



“Inox Wind Limited
Q4 FY’23 Earnings Conference Call”
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MODERATOR: **MR. SAUMIL BHATIA – SYSTEMATIX INSTITUTIONAL
EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Inox Wind Limited Q4 FY '23 Investor Earnings Conference Call, hosted by Systematix Institutional Equities. 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, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saumil Bhatia from Systematix Institutional Equities. Thank you, and over to you, sir.

Saumil Bhatia: Thank you, operator. Good evening, ladies, and gentlemen. Thanks for joining us today for the fourth quarter and FY '23 Earnings Call of Inox Wind Limited. On behalf of Systematix, I'd like to thank the management for giving us the opportunity to host this earnings call. Today, we have with us Mr. Devansh Jain, Executive Director, Inox GFL Group, Mr. Kailash Lal Tarachandani, Chief Executive Officer, Inox Wind Group, Mr. Narayan Lodha, Chief Financial Officer, Inox Wind Limited, Mr. Manish Garg, Senior General Manager, Inox GFL Group.

I will now hand over the call to the management to give their opening remarks. And after that, we'll open it up for Q&A. Thanks, and with that, over to you, sir.

Kailash Tarachandani: Good evening, everyone. First of all, sorry for delay due to a small technical glitch. This is Kailash Tarachandani, CEO of Inox Wind. A very warm welcome to all of you on the Inox Wind Quarter 4 Financial Year '23 Earnings Call.

The company announced its quarter 4 results at its Board meeting held today. The results, along with the earnings presentation is available on the stock exchanges and also on our website. I'll briefly give you an update of the business operation and outlook before we open up the floor for questions-and-answers.

Let me first take you through major growth drivers, environment and policy initiatives taken. Now this year, we have seen a huge impetus to the wind sector. The geopolitical tension and the resulting higher cost of fossil fuels has pushed the world towards faster adoption of renewables. Also the Government of India has been aggressively driving to ramp-up renewable energy capacity in India with an objective of reducing carbon footprint and dependence on fossil fuels.

The overall target set by Government of India is to achieve 450 gigawatts of renewables by 2030. MNRE has set up a target of floating 10-gigawatt wind of power bid every year until 2028. Coupled with the state bids, C&I, green hydrogen and under construction pipeline, approximately 100-gigawatt wind power projects are expected to be commissioned by the end of 2030.

This will take the total wind power installed capacity to approximately 150 gigawatts by 2030. Recently, the MNRE revised auction process for wind energy projects to move from reverse auctions to closed bidding. This, we believe, will open up the space for large investment and growth in this sector. Some of the other policy initiatives such as the ISTS charges, the Inter-State Transmission System charges, are being waved-off for projects. Policy for green open

access, which also reduces the open access limit for the contract demand from 1 megawatt to 100 kilowatts provides significant impetus to the sector.

The conducive macro environment provides a huge opportunity to the existing limited suppliers in the wind energy sector as on date. Inox Wind has also witnessed to this changing macro environment, and we're seeing a huge interest across PSUs, Independent Power Producers, Retail, and Captive. Inox Wind received another 200 megawatts order during this year from NTPC, with this the total current order from NTPC alone is 350 megawatts.

We continue to build-up excellent relationships with large PSUs and C&I customers. There are many such opportunities being discussed today and are in various stages of finalization. Let me delve upon some of the strategic actions we have taken during this period. We have successfully commissioned our first 3.3-megawatt proto type wind turbine in September '22 with 140-meter Rotor Diameter in the state of Gujarat.

The performance of the wind turbine exceeds our expectation and commercial production to start from second half of this financial year. That type certification is in final stages and expected soon. We believe that this revolutionary 3.3-megawatt turbine will provide significant growth opportunities as many of the customers have shown keen interest, are awaiting the start of commercial sales of this turbine. We have also increased our focus on limited scope projects where we will be pushing only supply of wind turbines and associated commissioning activities by descoping the balance of plant part to the customer.

