from the renewable sector. Given the strengths of Inox Wind as well as the Inox group, a lot of the banks have stood with us and have supported us. Now, to some extent, as we are moving into a normal cycle of execution and manufacturing some of the banks have taken some onetime charges, which are reflected in this. Also, there is a minor component of forex losses which are reflected in finance cost as well of roughly Rs2.5 Crores.
- Ketan Gandhi:** So, it is safe to assume that in future if net debt levels remain same our finance cost will be significantly reduced?
- Devansh Jain:** Absolutely.
- Ketan Gandhi:** Sir, I believe that SECI 5 has been downsized to 1.2GW and SECI 6 will be 2.5GW and one more condition they have said that the scope of work include the setting up of the Wind power project as well as the transmission network up to the delivery point, can you help us understand this if possible?
- Devansh Jain:** First and foremost SECI-5 has been annulled and it has not been downsized to 1.2GW. The total bidding that took place for that was 1.2GW. Given the regulatory uncertainty around some of the connectivity issues and so on and so forth and various other players not having connectivity, there was not too much enthusiasm at that point in time. Having said that while they have annulled SECI 5, SECI 6 will now be in place of SECI 5 and they are contemplating to reduce it from 2.5GW to 1.2GW. Given the fact that they have also announced the connectivity guidelines, the final regulatory piece has been put to rest. I think there is a fairly clear visibility with respect to where connectivity already exists and where future connectivity is coming up and which year it will be ready. I think there is a huge pipeline of tenders coming up from SECI, NTPC and state auctions, so you know one auction getting cancelled or being deferred is not something which is earth shattering. With respect to

your second question that the developers have been told to complete the line up to the delivery point that is part of all the previous SECI auctions or any of the state bids where all the winners are supposed to install the turbine and build the common infra and connect it to the point of the substation, so this not something different from what already existed in all the other tenders and SECI auctions.

**Ketan Gandhi:** So, this is nothing new basically?

**Devansh Jain:** Nothing new.

**Ketan Gandhi:** Thank you. I have some more question, I will get back in queue.

**Moderator:** Thank you. The next question is from the line of Dikshit Joshi from Whitestone Financial. Please go ahead.

**Dikshit Joshi:** Thanks for the opportunity. Firstly, can you give gross and net receivable numbers and advance number for Q4 and Q1?

**Atul Soni:** We could not hear your last part of the question can you just repeat it again?

**Dikshit Joshi:** Can you give the gross receivables and advances from the customer?

**Atul Soni:** Well advances from customer is at about Rs300 odd Crores that is more of a technicality, which will get offset with the inventory that we carry and hence the net receivables will be the figure to look at.

**Dikshit Joshi:** I mean, hence the gross advances also went up quite significantly in Q1 over Q4 last year?

**Atul Soni:** Sorry, because the way the SECI projects are structured where we have got and how we have down sold SECI projects some of those advances will be knocked off against receivables in the coming quarter or so.

**Dikshit Joshi:** So, can you help with the advances number in the Q4?

**Atul Soni:** Rs280 odd Crores.

**Dikshit Joshi:** And currently in Q1 FY2019?

**Atul Soni:** The total advances are at about Rs300 odd Crores at this point in time.

**Dikshit Joshi:** Can you give how much was the O&M revenue in Q1 FY2019?

- Atul Soni:** We do not specify that on a quarter-on-quarter basis.
- Dikshit Joshi:** But, I suppose that as per the accounting standard now we have to post the entire O&M revenues from the operating fleet of approx 2.4GW?
- Atul Soni:** The revenues are being accounted as per the latest accounting standard norms and that is what is being done, but we break it up only in our annual results, if you see our annual report it will have the breakup for last year.
- Dikshit Joshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Sonthalia from AK Securities. Please go ahead.
- Aman Sonthalia:** My question is regarding do you think the industry would install 4000-4500 megawatt in the current year, but given the scenario whether it is possible to install such a huge quantity?
- Atul Soni:** Sorry, what number are you saying?
- Aman Sonthalia:** 4500-megawatt projected estimated for 2018 – 2019?
- Atul Soni:** What is the source of that information?
- Aman Sonthalia:** This is from many presentations of competitors and other industry experts?
- Atul Soni:** To be honest, we cannot comment on what other people are saying and committing out there, I think what is relevant from our perspective is what we expect the industry to do over the coming financial year. In our presentation we have stated upwards of 3 gigawatt of commissioning for this year.
- Aman Sonthalia:** What about next year Sir, if everything goes well?
- Atul Soni:** If you look at our presentation there is a slide in our presentation, which talks about the range, so the range for next year is upwards of 6-gigawatt.
- Aman Sonthalia:** 6-gigawatt?
- Atul Soni:** Yes.
- Aman Sonthalia:** Sir, Do you think connectivity infrastructure would be a minor problem or would it be a long-term problem?

