"Inox Wind Limited Q3 FY2018 Earnings Conference Call"

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Moderator: Good day ladies and gentlemen and welcome to Q3 FY 2018 Earnings conference of Inox Wind Limited, 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 would hand the conference over Mr. Bhavin Vithlani from Axis Capital. Thank you and over to you Sir!

Bhavin Vithlani: Thank you Margaret. Good evening everyone and we welcome you to the Q3 of fiscal year 2018 earnings conference call for Inox Wind Limited. From the management we have with us today Mr. Devansh Jain, Executive Director of Inox Wind Limited and Mr. Atul Soni, Head of Investor Relations at Inox Wind Limited. We would request you to go through the presentation, which the management will refer, on the opening remarks. Now without much ado, I would like to hand over the call to Mr. Atul Soni for his opening remarks. Over to you Atul!

Atul Soni: Thank you Bhavin. A very warm welcome to all the participants on this earning call. The Board of Directors of Inox Wind Limited have approved the Q3 FY2018 results in their meeting, which has recently concluded. I trust you would have had an opportunity to go through the results.

The quarter saw the Honourable Power Minister announcing an auction roadmap of 10-gigawatt of auctions in FY2019 and FY2020 each for achieving the government's target of 60-gigawatt wind power installation by the year 2022. This should provide strong visibility on order inflow front for the Indian wind power sector.

In our view, the clarity on the quantum of auction pipeline, issuance of regulatory guidelines 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. In the short-term, we expect strong order inflow for the industry to continue in Q4 on the back of the upcoming SECI and Maharashtra state auctions, which, if they happen as scheduled, should take the FY2018 total wind auctions to well over 6-gigawatt.

Also with the starting of ratification of signed PPAs in Karnataka, we have begun full execution of our Karnataka orders, which bodes well for us on the receivables front. During the quarter we won 250 megawatt in the SECI-2 auction and another 50-megawatt order from a leading IPP taking our total auction based order book to 600 megawatts comprising of 300 megawatts from SECI-1 and 300 megawatts from SECI-2 auctions. During the quarter, we have tied up major capacities for our SECI-2 win with two leading IPPs of our country.

In terms of financial results we ended Q3 FY2018 with revenues of Rs91 Crores as compared to Rs1161 Crores in Q3 of FY2017. We had an EBITDA loss of Rs18 Crores in Q3 FY2018 as compared to an EBITDA profit of Rs184 Crores in the preceding year's quarter. We had a PAT loss of Rs46 Crores as compared to Rs108 Crores profit in the same quarter last year. We view the quarter's results as a reflection of a temporary downturn being witnessed in the sector and we expect start of an upward trajectory for the sector from Q4 onwards.

Coming to the operational highlights of the company for the quarter, we achieved commissioning of 4 megawatt in the quarter taking the 9M FY2018 commissioning to 90 megawatts. At the end of Q3 FY2018, in terms of working capital, inventory stood at Rs941 Crores, receivables at Rs1360 Crores, payables at Rs452 Crores and others at about Rs140 Crores. This translates into a networking capital of Rs1710 Crores.

We have reduced our receivables by Rs298 Crores during the quarter and by Rs1022 Crores in the year-to-date of FY2018. We expect inventory levels to come down as execution picks up pace in the following quarters. We also expect the working capital levels to ease going forward in the auctioning regime as it ensures better-coordinated production and inventory planning with PPA signed upfront leading to a secured financial closure at the IPP's end.

On the net debt to equity front, we ended the quarter at an improved debt equity ratio of 0.44x versus 0.49x in the preceding quarter. In terms of project size we continue to be amongst the largest project site holder's in Gujarat, Rajasthan and Madhya Pradesh. We have sufficient project site inventory as of December 2017 for installation of an aggregate capacity of more than 5000 megawatt.

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 demands in the auction regime.

That ladies and gentlemen is a broad overview of our operational and financial performance and how we see the sector going forward. I have with me our Executive Director, Mr. Devansh Jain and we can take your questions now.

