INOX Wind Limited
Q1 FY24 Earnings Conference Call

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Q&A PARTICIPANTS:

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2. **Shubham CT**	:	Logical Investments
3. **Nikhil Abhyankar**	:	ICICI Securities
4. **CA Arun Maroti**	:	Subhlabh Research
5. **Vineet Dala**	:	Xylum Investments
6. **Krishnakumar Srinivasan**	:	Lion Hill Capital
7. **Rishikesh Oza**	:	Robo Capital
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Moderator

Good morning, ladies and gentlemen. I'm Pelsia moderator for the conference call. Welcome to INOX Wind Q1 FY24 earnings conference call. As a reminder, all participants will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal in operator by pressing * and then 0 on your touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Bharat Jain from ICICI Securities Limited. Thank you and over to you sir.

Bharat Jain

Thank you. Good evening, ladies and gentlemen. Thanks for joining us today for the Q1 FY24 earnings call of INOX Wind Limited. On behalf of ICICI Securities, 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 of INOXGFL group, Mr. Kailash Tarachandani, Chief Executive Officer INOX Wind Limited and other senior members of the management. 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 over to you sir.

Kailash Tarachandani

Good morning, everyone, Kailash Tarachandani here. Our apologies, a bit of delay because of some technical issues. A very warm welcome to all to the Q1 FY24 earnings call of INOX Wind Limited. The company announced the Q1 results at its board meeting held on Saturday, 29th July. The results along with the earning presentation are available on the stock exchanges, as well as on our website. Let me quickly take you through the financial numbers before briefing on the macro environment and business updates. We are pleased to announce that our manufacturing business segment has stunned EBITDA positive after nearly five years. On consolidated basis, INOX went reported a revenue of INR 352.3 crores in Q1 FY24 versus INR 213 crores in Q1 FY23. Consolidated EBITDA was INR 34.9 crore positive in Q1 FY24 versus EBITDA loss of INR 25.7 crore in Q1 FY23. Overall strong macro tailwind presents a brighter outlook for the wind sector.

On the global stage, renewable capacity addition including wind power continues to be strong. As per the Global Wind Energy Council, CY22 witnessed wind capacity installation to the tune of 77.6 GW to take the total installed wind capacity to 906 GW. On the domestic front Government of India has been aggressively driving the ramp up of renewable energy capacity installation with an objective of reducing India's carbon footprint and dependence on fossil fuels. The overall target set by government is to reach 500 GW of non-fossil fuel capacity by 2030. And we are making rapid progress towards these goals. To achieve this, the MNRE has set up 250 GW of renewable entry trajectory over FY24 to 28. More specifically, the MNRE has set up the FY24 calendar for central options to be conducted by 4 renewable energy implementing agencies, which is SECI, NTPC and NHPC and SJVN.

On the 50 GW annual RE auction, target is to auction 10 GW of plain vanilla wind and at least 10 GW of hybrid RTC projects every year until FY28 which includes at least 40% of either wind or solar. Further wind capacity installation through state auctions, C&I and retail will create additional demand. In particular, there is a huge demand we see from the C&I market, and INOX Wind is in discussion with many such customers. Over the next 8-10 years, India plans to add over 100 GW of wind power capacity on the current base of around 43 GW. More importantly, the tariff discovered in the recent auctions are conducive for higher wind capacity addition as it aids discoms to get cheaper green power, developers to earn decent IRR's and OEM to get good margins.

Wind sector in India is no longer supported through any kind of subsidies throughout the value chain, except for ISTS charge waiver applicable to both solar and wind power up to June 2025, after which it gradually tapers down. We believe that this will not have a significant impact and the charges may be offset by tariff reduction due to easing of commodity pricing, lower interest rate and improvement in technology. At a fixed tariff of INR 3 to INR 3.2 per unit for a period of 25 years, wind is amongst the cheapest source of power in the current country today, and much lower compared to India's APPC of INR 3.75 per unit where the past economics are in favor of wind from grid stability perspective as well, India will require significant capacity addition to balance the solar generation variability.

Among the primary factors driving the low wind tariff is the improvement in turbine technology over the past years. We are now shifting towards a much more efficient 3 MW platform, which has higher PLF reducing the cost of power substantially over the 2 MW platform and helping developers earn higher IRRs. Inox Wind is also witnessing huge interest for our 3 MW WTG platform across PSU, IPP, retail, and C&I customers. There are several such opportunities being discussed, and at various stage of finalization.

I will now discuss some of the developments at INOX wind over the past quarters. INOX wind has started his journey towards profitability by being EBITDA positive in Q1 FY24 at both manufacturing and consolidated levels. Our financial performance will continue to improve going ahead, backed by our strong order book, our strong balance sheets, lean cost structure and favorable macros.

It gives me immense pleasure to inform you that we have received the Type certification for our 3 MW wind turbine from the TUV SUD, a leading global certification body based in Germany. The state of the art 3-MW turbine with a booster capacity of up to 3.3 MW has been developed with globally renowned AMSC as our technology partner and designed especially for Indian wind conditions. We believe it will provide significant growth opportunities for us. We will commence serial supplies from Q3 FY24 onwards.