- Devansh Jain:** I think that the question depends on how people approached connectivity in the past. People who were proactive in the beginning and are sitting on connectivity clearly it is not a problem for them while those who were waiting by the sidelines and are now trying to get it immediately, it is an issue. We must understand that infrastructure and connectivity is not something which can be built within one month so going out and crying that infrastructure is not ready and it is going to take two years is the reason why we carry a large project site inventory. We have been proactive in keeping that and building on to that and I think that helps us to stay ahead of competition. Again, having said that I do not think that it is a long-term problem I think the government realizes that infrastructure and connectivity needs to be made available for the upcoming large projection of wind auctions. They are looking to do 10 gigawatts per annum of bidding for which we need to have connectivity to that extent. Having said that you cannot expect everybody to go and put up a project in Gujarat or Tamil Nadu, so for example in SECI 5 the guidelines were very clear. The SECI-5 tender witnessed connectivity being available in Karnataka and Andhra Pradesh etc and people chose not to bid there. Inox Wind stayed away because we have enough visibility for the next two years and the timeline to execute these projects ranges from 18 to 21 months, so we cannot go out and build a three year or a four year forward order book, but other players who have been lagging behind are clearly going about complaining about connectivity. I do not think it is a long-term problem and I think this is something which the government is aware off and I think they will be pro active on this front.
- Aman Sonthalia:** Sir, our installed capacity is around 1200 megawatts, so do we expect that in the next accounting years we would reach 100% utilization level?
- Devansh Jain:** No, our installed base of total machines is 2.4GW.
- Aman Sonthalia:** I am talking about the company's installed manufacturing capacity of approx 1200 megawatts?
- Devansh Jain:** Our capacity is of 1600 megawatts of blades, 1100 megawatts on Nacelles and Hubs, and about 600MW for towers.
- Atul Soni:** Do note that with minor capex we can increase our Nacelle and hubs capacity to 1600 megawatts per annum.
- Aman Sonthalia:** So that we can expect that company can install around very near to that level in the next accounting year?
- Devansh Jain:** The company has clearly no intentions of getting to that volume in the next year. I think we have a fairly pragmatic and rationale volume target in mind and I think that is reflected in the order book that we have as well as the potential future ties up we have, which gives us enough visibility for the next 18 to 24 months. We are driven by bottom-line and cash flow. We are not driven by being the largest in terms of topline.

**Aman Sonthalia:** Thank you.

**Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

**Giriraj Daga:** I would like to understand what the outlook is given the scenario what we have seen in PGCIL network where the volume is short of the expectations. What is the bidding outlook you have for FY2019 and if you can break between SECI and non-SECI?

**Devansh Jain:** While SECI 5 has been annulled we should see SECI 6 (1200MW), Gujarat (1000MW) & NTPC (2000MW) in the coming months which add up to over 4GW in auctions. Also, do keep in mind that the government can always bring out additional SECI auctions as we have seen in Jan-March of 2018 when the government auctioned 4.5GW via SECI-3, SECI-4 and Maharashtra auctions within a matter of 3 months.

**Giriraj Daga:** And my next question, what is the capex number guidance you are looking for this year now?

**Devansh Jain:** We do not have major capex guidance. It is going to be usual routine operational capex. We do not have any significant capex going forward.

**Giriraj Daga:** In terms of working capital like some of the old receivables which we have seen, do you see us being able to recover that money by October or December?