This will enable Inox Wind to focus more on ramping up the capacities, launching new platform to compete in the dynamic market environment and improve profitability. Further, our subsidiary, Inox Green Energy Services Limited, IGESL had successfully completed the IPO in November 2022, raising INR740 crores. IGESL has acquired 51% stake in I-Fox Windtechnik India Private Limited, an independent O&M service provider. With this acquisition, an additional 230 megawatts has been added to the Inox Green portfolio, which takes the cumulative capacity to more than 3.1 gigawatts.

On the execution front, NTPC's first phase of 150-megawatt and other retail orders are in full swing. The execution of NTPC's second phase of 200-megawatt has also been commenced in Gujarat. Post raising of funds through the IPO of Inox Green, we have been streamlining our supply chain through the quarter 4, which is now fully streamlined, and we have ramped-up our 2-megawatt supply chain from the current quarter.

The supply chain of 3.3 megawatts is also in place, which provides a good revenue visibility. Our current order book and execution picking pace provides a strong revenue visibility. We expect our revenues to significantly jump from the current level and we hope to achieve profitability soon within this financial year. Inox Wind has full support of the promoter as they further infused INR623 crores at virtually zero interest. The proceeds were utilized towards reducing financial liabilities. Inox Wind with strengthened operations and projected strong cash flows is on the path towards net debt zero company by next financial year.

Let me quickly take you through the financial numbers. With respect to our revenues and EBITDA compared to corresponding year, total revenue for the last quarter was INR197 crores against revenue of INR184 crores in the previous quarter. EBITDA loss of INR25 crores in quarter 4 financial year '23 against EBITDA loss of INR238 crores in quarter 4 FY '22.

With respect to corresponding financial year, total revenue for this year was INR751 crores in financial year '23 against revenue of INR655 crores in last financial year. EBITDA loss was INR242 crores negative in financial year '23 against EBITDA loss of INR282 crores in financial year '22.

I would now like to hand over the floor to Mr. Devansh Jain for his remarks, post which we'll take the question-and-answer.

Devansh Jain:

Thank you, Kailash. It's good to be back on this earnings call. As many of you would have known during our DRHP phase, we had to stop having a periodic conference call for Inox Wind. So I believe, we're back with this after almost six quarters, and we hope to carry on with this throughout the lifetime of our company.

The wind sector has seen some of the most challenging years. I'm proud of the fact that we have managed to sail through and are one of the select few survivors. We've had no doubts on the future of this industry and its growth opportunity though we had to take huge pain in the interim four to five years. I can confidently say that the worst is behind us and FY '23 marks a turning point not just for us but also for the sector. The global push towards renewables and the Government of India's vision provides a strong growth map for the industry. The government has taken all the right steps and initiatives and removed hurdles to bring back investments and growth into the sector.

This, along with all the strategic actions, which we have taken over the past 12 months, which Kailash just took you through, we're now very strongly positioned. We've always had faith in IWL and have supported it with all our might. It is now the time to reap the benefits. We're sitting on a large order book. The new 3.3-megawatt turbine will also substantially add to our revenues and profitability as we move forward. I'm very confident of Inox Wind turning profitable in this financial year. I believe the wind sector will be one of the fastest-growing sectors going forward and will add significant value for all our stakeholders.

With this, let's open up the floor to question-and-answers. We have Manish, Narayan, Kailash and of course me on the call to take questions. Thank you.

Moderator:

Thank you very much. We will now begin a question-and-answer session. Any one wishes to ask question may press * and 1 on touch tone of the phone. If you wish to remove from Q&A you may press * and 2. Participants are requested to use handset while asking questions. Ladies and Gentleman, we will wait for a moment, while the question que is assembled. The first question is from the line of Bhavya Shah, an Individual Investor. Please go ahead.

Bhavya Shah:

A couple of questions. Really not seeing any reduction in debt despite doing an IPO promoter raising, including so much money and doing QIP? Why there has been no debt reduction?

Devansh Jain: Hi, Bhavya, I'm not sure where you are taking that up from. But frankly speaking, we've paid back INR600 crores of interest-bearing advances to the parent company. So that's knocked off more than INR60 crores of annual interest cost to Inox Wind. Over and above that, we've used proceeds of the preferential allotment and the warrants to reduce the debt at Inox Wind.