During the quarter, we have also announced the merger of INOX Wind Energy Limited, the holding company of Inox Wind, into Inox Wind. The merger simplifies and streamlines the structure of our wind energy business segments, and we believe that the swap ratio approved by the board is in the interest of minority shareholders of both companies.

We expect the merger to conclude within the current financial year subject to various regulatory approvals. Our robust net order book of 1327 MWs gives us execution visibility over FY24 and FY25. In Q1, we have 2 more orders follow up orders of another additional 150 MW from NTPC and 100 MW order from ABEnergia Renewables. While there are significant order intake opportunities, we'll be basing our order intake focusing on 3 primary aspects: 1) profitability, 2) de-risking our supply chain and 3) ease of execution.

On the execution front, NTPC first and second phase of 150 MW and 200 MW as well as other retail orders are in full swing. Our O&M subsidiary, INOX Green Energy Services Ltd has delivered another successful quarter of operation with continued healthy margins.

We believe that INOX Green is progressing well in the journey towards doubling its wind turbine O&M portfolio over the next 3 years as committed at a time of IPO. With strong and complete support of the promoter, the strengthened operations, projected strong cash flows, strategic actions and relationship with customers, INOX wind is on the path towards becoming a net debt zero company in the near future. We believe that our growth journey will create value for all our stakeholders. I would now like to hand over the floor to Mr. Devansh Jain for his remarks post which we will take the question and answer.

Devansh Jain

Thank you, Kailash. Good afternoon, everybody. The past year has been quite eventful for the wind sector as well as INOX Wind, I extend my congratulations to the team on becoming EBITDA positive in the first quarter itself. I'm sure that the performance will continue to improve on all fronts in the subsequent quarters. I believe both the macros and the micros are finally aligned. With the tendering trajectory in place, huge demand from the C&I and retail customers, cost economics favoring wind power, and the various strategic initiatives undertaken by INOX Wind over the past year, which includes capital infusion, type certification for our 3.3 MW turbine, approval of the merger of the holding company IWEL with IWL, execution of our strong order book and our strong balance sheet, which we continue to strengthen as we move forward, IWL is now strongly positioned to create value for all our stakeholders over the course of FY 24 and beyond. With this I would now like to open up the floor for Q&A with me and Kailash and other members of the team.

Moderator

Thank you, Sir. Ladies and gentlemen. We will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question comes from Yash Sachdeva from Finterest capital. Please go ahead. There is no response. And the next question comes from Shubham CT from Logical Investments. Please go ahead.

Shubham CT

Hi, good morning, sir. So, my first question is, basically whenever we sell a wind turbine, how much warranty do we give to the customer? And during the initial, like, let's say 1-2 year warranty, during that period, like INOX Green does it get any revenue from INOX Wind or from the customer for the maintenance of the wind turbine?

Management Team

Thank you for your question. So typically, we give a warranty for 2 years. And in the 2-year warranty period, as we call it, which is also 2 years of free O&M period, we don't get any revenue at the INOX Green level. However, year 3 onwards, for example, we start getting the revenue. Having said that, the cost, which INOX Green technically bears in terms of doing O&M for the first two years to ensure it gets the right to charge revenues for the next 8 to 25 years depending on what the contract period is.

Shubham CT

Okay understood. So, another question I had was like, have you received any order for the 3.3 MW wind turbine or anything is expected like in next few months? Another thing is like, what is the price difference per MW for the 2 MW turbine and the 3 MW turbine? So, I think it is 6-7 crores for the 2 MW version. So, is this one expensive?

Management Team

Thanks, Shubam. So, I think just to answer your first part of the question, yes, we have already received a 3.3 MW order, we have received as announced NTPC 150 MW for 3.3 MW, and also received another ABEnergia order, which is 100 MW, which is again 3.3 MW. We also have few numbers of retail orders from 3.3 MW and further in advanced stage of discussion. Just to add to it, obviously, we are in discussions with multiple customers. And I think they're very sizeable order at this point in time, so I think as Kailash also mentioned, we'll be pacing out our order going forward. We have a fairly strong visibility, and I think we'd be patient, driven by profitability, ease of execution, and the de-risking our supply chain.

Shubham CT

Okay understood. So, what is the I also wanted to know about the like, what is the per MW cost for the 3.3 MW?

Management Team

It is not a question of, is the 3.3 MW platform more expensive. At the end of the day something called cost of energy. The cost of energy keeps declining and the best way to answer this would be typically on an apple-to-apple basis, our three MW turbine is about 35% more efficient than the predecessor, which is a 2 MW, 113 m rotor dia turbine. So, you know, to the extent of 35% cost efficiency naturally, a certain part of the price goes up, because we increase our profitability, it's not possible to share the exact numbers, but thumb rule I would say, turbines sell for about 7 to 8 crores per MW normally.

Shubham CT

Yes, understood sir. So, my final question is about the merger. Like, I just want to understand what is the expected timeline for the merger to complete, like, approximate would be fine?

Management Team

I mean from what we understand from our lawyers and advisors, it should be done within this financial year. The scheme has already been uploaded on the stock exchanges. I mean, we see no other hindrance. So frankly speaking I believe it should be done over the next 6-8 months.

Shubham CT

Correct, that's all from me, sir. Thank you.

Management Team

Thank you.

Moderator

Thank you. Next question comes from Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar

Thank you, sir. Thanks for the opportunity, and congrats on a good set of numbers. So. my first question is, what kind of execution target you have been looking at in FY 24, given we've got an order book of 1.4 GW.