**Devansh Jain:** I think over the next two to three quarters majority of the past receivables should be collected by us. I think we began with about Rs2400 odd Crores of old receivables in March, 2017 and now we are down to about Rs600 odd Crores and out of this we are collecting payments on a continuous basis. So I think over the course of this financial year the majority of the past would have been cleared up. We have cleared up in any case 75% to 80% of the past, I think we are left with a much smaller piece which we will clear up in the next few quarters.

**Giriraj Daga:** The last question is that would the industry be able to see about 10-gigawatt of bidding in the current year given the resources what we have in terms of transmission network and the sites availability?

**Devansh Jain:** I think we have to appreciate the fact that if the government wants to do that kind of bidding they can go ahead with it but at the same time there are other factors that play over here including auction discovered prices, capacities of IPPs in terms of capital, OEM capacity etc. We have seen in the past when the government wants to do auctions they can go ahead and do like 4 or 5 gigawatt of auctions in a matter of months, so really it is a fluid situation and we have to see how it develops, but yes, given the intention of the government we think it is a strong probability that you will see very strong levels of bidding.

- Giriraj Daga:** Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Pawan Parakh from Renaissance Investments. Please go ahead.
- Pawan Parakh:** Sir, good afternoon. So, my question is that in the presentation you have mentioned about 3 to 5 gigawatt of industry installation, so if I understand it right we are looking to execute SECI 1 and SECI 2 in this year, which makes about 2000 megawatts for the industry, so what are the additional projects that can be executed and commercialized in this current financial year?
- Devansh Jain:** This is an expectation, but if you look at the original 5.5 gigawatts which were auctioned in the last financial year, it included SECI 1 (1000MW), SECI 2 (1000MW), 500MW of Gujarat, 500 MW of Tamil Nadu, 500MW of Maharashtra. Also, let us not forget there are a lot of Gujarat, Tamil Nadu, and Maharashtra assets which are already lying erected or virtually stranded assets which are virtually plug and play and you can just commission them within the span of few months. So you will see SECI 1, SECI 2 to some extent and Gujarat, Tamil Nadu and Maharashtra assets which will get commissioned. Over and about we would have some PSUs and some captive projects which should give us about 3 to 5 gigawatts of visibility.
- Pawan Parakh:** And this transmission issue, has it been resolved for all SECI 1, 2, 3, 4?
- Devansh Jain:** I cannot answer this whether it has been resolved for SECI 1, 2, 3, 4 for all industry players. What we can just say is that we do not have a problem in Inox Wind. We have our connectivity in place. I am not in a position to answer whether everybody's problem has been resolved. For instance there are some people who have just bid out of the blue without any connectivity and are now applying for connectivity. There is a process and there is a timeline after which they will be allotted bay in connectivity, so it is not something, which will happen overnight, but yes, at least in our case we have connectivity and the bay has been allotted to us.
- Pawan Parakh:** Since most of the execution pipeline is in Gujarat and the other sites are mostly in Tamil Nadu, so essentially the evacuation issue is primarily to do with Tamil Nadu?
- Devansh Jain:** Well from what I understand almost 65% to 70% of SECI 1 and 2 is being implemented in Gujarat and about 30% is being implemented in Tamil Nadu, so it is a problem in Gujarat not specifically Tamil Nadu, although Tamil Nadu also has some problems.
- Pawan Parakh:** So essentially what you are looking at is that in the best case scenario one can have 3.5 gigawatt installations in the industry?