Devansh Jain: Just to add to what Atul spoke about few minutes back, I think this has been a transformatory quarter for the wind sector from the perspective of three major developments. One, I think the Honorable Power Minister has announced a very clear and stronger than expected roadmap for the sector of wind power auctions of 10 gigawatt each for 2019 and 2020. If you look at where we are today, we have had 3 gigawatts already bid out in this financial year in SECI & state auctions, we submitted our SECI-3 bid for 2 gigawatts today which we expect to be auctioned within February. From what we understand, SECI-4 of 2GW capacity size is lined up and should be announced shortly and we should see the auctions being conducted in March. In addition, Maharashtra state auction of 500MW should be conducted in March as well. This should take the total auctioning to 7GW-8GW for FY18.

Now if you put all this together you will have 7-8 gigawatts of auctions being conducted within this financial year, which honestly has been a very transformatory year because we shifted from a feed in tariff regime to an auctioning regime. This just goes to show that in the coming years it is sustainable to have 8 to 10 gigawatt of auctions on a yearly basis.

Number two, we have a fairly strong visibility at our end in terms of revenues going forward. Not only have we tied up for SECI-1 in the last quarter, we have also majorly tied up for our SECI-2 auction win in the quarter gone by. So I think we are on a fairly strong wicket with respect to revenue visibility going forward.

Number three, The PPA ratification issue in Karnataka has finally been resolved, so lot of our receivables which have been held due to the fact that the PPAs were not being ratified by Karnataka will now get cleared because we are in full-on execution mode in Karnataka at this point in time. So I think it has been a fairly good quarter for us in terms of bringing the business back to shape. Of course, this is not reflected in the financials and revenues at this point in time, but going forward I think in the coming quarters we would expect to see fairly strong revenue growth as well as lightening up of the balance sheet in the coming quarters. We are happy to take your questions now.

Moderator: Thank you very much. We will now begin with 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. Couple of questions; firstly you just said that your work on the Karnataka orders has started, so does it mean that we have some orders which are not reflected in 600-megawatt order book?

Devansh Jain: Our Karnataka orders are not reflected in the order book because they are reflected in receivables. We have been discussing this over the past two or three quarters that while receivables have been continuously coming down, we had about 150-odd megawatt, which are stuck up due to the fact that we had the PPA signed, but they were not ratified. Now that these PPAs are being ratified in Karnataka we have started execution of these stuck orders. Thus it is not part of the order book because they are already reflected in our receivables and that is why our balance sheet will become lighter going forward.

Mohit Kumar: The collection and receivables will get much faster.

Devansh Jain: Absolutely.

Mohit Kumar: Sir what kind of execution one can expect in Q4, given the fact that our SECI-1 win of 250MW is supposed to be commissioned in FY19.Can we expect some revenue booking on those orders in Q4?

Devansh Jain: I would not be able to give exact details, but it is going to be insignificant since our complete focus in Q4 is going towards cleaning up the balance sheet and what I mean by that is finishing all the execution pending due to the stuck up PPAs which should lead to a reduction in receivables at a very fast pace, number one. Number two with respect to the SECI1 and SECI-2 wins we have started construction in full swing for the common infra, which includes the substation and the transmission line. We will be doing all the base works in the current quarter such that from April onwards the business is on a very routine cycle. Of course there will be some supplies during this quarter but not to a great extent. I think we would focus on cleaning up the balance sheet at this point in time and from Q1 of next financial year it will be back to solid revenue days with a very lean working capital scenario.

Mohit Kumar: Can we expect that entire debt on the books will get repaid by end of Q4 FY2018?

Devansh Jain: I do not think so but it will go down by a substantial extent.

Mohit Kumar: Couple of questions on the auction, I think today was the submission of the financial bid for SECI-3. Has SECI announced the date for conducting the reverse auction?