Management Team

Look I think we said multiple times as we remain to supply and execute close to 500 MWs over the course of this financial year and I think that's in the public domain.

Nikhil Abhyankar

How much was done in Q1?

Management Team

We did about 66 MWs in Q1.

Nikhil Abhyankar

So, you also mentioned the C&I segment. So, what is the portion of the C& I segment in our current order book and can you guide us on the pipeline for C&I segment?

Management Team

So frankly speaking I think, you know, we don't go by those segments. I think we have a large PSU order book, we have IPP's, we have retail, naturally, one of them which is specifically, C&I, ABEnergia, I believe, for example, in NTPC, whether they do C&I or SECI, it's their prerogative, but I understand that some part of that is also going to be C&I. Kailash, and I think they're talking more and more on C&I. So, I mean, we really don't care whether they're doing PSUs or C&I, it's a very, very large pool. In terms of trajectory, I think as Kailash mentioned, we have such a large visibility of SECI tenders, PSU tenders auctions in the public domain, multiple C&I orders. I mean, all I would say to you is that we have a very, very large order pool. So, I don't think it's a question of feasibility, and how many more than it's a question of, we can take as much as we want. But I think we're pacing ourselves. I would rather we get to profitability than that.

Nikhil Abhyankar

Understood and Sir, just a final question. So, what is the status of our working capital and our relationship with the banks given several times in the recent past?

Management Team

So, I think that's a very interesting question. I think, what is very important, I think we have very, very strong relationships across banks. What is very important to note is that we're the only OEM who survived 5 years of pain without a single rupee of a haircut to any vendor, to any creditor. The promoters have backed company, the group has backed the company. So, I think we enjoy very, very strong relationships with banks, not just at the group level, but also at INOX Wind level. And as we are ramping up, all the banks are supporting us more and more with non-fund based facilities, because increasingly, we need only non-fund based facilities as we're moving up. So it is a very, very pertinent question, I think that differentiates us from a lot of other competitors in the Indian market.

Nikhil Abhyankar

Understood sir thank you and I will join back in the queue.

Management Team

Thank you.

Moderator

Thank you. Next question comes from CA Arun Maroti from Subhlabh Research. Please go ahead.

CA Arun Maroti

Sir, I would like to know that when the 3.3 MW turbine we will like to deliver, the expected timeline?

Management Team

Yes, I said in my opening statement, we will start delivering from the next quarter, which is Q3 onwards to the market.

CA Arun Maroti

Okay and did we face any impact of the Biparjoy in Gujarat? That cyclone Biparjoy which came in last year?

Management Team

No. We haven't been.

CA Arun Maroti

Okay thanks a lot, sir. And my last question is on the O&M business. In our presentation, we are saying that we are looking for some inactive and stressed players who take that on them so have we take that in this quarter?

Management Team

I mean, we have seen that as part of the growth strategy, we've already acquired one of the players called I-Fox And we continue to negotiate with multiple players for potential acquisition targets.

CA Arun Maroti

Okay, and my last one is that at what time, we expect that we will be a debt-free company?

Management Team

I think we start over the next 12 to 15 months, our aim is to make it a debt free company. And I think we're very, very comfortable where we are. I think we have a strong balance sheet. But certainly what we've set out is over the next 12 or months, we aim to become net debt free. And I think we're well on track, given some of the strategic actions, our operating cash flows, our asset monetization plan, I think we should be able to achieve that well within the timelines.

CA Arun Maroti

Okay, that's it from my side. I will be in queue, thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Vineet Dala from Xylem investments, please go ahead.

Vineet Dala

Hi, this is Vineet Dala. Sir, as you mentioned, we intend to deliver our 3 MW turbines in H2 like Q3 onwards. So, will it be fair to assume like our entire 2 MW order book will be for delivery this year only?

Management Team

No, I think it's not fair to assume that. I think we will be a significant part of the order book this year will in terms of supplies will be 2 MW. We will be keeping a certain part of the 2 MW supply chain intact for delivery in the next financial year.

Vineet Dala

So how would we go about like, how are like our capacities right now like that tower capacity is around 2 MW platform. So, if we are pivoting to a 3 MW platform, so what kind of capacity change and teething period would that require?

Management Team

I don't think it requires any changes is if I may explain. The nacelle, tower and assembly shops, whether we make 2 or 3 MW or combine them in the facilities requires no change. It's only the blade facilities when new molds come in for a 3 MW platform. So, we have massive capacity. We have a 2 MW moulds running in some plants, we have three MW molds also running concurrently with respect to the tower plant, it's a fabrication job, whether I make a 2 MW tower or a 10 MW tower or a 3 MW tower, nothing changes.

Vineet Dala

Fair enough and sir as far as our capacity expansion plans are concerned, given the kind of demand that we're looking in the sector, so over the next couple of years, how do we go about capacity expansion? Where do we start? Because if I see our nacelle capacity and our capacity that is far ahead than our tower and blade capacity, where do we start expanding our capacities? And how do we go about as far as the money committed toward CapEx projects are concerned?