- Devansh Jain:** Those that have connectivity will go out and execute, those who do not have connectivity will not be able to execute for lack of connectivity. As I said from an Inox Wind perspective for the next two years we have our clear visibility for the orders we need to execute. There are connectivity guidelines in the public domain and there is a process, which is being followed to give or cancel connectivity for people, so like I said we are giving you to the best extent what we expect the sector will do in FY2019 and what the sector will do in FY2020 now whether that is a mix of SECI 1 or SECI 2 or Maharashtra or Gujarat we would have to wait to see for actual execution.
- Pawan Parakh:** Fine and any comments on offshore wind and repowering in India?
- Devansh Jain:** I think the government is being proactive and forward looking in terms of announcing the offshore wind policy and getting expressions of interest from various players. In our limited knowledge that we possess we believe offshore is way too far away barring demonstration projects simply because from a cost of energy perspective offshore will be the double the cost of onshore so we can get onshore at Rs.2.5 to Rs.3, offshore would be upwards of Rs.5 and barring a demonstration project or a specific government mandate I do not think commercially it would make any sense at this point in time.
- Pawan Parakh:** Sir, finally are there any legacy projects left with us?
- Devansh Jain:** We have about 30 megawatts of legacy projects, which are PSU projects, which are under implementation at this point in time.
- Pawan Parakh:** Those are PSU projects?
- Devansh Jain:** Correct.
- Pawan Parakh:** How would the PPA's be structured for those PSU projects?
- Devansh Jain:** PSU is responsible for the PPAs and as per our understanding they already have the PPAs in place now.
- Pawan Parakh:** So, nothing under the FIT, which is pending?
- Devansh Jain:** We made our order book zero in the last financial year because no FITs would be honored by any state.
- Pawan Parakh:** Great, all the best. Thank you.

- Moderator:** Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Sir, lot of competition has come out with the new turbines like 2.6 to 2.8 to 3 megawatt, where are we in terms of 3 megawatt, which we have announced earlier?
- Devansh Jain:** We are working on it with our technology partners and I am sure all of you are aware we have a long-term and a strong relationship with AMSC who are one of the leading technology providers globally, we are working with them on a 3-megawatt product and hopefully you all should be hearing from us in the near future about that.
- Ketan Gandhi:** So, are we on track I mean we should not be left out with the competition?
- Devansh Jain:** No, we are sure we will not be left out, as you can see we probably have the largest order book in the sector at this point in time.
- Ketan Gandhi:** I understand. I am talking about the future technology because that is the most important, since we do not have our in-house technology, we are dependent on somebody, so I asked this question.
- Atul Soni:** Even the technology is there, we have a tie-up in place and we will be coming out with that at the appropriate time that is all we can tell.
- Ketan Gandhi:** Perfect, no issue. Thanks a lot.
- Atul Soni:** Obviously we have recognized the need for technology upgradation and we have covered our bases in terms of our partners and surely we would not be getting late getting that to market.
- Ketan Gandhi:** Precisely that was my intention on the question. Thanks.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, two questions, first is out of 950-megawatt, which we are building are all of it financially closed?
- Devansh Jain:** Well SECI 1 and 2 have achieved financial closure from what we understand from various customers and in any case we have to give that to SECI as well and from SECI 3 perspective there is a fairly long time before which we need to submit our financial closure and I think we are well on track to achieve that.
- Mohit Kumar:** What is the timeline?

- Devansh Jain:** For SECI 3 it is November 2019 implementation timeline.
- Mohit Kumar:** What about the financial closure?
- Devansh Jain:** Financial closure we have up to 12 months, so I would say it could be sometime around February, 2019.
- Mohit Kumar:** Second question is the SECI is conducting auction and NTPC auction, do you think the states apart from Gujarat will conduct auction going forward or all of them will participate through SECI?
- Devansh Jain:** No, it is a kind of a tricky question to answer. So we have seen state tenders come out from Tamil Nadu, Maharashtra and Gujarat. Let us not forget there was seven key windy states including Andhra, Karnataka, Kerela, MP, Rajasthan and the above mentioned. We have seen loads of wind capacity coming up in Andhra and Karnataka in the past two years, what that leaves is really only Rajasthan and Madhya Pradesh. Again, I think the various state governments where we have been lobbying with a lot of them and I think a lot of them do understand that ideally they need to take out state tenders because there are local jobs which need to be created. There is a lot of local employment, which happens, but yes the flipside to that would be of course all the states do not have the same PLF since some states are far windier than the other states, so it is a little hard for me to say whether we are going to be able to see all the six or seven key windy states take out tenders. The aim is that all of them should be taking out tenders, but you may have a situation where one or two are lagging behind and eventually they come out with tenders.
- Mohit Kumar:** Sir, last question have we participated in the offshore wind EOI?
- Devansh Jain:** We have given our interest but at this point in time it is still premature. It is still four or five years out. We will take a look and decide on what we need to do but we are not too enthused about it as I mentioned as of now.
- Mohit Kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhavan Shah from KR Choksey. Please go ahead.
- Dhavan Shah:** Thanks for the opportunity. I have just one question and that is about the sales and commissioning slide in the investor presentation, which you normally provide every quarter, so I could not find the slide in today's results?
- Atul Soni:** So, we just had one line statement to add there in terms of number of commissioning done and number of wind turbines executed, so we have included that in our quarterly highlights in page 4.