Devansh Jain: Today was the submission date for SECI-3 and I suppose all the IPPs have submitted their bids including Inox Wind. There is no date which has been announced by SECI for holding the reverse auction at this point in time but it is expected that this auction will be conducted in February itself.

Mohit Kumar: What is the status of auction from the other windy states like Karnataka, Andhra Pradesh and have you heard something from them?

Devansh Jain: So far we have seen 1000MW auctions conducted by Tamil Nadu and Gujarat. Maharashtra is conducting an auction of 500MW which has a deadline for submission of auction documents in February. Rajasthan has come out with an auction paper for 250 megawatts. As I mentioned earlier, Karnataka has started ratifying the old PPAs, so I think they are focused on finishing that currently and I suppose the other states like Madhya Pradesh, Andhra Pradesh etc will come out with their auction papers over the next couple of months or so.

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: Can you give some insight on state auction of Gujarat where no manufacturer got their bid approved, any insight on that?

Devansh Jain: Very hard to give a precise insight on that, but I understand a couple of people had stranded assets in Gujarat. I believe approximately 200-odd megawatt of turbines were stranded since they had missed their PPAs on March 31, 2017, so it was a do or die situation for many of the smaller players. I think a lot of these people had no other option but to win at any cost. otherwise they would be getting no revenue out of the stranded, erected turbines.

Ketan Gandhi: So it was basically a fire sale?

Devansh Jain: To a great extent it was a fire sale.

Ketan Gandhi: Sir, our inventory levels in the books is around Rs.900 Crores. Is this for SECI-1 execution or it is a regulatory inventory?

Devansh Jain: If you look at it historically, we carry about Rs400 to Rs500 crores of inventory at all points in time because that includes the entire land bank, the common infra, which we have build, which is in excess of 5000 megawatts. Thus what we are carrying above 400-odd crores in inventory is the turbines which will get converted to receivables and collections once we start supplying for our SECI orders.

Ketan Gandhi: It should be around 60 to 70-megawatt?

Devansh Jain: Yes, approximately around that is correct. This inventory would be utilized in the coming quarters in executing our SECI orders. As I mentioned from Q1 FY2019 we should be back to normal working levels with solid profitability hopefully and a very lean working capital scenario.

Ketan Gandhi: Margin will not be impacted because of this competition?

Devansh Jain: Rather than talking from a quantitative perspective, I would answer that from a qualitative perspective. Firstly, I think the important thing to keep in mind is that turbine efficiencies continue to improve. We are now moving the entire fleet to a 113m rotor diameter and 120m-hub height configuration. Secondly, sites have become better since until now we were not able to use the Kutch area because of the fact that there was no state grid connectivity. Now with the PGCIL central grid connectivity we can get higher PLFs which were earlier not possible. Thirdly, interest rates have come down in this country and fourthly the IRR expectations of IPPs have gone down. Gone are the days where IPPs were looking at 18% to 20% IRRs. People are looking at 12% to 14% IRRs today.

Do not also forget that earlier we were at 12% to 14% interest rate scenario, so people wanted 18% IRR returns. Today interest rate scenarios are at about 9% in the country. So when you put these things together, the return expectation comes down, so to some extent while you may have an EBITDA margin decrease on a percentage basis but the absolutely profitability should look better on back of much higher volumes under the auction regime. Also, our interest costs would come down because of an efficient working capital scenario in the auction regime.

Ketan Gandhi: I got your point. Last question on receivables, out of that how much we are doing in Karnataka from the 150-megawatt?

Devansh Jain: We are doing approx 100 megawatt in Karnataka which comprises of 82-megawatt under PPA and about 18-megawatt under third party sales. We are also implementing the remaining 50 megawatt which was held up in Gujarat.

Ketan Gandhi: So basically 150-megawatt amounts to roughly around Rs900cr to Rs1000 Crores of receivables?

Devansh Jain: Yes, that's correct and this is being liquidated now. From our receivables balance of Rs1360cr, the remaining receivables are routine receivables, which would keep coming as we are completing projects.