Management Team

Let's not jump the gun. It's been five years of pain in the sector, we've got enough manufacturing capacity. I mean, we are north of 2 GW. The tower fabrication job, you know, you localize towers, if you're in Tamil Nadu we will pick up local towers, you're not going to send towers from Gujarat, the logistic costs of sending towers will be more, so frankly speaking, INOX wind is capable of delivering north of 2GW at this point. We foresee no major CapEx for the next 2 to 3 years, let the market move towards 8 to 10 GW. And at that point in time, we will need to go ahead with CapEx, I think at that point in time our profitability will be very significant. As you know, we are very, very efficient in our CapEx program.

We've probably spent about 600 odd crores in terms of gross block in building this close to 2 GW capacity. So frankly speaking, adding another GW is going to cost us more than 300 plus minus, so it's not rocket science. Let the market move towards that we'll use internal accruals to expand capacities at the right time.

Vineet Dala

Fair enough, thanks a lot sir. That’s it from my side.

Management Team

Thank you.

Moderator

Thank you. Next question comes from Krishnakumar Srinivasan from Lion Hill Capital. Please go ahead.

Krishnakumar Srinivasan

So, is it possible to give some color in terms of the 2 MW order that you have, can be converted to three MWs at the option of the client? Is that something possible? Would you encourage that?

Management Team

We have those flexibilities in some of the contracts and I think Kailash, logically speaking, some of them would like to do it. But as I mentioned, as Kailash mentioned, we are focused on profitability, de-risking the supply chain, and ease of execution. So, to some extent, we have de-risked ourselves, and realized easier by carrying on to and gradually ramping up towards streaming over. So, as we get to full scale 3 MW maybe a part of our two MW orderbook be able to convert to three MW, we have that option. And I think it's a win-win for us, as well as the customers. So, I see no reason why anyone would have an issue with that.

Krishnakumar Srinivasan

Sure. Sorry for this question again, maybe I joined the call a little late. Sir you now, the wind sector being going through a lot of pain, and there is a recovery that I think has been alluding to. But, you know, solar still remains much preferred option from a cost perspective across the value chain. So, what do you think will actually, you know, convert, you know, or have when we're getting a better market share of the green energy going forward, compared to what we did in the last couple of years other than the **[inaudible 00:26:42]** going away? Is there anything else fundamentally that has changed? And I also read about the grid balance preferably for using wind? So, could you speak it a little bit on that, sir?

Management Team

Fundamentally, I'm not going to get into the past five years, what happened? I'm sure everyone is well aware about that. I think what if you go back to slide 10, of our presentation, that very clearly demonstrates, what the cost of solar is, and what the cost of wind is. In terms of all imported solar, it ranges from 2.4 to 3, with certain pass throughs and wind is between, say, 2.6 to 3.1 per KW. Having said that, domestically without solar is 3.5 plus PLI. So frankly, speaking, you know, those days of renewables versus non-renewables over there shifted to wind versus solar. Those days are well behind us. I think in majority of the transactions, wind is actually far more competitive than solar. Having said that, it's no longer a question of 10 or 20%.

What's also very, very important which the government is realized and which we are pushing very, very strongly nowadays, RTC, hybrid because in the past 5 years of the painful transition, there was barely 5 gigawatts of wind, which came up or whatever, 5 or 6 GWs. And you still have significant amount of solar, which could take some a grid balancing and a grid stability perspective, you need wind and solar, it's mandatory, it's technically not possible to have only one fuel source, if you're going to set up 350 GWs, or 300 GWs of renewables, both have to coexist, because they're complementary to each other. So frankly, speaking, not just cost economics, where wind is very, very competitive. It's also a technical requirement, that for grid stability, you need to have more and more wind coming into the system. I assume that answers your question.

Krishnakumar Srinivasan

Good, last question Sir. Is there further plans to ensure equity into the company from the founder side to deliver further to think the operations will take care of the delivering part going forward? Thank you.

Management Team

I think we, as a company, we put it out very, very clearly that we want to be debt free over the next 12 months. And we have various asset monetization plans. We have strong operational inflows expected to kick in as we keep ramping up, and then maybe some kind of strategic option as well, at any point in time. I think we keep all options open. We're very clear. We want to be net debt free we want to have as we scale up, we don't want to have any discussions around that. So we have all options open. I think we are very, very strong promoter holding in the company. We're very strong skin in the game from the promoters. But let's see, we'll keep on all option open.

Krishnakumar Srinivasan

Thank you.

Rishikesh Oza

Thanks for the opportunity. Hi, so the first question is with respect to the execution front, do we see any impact on execution in Q2 due to rains?

Management Team

Naturally, to some extent, Q2 is a little slower compared to Q1, but I think we're on a ramp-up mode. And frankly speaking, compared to Q1, I would tend to think every quarter should get better and better, but naturally in a normal Q2 is always going to be a little slower than Q1 because of monsoons.

Rishikesh Oza

Okay, so with respect to the, you know, the execution indication that we will be executing 500 MW this year, so, major portion of execution to start from H2 onwards, Q3 onwards.

Management Team

I think as I mentioned we're wrapping up QoQ. Kailash mentioned that as well, every quarter should be better than the previous quarter. And we are aiming for 500 MW this year. That's our aim, that's our target. And I think that's a 7x, which will multiply with respect to what we did last year. So, I think it's a significant jump. QoQ, we should keep improving, but I won't get into the specifics of every quarter. But yes, I think every quarter should be better than the previous quarter.