- Dhavan Shah:** I am talking about the Nacelles, Hubs, blades, towers all this count?
- Atul Soni:** We are now giving complete sets so a breakup does not make sense.
- Dhavan Shah:** Because you were earlier providing what you are executing?
- Atul Soni:** Since now we are selling complete sets of Nacelles, blades and towers, so a breakup does not make sense.
- Dhavan Shah:** If I look at the order backlog in Q4 FY2018 also you have provided order backlog of 950 megawatt and in this presentation also the order backlog is the same even though we executed around 80 megawatt order, so can you please provide some lights on that?
- Devansh Jain:** So, from the pipeline that we were looking to execute we have added about 75 megawatts of order from another IPP so broadly it would be 950 megawatt.
- Dhavan Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pankaj Gupta from Kredent. Please go ahead.
- Pankaj Gupta:** Good evening Sir. Sir, my question is regarding the last year balance sheet, there has been an addition of Rs247 Crores in additions to plant and equipment, so you tell us that where we have invested this amount of Rs247 Crores?
- Devansh Jain:** Talking about last year's balance sheet right now?
- Pankaj Gupta:** Yes, this is in the March 2018, we have seen?
- Devansh Jain:** That addition was because of common infra development which would be used for execution of our SECI order wins.
- Pankaj Gupta:** Can you explain how do we earn return on this common infrastructure spend?
- Atul Soni:** Frankly this is bit of an accounting technicality which happens. Let me explain this at the cost of getting a bit technical. When we build project site infrastructure, it is a capital asset that we invest in. So suppose we spend Rs100 Crores on this site infrastructure which includes things like transmission lines, sub stations etc in a particular year. Now eventually from a commercial perspective, we sell it to the customer, but under regulation, you do not sell it to the customer, rather you give him the perpetual rights to use it and the price that he pays for these perpetual rights is then booked as an

advance received from the customer and this is amortized over the life of the assets, which is 20 years.

So again without getting too technical what happens in this example is that Rs100 Crores of capex is shown under the balance sheet against which I have Rs100 Crores received from the customer as advance for the right to use that assets which is taken to revenue at the rate of about Rs5 Crores every years for the next 20 years. So, you would see capex which will show that the fixed assets have gone up, but against that I have also advances from customers which are reflected on the liability side.

**Pankaj Gupta:** Thank you.

**Moderator:** Thank you. The next question is from the line of Shivang S from JHP Securities. Please go ahead.

**Shivang S:** Good evening Sir. My question was on the EPC, O&M and common infrastructure facility expenses we have seen a lot of savings there since it has come down from 71 Crores to around 37 Crores, just wanted to know how that has happened?

**Devansh Jain:** We have only commissioned 22 megawatt in the quarter, so it is reflected to the extent of expenses of 22 megawatts.

**Shivang S:** My second question was on the realization, if I take the volumes at 80 megawatts and sales of around Rs430 Crores I come to a realization of Rs5.37 Crores per megawatt is this what are we going to be working with going forward?

**Devansh Jain:** Well do keep in mind that this is 80 megawatt of turbine sales and this does not has the EPC revenue and the EPC revenue is only for 20 megawatt, so if you add up EPC revenue for the full 80 megawatts that would be the realization per megawatt on a blended average basis.

**Shivang S:** That would be around 6 Crores as what we had guided earlier?

**Devansh Jain:** Possibly slightly higher.

**Shivang S:** The margins of 16% to 17%, we are confident of maintaining that going forward?

**Devansh Jain:** We have not guided for any margins. As we have mentioned many times in the past our historical margins were about 15% to 16%. We believe that in the auction regime our margins would be in double digits, but to what extent it would be, we will not make any forward-looking statements and not give any guidance. What is more important is the absolute profitability for the company going forward should increase given that the market itself is becoming larger and larger number one and number two given that working capital cycles will become more and more efficient, as we get into a

full-fledged auction business, I think the interest costs will go down, which would add a lot to our absolute profitability as opposed to earlier EBITDA levels.