In fact, if you look at our presentation, it takes you -- if you look at one of the salient points, it says in the previous quarter, see until Q3, our interest cost used to be approximately INR95 crores a quarter. In this quarter, it's come down by INR26 crores to INR69 crores. And we've already stated that in Q1, we're already sub-INR45 crores, which will keep reducing as we move from one quarter to another. So effectively, what we're doing is from INR95-odd crores, we've already come down to INR45 crores within one quarter.

Bhavya Shah: Actually, I'm not able to see debt reduction in the balance sheet. Anyways.....

Devansh Jain: In balance sheet, Bhavya, one of the things which is maybe confusing you is if you notice, there's an asterisk which says that INR600 crores of fresh capital. That was the INR600 crores with the promoters pumping. So that is coming in your borrowings as well, but that is long-term equity for the company. So if you remove that INR600 crores, you will be in sync with what I'm saying.

Bhavya Shah: Correct. Correct. I understand. Thanks. And second question was a few days back, there was an announcement of registered office will change for IWEL from Gujarat to Himachal Pradesh. So just wanted to know the rationale behind it. Are we planning any reversal or something like that?

Kailash Tarachandani: So as we've also announced, along with our Board meeting notes, which have been uploaded to the stock exchanges, with the larger objective of simplifying the group structure and keeping simpler operational efficiency and not having multiple entities on the wind side, the Board in its wisdom has decided to appoint a valuer as well as the merchant banker to evaluate the possibility of merging Inox Wind and Inox Wind Energy Limited.

As many of you would know, Inox Wind Energy Limited, is a plain vanilla holding company of the wind business. So once we've -- since the Board has already approved it in this interim Board meeting, once the Board has the report of the valuer and the merchant banker is placed to the board, the Board may decide to go ahead with the merger of IWEL with IWL.

Moderator: The line for the current participant seems to have dropped from the question queue. We have the next participant with the next question, Sanika Khemani. Please proceed with your question.

Sanika Khemani: I just want to ask like we have been in the growth of 14% on a year-on-year basis, 14% to 15%. So I want to know if you're looking at a higher growth numbers of 20%, 30% in the next financial year, or are we looking at the same growth rate of 10% to 15%?

Devansh Jain: I think we're looking at a multiplier growth, not 14%, 15%, we expect it to be multiple times from the current numbers. I mean good parameter would be -- the balance sheet is well capitalized. We have a very large order book. We have the right product mix. We have all the working capital challenges sorted behind us. And if you look at our order book, presently, it's almost INR7,000 crores.

We expect -- well, I won't give forward-looking numbers in terms of what our guidance could be, we don't do that, but we expect the current financial year FY '24 to be multiple times multiplier of the revenues we achieved in FY '23.

Sanika Khemani:

Okay. And what will promote this kind of growth like, I just wanted to understand that?

Devansh Jain:

I mean I think Kailash did take you through the sector coming with right policies to promote this kind of growth, I think the sector has been down for the past five years. The sector is now back strongly. Policy issues are behind us. COVID issues are behind us. We're one of the select few survivors. We're well capitalized. We have all of our working capital issues behind us. Interest costs have come down substantially for us, and we'll keep reducing as we move forward. I think that's what is going to lead to significant growth in this business. I'm sure you read the newspapers every day, the hottest subject globally, not just in India now is climate change and renewable energy.

Moderator:

Thank you. The next question is from the line of Gokul Raj from Bavaria Industries Group. Please go ahead.

Gokul Raj:

First of all, well done on announcing and creating all the strategic initiatives that we've been speaking. So on this announcement of the appointment of valuer, what's the general timing? What would be your best guess in terms of timeline?

Manish Garg:

So in terms of timeline, we're not really -- not specific about it. Still we have -- we have just appointed the valuer for evaluating the proposal of the merger of IWL and IWEL, and as it will unfold, accordingly, we will take it forward.

Devansh Jain:

Gokul, I would just simply say is that the registered office shifted about a month back. And keeping in mind the larger objectives, we're progressing with a clear plan. I think we have a clear strategic plan for Inox Wind, Inox Green over the course in the past 12 months. There would have been plus minus one quarter, two quarter here and there depending on how the markets -- public markets show when we IPO-ed. But I think we've executed on all our commitments.