Rishikesh Oza

Okay and sir with respect to the interest cost, what will the interest cost for FY24?

Management Team

So, I think the numbers we put out in the public domain, were now from 95 to 69, to virtually 50 crores excluding one-time expenses, and I think QoQ, we should keep declining, it's very difficult to give you an exact number, what the full financial year numbers would be like, but I think what we are what we're targeting is to be debt free by the end of this financial year, I think every quarter interest costs should keep declining.

Rishikesh Oza

Okay. So, they're expecting to be debt free after 15 months. So, are we saying that interest costs would be virtually like, you know, almost worth 0 after 12-15 months?

Management Team

Interest cost should be 0 for us.

Rishikesh Oza

Okay. And with respect to the EBIT margins, last quarter, you had indicated down 15% of EBIT margin. So, are we still sticking to that 15% for FY25?

Management Team

Let me be very clear, we never guided for 15% what we said in the following financial year, which is a FY25, our aim is to get back to our historical EBIT margin, which used to be 15-16%. We did not guide for 15% this year. We simply guided that we intend to become profitable in this financial year. And we are very well on track to be profitable this financial year.

Rishikesh Oza

Okay. And just one last question. What kind of order inflows do we see for this FY24?

Management Team

Look, I think there's such a large order book, we've launched 3 MW now, we are discussing with so many customers, frankly speaking, our order book is more than sufficient to take care of the next two financial years, you don't get order for the next 5, 6, 7 years, those may be LOI, MOUs. And I think we can take there's no limitation to the number of orders, we're facing out orders. So, I don't think that's a cause of worry at all. Frankly, we can take as many orders as we want at this point in time. It's that the market is just overflowing.

Rishikesh Oza

Got it. Okay. Thank you for answering.

Moderator

Thank you. Next question comes from an Anand Trivedi Nepean Capital. Please go ahead.

Anand Trivedi

Hi, thanks for the opportunity. I have a question regarding the Hybrid Power Projects, just want to understand, in the Hybrid Power Projects that the wind and solar both have to be the same size. And if that's the case, how many available, interesting wind sites are available, which also have capability for solar.

Management Team

So typically, what happens in a Hybrid site, it's not specifically the same site. So, it doesn't need to be within the same location, what you're really doing in a hybrid project is you're using the grid of a certain area. So, your solar plant may be 100 km away, and your wind plant may be another 50 km away, which are connecting it at the same pool point. So, in that sense, it could be fairly diverse. For example, in Gujarat sites and Rajasthan certain places in Gujarat, we've got a wind farm, which is 20 kilometers from the grid, and solar sites about 150 kilometers or 75 kilometers from that spot. We are just using the same common infrastructure, but the same locations necessarily.

Anand Trivedi

Okay, got it. Thanks so much.

Management Team

Thank you.

Moderator

Thank you. Next question comes from Amish Kanani from JM financial PMS, please go ahead.

Amish Kanani

Congrats sir, for the good set of numbers. I understand. we are booked for 15-18 months and based on the historic experience very long order and this also gives us some risks in terms of hedging and all. So that I understand, but if you can give us some sense of you know, what is the sweet spot as of now in terms of inquiry, how big is this inquiry and you know, whether we will be kind of taking a market share there some sense there in terms of where the **[inaudible 00:35:24]** with this C&I order book, we have SECI and Adani, which looks like a large customer in terms of order. So, how are we at the margin versus C&I versus large these companies?

Management Team

Look, frankly speaking a not about C&I versus SECI versus NTPC. Frankly, as a company, we're driven by certain pricing and certain profit goals. Now whether you use it for captive, whether you use it for C&I, or SECI frankly indifferent to that number one, having said that, I think we've been focusing more on PSUs because we believe they are far more stable as the transition was coming to an end in the sector, we want it to be absolutely secure, rather than betting too much on IPPs, and so on, and so forth. That does not mean we don't need them. I think we've taken a very, very large chunk of orders from NTPC, which probably the strongest player in the Indian market compared to any other private sector corporate.

And as you're moving forward, we are now diversifying from more and more private sector to more and more PSUs, I mean, Kailash did say, but what I understand they're almost a GW and a half of PSU visibility in the next 6-9 months, which we are, which will potentially will participate in, we're talking to more than 2 GW of IPPs at this point in time, the retail orders are something which keeps coming in on a quarterly basis. But having said that, we have such a large order, like I said, there is no doubt for us to take orders, we are ramping up, we will pace it out.

The next 10 years are very, very strong for the sector, potentially more than 10 years. So, it's not a one-year story or a two-year story. This is a 10-year story. And so, I think Kailash anything else?

Kailash Tarachandani

No, I think the market is booming. And all of us know the auctions after auctions are coming. There are a lot of discussions happening with as I said, and the mindset that under 1 Giga watt tenders I see from PSU alone, over the next three to six months or nine months, you know, that kind of timeline. And we will keep participating as in the last couple of years, we have built up the common infrastructure, we have those kinds of capacities available along with relationships with major customers. Apart from that, the C&I market is very, very active right now. And people are trying to take advantage of interstate charges in 2025. The inquiries are huge, but we're just pacing the order based on how I see the profitability how I see, you know, in terms of execution is otherwise, in my view, we don't have any challenge in terms of what I, you know, from the execution point of view. So, we'll continue to build up order book and we will keep getting new one after another.