Ketan Gandhi: So nothing is abnormal on the receivables front.

Devansh Jain: Yes, With the Karnataka issues resolved it is all routine receivables.

Ketan Gandhi: Great. That is excellent Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Good afternoon Devansh. Can you help us in understanding that from the auctions conducted so far, what we gather is that there is still over 1000-megawatt yet to be ordered to various OEM suppliers. Is it correct?

Devansh Jain: Honestly I am not privy to the fact whether they have been closed or not. What I do know is that SECI-1 and SECI-2 orders have been more or less closed. I am not privy to the Tamil Nadu orders at this point in time.

Deepak Agarwal: So entire 2000-megawatt is ordered out to all the OEMs respectively?

Devansh Jain: For SECI-1 and SECI-2, that is to the best of my knowledge. Obviously I do not have access to everybody's official data, but to the best of my knowledge and market intelligence SECI-1 and 2 have been ordered out, of which 600-megawatts is with Inox Wind of course.

Deepak Agarwal: Because officially what we get is 600MW to you and approx 550MWis with Suzlon. But we are yet to get data from other OEM suppliers.

Devansh Jain: To be honest while we may have market intelligence and we have data of various OEMs to a great extent till the time financial closure is done, till the time advances are paid, till these guys get grid connectivity, in certain cases in SECI-1 and SECI-2, people do not have grid connectivity and they are still struggling with regulatory issues, which have not been resolved for them. As we mentioned for SECI-1, we closed the tie ups over the last quarter and for SECI2, we have tied up major capacities and we have financial closure in place for that. So honestly I think that is the best information that I can give you at this point in time.

Deepak Agarwal: How is your execution progressing as far as SECI-1 is concerned. Are we on for project completion by H1 of next year?

Devansh Jain: We have to commission SECI-1 by September 2018 and I think we are well on track to do that. As I mentioned earlier, we started full execution of the common infrastructure for our Kutch projects, which includes the transmission line and the substation. We have done a lot of the ordering for the substations components and the line is progressing well. Over the next one to two months we would start work on the castings front and subsequently erection of turbines. But as I mentioned over the current quarter, we are really focusing on finishing off all the pending turbines, which need to be executed across Karnataka which would lighten our balance sheet and recoup a lot of the receivables, which had been held up.

Deepak Agarwal: There were some tenders from the likes of NTPC of approx 250-megawatt and from Tehri hydro. Are these tenders already closed?

Devansh Jain: There have been two big tenders, one from GIPCL and one NTPC. Bids have been submitted for them, but they have not been closed as yet.

Deepak Agarwal: But so that means that they can definitely come in FY2019?

Devansh Jain: I would think so. The expectation is that they will be opened up over the next few months or so and will be for implementation in the next financial year.

Deepak Agarwal: Third question is what is your expectation of Inox's market share in state level tendering?

Devansh Jain: Honestly we are not driven by how much we can bag from central auctions or how much we can bag from the state auctions. I think the fact is that in SECI auctions, we have captured 30% market share till now but I would point out that we are not looking to get a similar market share across all future auctions. Our manufacturing capability right now is 1600 megawatts and as we see the market improving. The important thing to remember is that we are one of the lowest cost manufacturers of wind turbines globally and that is the reason that we are able to compete and succeed in the market with the highest market share in the central auctions conducted so far as well as very large tie ups with two of the largest IPPs in this country. Now having said that whether it is a Maharashtra bid or a Gujarat bid or a SECI bid we will participate where we think it makes sense for us. So for example, in the Gujarat bid while we participated, we did not qualify and we did not win, simply because it was a fire sale. We were well aware that about 200MW-250MW of assets were lying there since March which did not have a PPA and were stranded. Therefore I am not going to participate if I am not going to make the margin and profitability that I want to make. I do not have any inventory anywhere to clear for which I need to get into a fire sale situation. There is a very large pipeline and a very clear auction trajectory, which has been announced by the Honorable Minister now. We are seeing SECI-3 bids, which have been submitted today. SECI-4 and SECI-5 are expected to be announced any day, so honestly where is the concern? It is such a large market that everybody can have their fill of share and I am sure there will be more left for people to come and take.