- Shivang S:** Thank you very much and congratulations for this quarter and best of luck for the coming quarter.
- Moderator:** Thank you. The next question is from the line of Dhavan Shah from KR Choksey. Please go ahead.
- Dhavan Shah:** Just a followup, you said that we received around 75 megawatt which we have contracted last quarter, so I just wanted to understand is that from a state electricity board?
- Devansh Jain:** Yes, That is from State Electricity Board.
- Dhavan Shah:** Which one?
- Devansh Jain:** It is a contract, which has been signed with the State Electricity Board.
- Dhavan Shah:** Is it from Maharashtra or what?
- Devansh Jain:** Maharashtra.
- Dhavan Shah:** But in the presentation it is mentioned 50 megawatts?
- Devansh Jain:** 50MW was won by Inox Wind on its own while the 75MW is from another IPP.
- Moderator:** Thank you. The next question is from the line of Vinod Chandra Agrawal an Individual Investor. Please go ahead.
- Vinod C Agrawal:** Thanks for the opportunity and congratulations for a good start of the quarter and my question is just as you already said that you have visibility for the next two years and that is the reason that you are not going and bidding for the next SECI auctions, so can you just tell when we can start again bidding in the auctions again? Can you just give us some sort of timelines on when would you again start participating in the auctions?
- Devansh Jain:** We view every auction as a separate auction. We will be evaluating at that point of time about what makes sense for us to do. I think you should not have this impression that we are not going to go in any auction in the next one month, three months, six months or 12 months period, it is not the case. All we are saying is that we have a robust order book as of now plus visibility of additional orders so what it leads to is that we do not need to participate in every auction, which basically means that I can afford to choose which auctions to go for depending upon the market environment and depending upon the tariff and all the other parameters, which are there, so it will be a strategic call. So I cannot give you a

timeline of which auction I am going to choose next in terms of picking my next order from, but obviously every auction we evaluate and we will see what the best fit is for us and we will be building up our order book accordingly.

**Vinod C. Agrawal:** Thanks and the second question is that can you give any updates on the hybrid auctions; are we looking for participating in that one as well?

**Devansh Jain:** Well we are talking to a couple of potential partners to participate along with them. There are two types of hybrid, one is where solar already exists where wind can be added and the other is where wind exists solar can be added, so obviously looking at the auction where solar exists and wind can be added and we are in touch with few industry players to decide the way forward on that.

**Vinod C. Agrawal:** Thanks and best of luck for the future quarters.

**Moderator:** Thank you. Ladies and gentlemen, with this I hand the conference over to Inox Wind management for closing comment. Over to you!

**Devansh Jain:** To conclude, the quarter had a key positive for us including the company turning back into profitability on the back of commencement of execution for our SECI projects. The sector is turning around after a very painful period of the past 12 months where execution, orders, supplies etc had come to a virtual standstill. We are relieved and at the same time very excited about the future. We are strongly placed on back of our connectivity-backed order book and we look forward to execute our existing order book over the course of the next 12 to 18 months. As has been said in the call we are also in discussion with various winning IPPs for orders, which if fruitful will add to our order book in the coming quarters. Over the course of the last couple of quarters, as you may have seen, we are focused unrelentingly on improving our key balance sheet metrics including cutting down receivables, bringing down our working capital levels, which have virtually halved from level that existed about a year ago and cutting down our debt levels very significantly. Our debt to equity has come down to 0.32x which is a reduction of almost Rs480 Crores of net debt over the past financial year. I think today are at a fairly healthy 0.32x net to debt equity ratio and I think that will hold good for us as we move forward under the auction regime. We believe that this along with inherent cost competitive advantage places us in an ideal position to benefit from auction based regime, which is also reflected in one of the largest order books in the sector. We continue to enjoy strong relationships with leading IPPs in the country and look forward to working with them in achieving India's target of 60 gigawatts wind capacity by 2022. Thank you for your interest in our company and we look forward to this being a year of execution, supplies and profitability after a painful transition period. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.