Amish Kanani

The second part of the question, what will we say our current gross debt and net cash on the book on a debt situation? And in that context, how are we kind of funding our working capital, you did say that, you know, we don't need it funded will be required. So, if you can give us some sense of how is the customer advances versus situation on a working capital?

Management Team

31st march 23, the net debt was broadly about 1250 crores. I think we're fairly comfortable. I think we have around over the next 12 months, we want to be net debt free, we have strong inflows from operations as we ramp up over Q2, Q3, Q4 and there could be some other avenues where we may use capital to get to a net debt free position. So that's number one. Having said that, naturally, when we are at ramp up mode after five years, we've readied our supply chain, as we've said, we've had to give advances for various things, because actually, for many of our suppliers after 5 years, they're carrying inventory and they know that it's picked up everything is not defaulted or anything, but for them to carry large inventory after this finding.

Some of them requested for support over the financial year, and gradually they tapered off. So, I think to that extent, we used some part of inflows and advances and borrowings to give advances to our suppliers and vendors. And I think, but as we keep moving forward, I think we should have fairly significant cash flows, number one. Number two, I reiterate I think as a group, we have very strong banking relationships. As INOX Wind, we have very strong credibility with bankers, we're probably the only OEM which is not defaulted on a single rupee, or taking any haircut from any banker in the Indian ecosystem. Having said that, we only need primarily non-fund-based limits NCG moving forward, and I think they have a very, very clear visibility and goal in terms of how we're getting to that

Amish Kanani

Sir one last question, do we have a share count of the number of outstanding share posts the merger that'll help us to understand or take it offline from Anshuman?

Management Team

So, you can do either offline from Anshuman or the post-merger the number of shares will remain broadly in the same range as of now, which held by the INOX Wind limited.

Management Team

You can get offline from my colleague.

Amish Kanani

I will get it. thanks a lot sir.

Moderator

Thank you. Next question comes from Kaushik Mohan from Ashika Institutional Equities. Please go ahead.

Kaushik Mohan

Hi sir, I hope I'm audible. Congratulations for a good set of numbers. And I'm happy to see this kind of turnaround. Sir most of my questions have been answered. And I have a simple question on the full year business on FY24. What kind of EBITDA margins are we targeting on this year? I understand that we are looking for a positive number. But what could be our EBITDA margins?

Management Team

Thank you for your feedback. I have been very excited as well about the turnaround and huge growth opportunity and the path of profitability which we are on. I think, broadly speaking, I think we should be at about 8-10% in this financial year, simply due to the fact that we're using a significant chunk of our 2MW platform, and a chunk of our 3MW as we ramp up over Q3 onwards. What we've said publicly in the next financial year, we expect to get back to our historical profitability levels, because there'll be more and more 3MW. So, I think that's broadly what we've set out for ourselves.

Kaushik Mohan

I just want another question to be answered. This one the Can I get turbine price per unit, what you're selling to your clients.

Management Team

Sorry, can you repeat?

Kaushik Mohan

Price per unit?

Management Team

No, I don't think we can share those numbers. But broadly, the 2 MW turbines go between 6-7 crores per MW and the 3 MW goes between 7-8 crores.

Kaushik Mohan

Okay got it sir and the last and final question, just on the-- you told this is a structural story, which is coming for, I'm getting excited for next 10 years, what makes you to tell this big statement or any light on this?

Management Team

There's no rocket science. You know, renewables is the cheapest form of energy globally. So, it's not about five years or 10 years or 50 years. You're right. I can't crystal ball gaze, what will happen for the next 30 years. But for the next 10 years, we have a very, very clear trajectory from the government. Having said that, don't forget fundamentally what is driving is the fact that renewables is now the cheapest source of power. There is no subsidy element, there is no support element, or if there is anything, that's a thing to all power, fuel sources, and so on and so forth. Globally, everyone's investing in renewables for future fuel for climate change for future generations. But from an India perspective, is a cheaper source of power, the future generation, green climate, is all lovely. And that adds to the cherry on the cake. But fundamentally, the cake is the cheapest cake. So that's what's driving the whole story. It's your cost economics.

Amish Kanani

Got it. The last and final question on cash conversion. How long will it be taking and what can be your cash conversion cycles in the coming years? How normally take to convert your cash or pocketing cash flows to be positive?

Management Team

Let's get to a full year of stable operation which is the financial year we've began, but I will tend to think it should be 90-100 working days in terms of full cash conversion cycle and as I say this, I would err on the side of caution as opposed to any aggressive goals.

Amish Kanani

Thanks for this.

Moderator

Thank you. Next question comes from Vikram Sharma from Niwas Ville, please go ahead

Niwas Ville

Hi sir, thanks for the opportunity. Sir, I wanted to understand like what is total fixed cost for the INOX Wind Limited and what kind of contribution we generate per MW. So, I want you to understand like, this year we planning 500 MW, if we go from 500 MW to one GW, then what kind of operating leverage we can get?

Management Team

Broadly, the INOX wind consol level around 130 crores, what we believe is above EBITDA. So, in that sense over breakeven is negative. As far as our manufacturing business is concerned, we cannot give any numbers in specific but we have the lowest, leanest structure in the sector. And already our breakeven levels are much, much lower than the competitors in the market.