Similarly, we always, we've had feedback from investors from bankers and ourselves that effectively, there's no point having so many entities. So it is always good to merge the holding entity with the operating entity. And I think we've been moving towards that target. Now we don't want to get into specific timelines. But I think in the near future, the merchant bankers and the valuer should present their valuation to the Board. And I mean, depending on what the Board decides, we'll proceed or not proceed with the merger.

Gokul Raj:

Okay. I'm assuming that the merger goes through, what would be the net debt to externally holders or actually, say assuming the merger goes through?

Devansh Jain:

The debt, I mean, IWEL has no debt. So the debt won't be.....

Gokul Raj:

Yes. I'm asking for some -- because all the non-convertible stuff which become equity once the merger happens, right? So I'm just trying to understand what would we hope the balance sheet look like after the merger?

- Devansh Jain:** No. So the balance sheet will get strengthened because effectively, whatever IWEL has given to IWL effect in terms of quasi-equity instruments, all get cancelled out and become equity. So the balance sheet of the merged entity will only be stronger. And there is no debt instrument. So effectively, whatever preferential capital, there is, non-convertible preference shares there are from IWEL to IWL, all of it will just get merged into the consolidated entity.
- Gokul Raj:** Got it. And in terms of the order book for the new turbine, how are you seeing it or maybe when would we start seeing the large orders coming in?
- Devansh Jain:** Kailash, for the new turbine 3.3 when do we see?
- Kailash Tarachandani:** Now, I think with respect to the larger turbine, the discussions are on. And as I just said that it's in now any time, and this should -- we've already planned entire supply chain for the second half of this year. Accordingly, discussions are on with customers, discussions are on this plan, and we'll be announcing some good news very soon.
- Gokul Raj:** Perfect. And I have a question on Inox Green. Should I ask it in a separate call, or can I just do it on this call?
- Devansh Jain:** On Inox Green, if you could please do it on a separate call, we have a separate management team for that.
- Moderator:** Thank you. The next question is from the line of Bhavya Shah, an Individual Investor. Please go ahead.
- Bhavya Shah:** Sorry, I got cut out on the call earlier. Devansh, sorry. So you have guided that FY '24, we'll turn PAT positive. Can you just throw some light as to how many megawatt installations we'll be doing in FY '24 and around what revenue and margins we can do?
- Devansh Jain:** Look, Bhavya, unfortunately, I'm not going to be able to share specific numbers. What's relevant is that we've said this that we're aiming to do at least 500 megawatts over the course of this financial year. I think we're well positioned in all respects, be it execution, be it supply chain, be it our order book, be it our working capital limits, be it our balance sheet strength. So I think that's what we're going to run for. I'm not going to get into specific margins on EBITDA and PAT, but we're extremely confident this year is going to be a PAT positive year for us.
- We're working towards achieving our long-term objective, which is get back to our historical EBIT margins, which typically used to be about 15% to 16% till the sector shut down. All I can say with our new product, the 3.3-megawatt turbine, we should be able to achieve that. Naturally, over the course of this financial year, we have a significant amount of 2 megawatts turbines still from our carry-forward orders from NTPC and others. And we have the 3-megawatt kicking in from H2 of this financial year. But over the next financial year, which may be FY '25, I think we should certainly be aiming and achieving a 15% EBIT margin.
- Bhavya Shah:** That's really very encouraging commentary, really look forward for good numbers going ahead. All the best. Thank you.

Devansh Jain: We ourselves are very excited, Bhavya. I wish we could announce Q1 numbers and not Q4 numbers. We waited for a long time to get the company back in action. And I'm happy to say that we're strongly back in action.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Saumil Bhatia for closing comments. Over to you, sir.

Saumil Bhatia: Yes. So on behalf of Systematix, I would like to thank Mr. Devansh Jain for giving us this opportunity to host the earnings call. Trust me, sir, we all learned a lot on Inox Wind and your sector today. Thanks a lot, once again.

Moderator: Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.