Management Team

Just to add to it, broadly speaking, given all our fixed costs, we are break even at zero execution. Of course, the caveat to that is being debt free. Having said that, because we have interest costs, but as you mentioned, over the course of the financial year, we tend to be net debt free once we get there.

Niwas Ville

I also would like to know about our raw material procurement process, including the source of procurement, like what is our dependence on import? And what is the preferred domestically?

Management Team

I think we have a very, very globalized supply chain, I think we have from an operational perspective, we can choose virtually everything in India, keeping in mind cost economics, supply chain, ramp up cost, et cetera, I think about 30 to 35% of our products procurement is about 60 to 65% domesticated. But as I mentioned, we will potentially domesticate products up to 85%.

Niwas Ville

Okay. And sir what is our current finance costs, like if our current debt is approximately 1200 crores. But if I compare with finance costs, which is approximately 70 crores? So, I wanted to understand why finance cost is very high. If I compare to total debt.

Management Team

If you see our financial presentation, we talk about the fact that the Nani Virani numbers are beyond that, we generate far more EBITDA versus of what the interest is. We have one-time charges of about 11 crores. So, we are at about 50 crores. And that's also because various banks have absurd charges at this point in time, which is continuously being paid now. And hence, I think it has come down from virtually 100 crores to 50 crores in two quarters. I think that, I mean to be fair I think the team has done a phenomenal job. And I think over the next three quarters, they should considerably keep coming down then it becomes “0”.

Niwas Ville

Sir last like, is it possible for you to break down and explain how we will achieve net 0 in the next 12 to 15 months? Like what is our current plan?

Management Team

I don't think we can share that. As I mentioned, we have three strategies. One is asset monetization. Second is a strong operational cash flow. And thirdly, we have various strategic options always available at our end. So, between these three, we should be net debt free.

Niwas Ville

Okay sir, thank you all the best.

Moderator

Thank you, I request the participants to stick with two questions in the initial round and join that the queue for more question. Next question comes from Amol Kotak from Techpro Ventures LLP. Please go ahead.

Amol Kotak

Good afternoon. My question has been answered. Thank you.

Management Team

Thanks.

Moderator

Thank you, sir. Ladies and gentleman, if you have any question, please press * and 1 on your telephone keypad. Next question comes from Mandar Sherbet from S Logic Investments, please go ahead.

Mandar Sherbet

Hello, Frankly I don't have a question. Just wanted to say that as a shareholder, I'm very happy to see the progress finally, after a pain period of so many years. So last 7 or 8 years since IPO most of that period was spent in the negative territory is like loss making. Now, I hope to see that next seven to eight years will be highly profitable. Going ahead. Just wanted to say I'm very happy to see this progress. Finally. Thank you.

Management Team

Thank you, Mandar, we appreciate your feedback, your comments and your support. God willing, I think the next 10 years should be phenomenal for us.

Moderator

Thank you, sir. So, the next question comes from Pradyumna Chowdhry from JM financial, please go ahead.

Pradyumna Chowdhry

Hi, congrats on turning EBITDA positive. So, my first question is regarding the SECI options. So. what is the amount of write-off, which we had recorded in the current quarter? And what could be the potential future write-offs? remaining balance post, like all over? How long? are we anticipating these provisions to be made? That's the first question.

Management Team

Actually, we've had zero provisions in this quarter, we've had no write-off. Second, going forward. We don't see any write offs. Of course, we saw write-off provision in the past. I think we've provided for virtually everything over the past four to five years.

Pradyumna Chowdhry

Okay, this is regarding the SECI to where we hadn't given up around 200 MW. So, there's no need for any provisions write off right?

Management Team

We have not provided anything in the books.

Pradyumna Choudhary

All right, secondly post the capital infusion? What kind of interest per quarter? Are we expecting? Maybe on the upper limit side?

Management Team

Look, I don't think we're going to guide for that I think we've put out very, very clearly, we don't want to straightjacket ourselves into one crore, two crores we are very, very clear what the larger objective is, what the volume objective is for the company. Our interest costs, as I mentioned, and I retreated come down from virtually 100 crores a quarter to 50 crores now, and they will keep declining QoQ. We've also mentioned that over the next 12 months, we intend to be net debt free, and I think that's large enough for shareholders and analysts to get a sense of where we're headed.

Moderator

Thank you, sir. Next question comes from Dhimant Shah from ITI mutual funds, please go ahead.

Dhimant Shah

Thanks for the opportunity, two or three questions, if you can-- the structurally we are more even our competitor, I believe offering in the 3.3 MW machines. So, can you enumerate you know, recently got to hear that, in China, we have already moved to 16 MW. Now, is there a possibility of some redundancy going forward or you feel the market will take reasonably long period of time before there is move towards the higher MW machines, number one? Number two, in terms of O&M? How will that line of income move for us? Or is it that post the two-year warranty period? It is our sister company which will take care of the ONM so or how is the ONM you know, kind of divided between us and our sister company if you can just give us to understand that.

And lastly, you mentioned that the incremental capex required would be very low. And also, the replacement of some of the older machines also throws up a reasonably strong opportunity. How is the competitive intensity overall? If you can help us understand that?

Management Team

We're going to try and answer some of your questions. Can I speak something first and foremost, with respect to 16 MW turbines, a higher multi megawatt turbine from an Indian context I think for the next several years, 3 MW platforms plus minus are going to be the mainstay. Simply because we have low wind sites, the cost of energy is what is most relevant. So, for example, we're not sure 3.3 MW with 146 rotor diameters. It could be 150, you could do 160, but logistically, you cannot transport them.

So, for the cost of energy to decline, if I was to move to say, a 5 MW platform, I need a larger diameter which would be more than 160 and that's not possible. I mean, you could have two or three sites or just shut up a shed locally for two three sites for 1, 2 GW, but that's about it. So fundamentally, I believe for the next several years, the 3 MW or platform will be the mainstay for the Indian market.

Dhimant Shah

And there is segmented direction, is there a chance of the efficiency of these machines to move up by view also kind of increase the nacelle height.

Management Team

So first and so with respect to the blades, that's point number one. Now, 10 years down the line or several years down the line, you may have segmented blades, which means blades in parts which can be joined together at the site, there have been developments towards short commercially proven or commercially deployed globally. Once that happens, then potentially a big revolution would be larger blades being joined on sites and parts. But once that happens, then you can use smaller MW technology still don't need to go higher, because we put a 200 m blade on a 2 MW or 3 MW platform. With respect to going higher, that's a fairly normal job that depends on the air density. So, you could go to 100, 120, 160, 200 meters. At the end of the day, it's a question of what the air density is, what the incremental generation is, this is the cost of going higher in terms of making the tubular power.

I think, broadly speaking, 120 meter is a range we believe is primarily optimal for the Indian market. But yes, you have certain areas where you could even go 160. So, that's point number one, point number two in terms of our relationship with the sister company, and so on and so forth. It's pretty straightforward. Whenever INOX Wind says a timeline, there's a back-to-back agreement for one which is signed by INOX Wind with the customer. And during the two years of three O&M, which is taking care of the warranties taken care of by INOX Wind actually, the two years of free O&M services is taken care of by INOX Wind, and thereafter it has the right to make revenue for the next 8 to 25 years, depending on what the ONM contract period is. And that's how, how this relationship will keep functioning.

With respect to your third question. Now, I didn't talk much about repowering. We formally it's an opportunity, but I don't believe much in that. We've been various competitors, maybe talking about that. But globally, the power market is 150 MW, out of 110 GW global market, we would rather spend our energies, building 500 MW sites 1000 MW sites, as opposed to uprooting 20 turbines of 200 KW and putting them on our two turbines. Sure, if people want to do it, we happy to supply turbine. But that's not our focus point number one, with respect to the competitive intensity. Look how I would answer it, the market is getting larger and larger. So, let's face for competitors. Having said that, there has been such tremendous consolidation in the past five years, we've seen almost 30 Odd players go bust of the five or key players, they used to operate in 15,16, 17 to have gone bust.

Of course, we have one or two domestic players have come back and some of us with restructuring, some of us remotely infusion, and so on and so forth. And I think keeping that in mind, I think everyone is focused on profitability. But I think what probably differentiates us is we have the highest promoter holding, we have very strong group backing, we have very strong banking relationships. And I think we have the leanest cost structure in the sector. And I think that bodes very, very well for us. As we move forward. We are running a marathon for the next 10-years, we're not doing a sprint. So, it's not about jumping one quarter or suddenly maximizing 31st March. The next 10-years, as I mentioned, possibly way beyond 10-years are golden period for the sector. And I think we are primarily positioned to be leaders, profitability wise, in this sector as we keep moving forward.

Dhimant Shah

Just as an associated question, so the annual size of opportunity would be upwards of 10 GW, and your opinion?

Management Team

Yes. FY 26 onwards.

Dhimant Shah

And you think incremental market share for us will improve much more meaningful?

Management Team

As I mentioned, there'll be other leanest as I mentioned, I historically, we've never been driven by market share. Yes, we've been 15 to 20% of the market. But we've always been focused on profitability, even in FY15, 16, 17. While we will see the top three, but we were the most profitable, so I don't think I want to be number one and make losses or number two and barely make money. I think what is most important for us is to be very, very profitable.

Dhimant Shah

Great. Many thanks for answering thank you so much. I'll come back in the queue.

Moderator

Thank you. That would be the last question for the day. Now. I hand over the floor to the management for closing comments.

Management Team

Thank you everybody. Thank you for your interest in the company. I would just like to thank you all for your interest in the company. It was encouraging to hear many people's comments. We appreciate everybody's feedback. I think I would also like to congratulate the management again, I think they've done a phenomenal job of weathering through the storm of the five years. We are very, very excited very, very bullish about the opportunities. We are preparing ourselves for the next 10 years of running this marathon. And I think we've got all the building blocks, we've got the capital we have got the banking facilities, we've got the balance sheet, we've got the technology, we've got the right mix of orders now. So, I think we're very, very excited about the opportunities ahead of us, both active in level and our ONM company.

And I think we should keep seeing upward movements in terms of profitability in terms of revenues QoQ as we keep moving forward. Thank you and look forward to chatting with you guys in the next quarter.

Management Team

Thanks, everyone.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha Conference Call Service. You may disconnect your lines now. Thank you and have a good day.

Note: 1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.