Deepak Agarwal: I take your point definitely that we have a defined timeline given for auction. My last question is that do we have enough land available in Gujarat which can accommodate such large capacities which are coming up?

Devansh Jain: From the 2 gigawatt of SECI bids auctioned so far, I believe about 1000MW would come up in Gujarat and about 1000MW in Tamil Nadu. We believe that Gujarat has sufficient capability to do up to 6 to 7 gigawatts as of today on existing technology. Of course once you start utilizing the best sites the PLFs at the remaining sites would come to lower levels but the thing to keep in mind is that technology will keep improving and should compensate and push the PLFs to higher levels. So for example you will go from 120m hub heights to 130m hub heights and 140m hub heights. The blade size would increase to 120m and higher in the future. The technological improvement will compensate for this decrease in PLF number one. Number two, we also believe tariff will kind of bottom out and stabilize post SECI-3 because until now in the case of some OEMs, we believe who had a lot of inventory stranded there was a fire sale happening and I think some of the IPPs were merrily enjoying this. Going forward, when the fire sale stops because lot of the OEMs who had inventory and have sold those inventories, are going to be making turbines only if it makes money for them. I mean I may be the lowest cost producer of turbines in India and amongst one of the lowest cost producer globally, but the whole sector does not operate at the same cost structure and the sector has to operate at a certain price level such that everybody makes money because at the end of the day if some manufacture does not make money they will exit the market. We are already seeing that consolidation is happening since historically it was four players in India who controlled almost 85% of the market. The old and new entrants will have to bow out if they cannot compete at these costs.

Deepak Agarwal: Sure. I will take the point. Thanks a lot and I will join back in the queue. All the best.

Moderator: Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Thanks for the opportunity. I just want to know your thoughts on competition. We are reading news flow that Vestas is winning descent size orders in India. Do you believe that if market starts expanding the consolidation that we saw would go in opposite direction and we will have a five or six players competing in this market or do you believe that the market will concentrate in just two Indian players?

Devansh Jain: First and foremost, I do not think the market will concentrate only amongst the Indian players. As I mentioned earlier, historically when the market had been at about 3 to 4 gigawatts we had about 4 players controlling about 80% of the market. What happens under an auction regime is that inefficient players, which mean players who either do not have the most up-to-date technology or players whose cost structures or debt levels are very high, will not be able to compete. Now in a 10-gigawatt market even if you put five players or six players doing 1500 megawatt each there will still be space for more players. I cannot name even six players today who exist in the Indian market who can execute 1500MW per annum. Possibly, I can think of two foreign players and may be two Indian players, but beyond that I cannot think of more significant solid long-term players in the Indian market at this point in time, so I think there is more and enough space for five or six players to survive and thrive. Even if you look at it globally, barring China, you have really got 4 odd players who control a significant majority of the global market excluding China of course.

Shrinidhi Karlekar: Fair enough that answers my question. We talk about getting 30% market share in the SECI auctions but it is from our own wins. Would it be fair to calculate the market share this way?

Devansh Jain: Let me correct your facts. First and foremost, it is not that we have not won anything from other IPPs who bid and won themselves. If you notice in SECI-1, we won 50MW order from Adani winnings and in SECI-2, we again won Adani's 50-megawatts win. We have already tied up for SECI-1 and we are majorly done for SECI-2 as well. So at the end of the day, we have tie ups with some of the largest IPPs in the country and we would rather win and control our destiny in our hands. Globally there is enough of a practice where you have got OEMs bidding and winning themselves and thereafter tying up with IPPs. This is not something which we have invented for the first time in India.

Shrinidhi Karlekar: You feel that this is a comfortable model and it is logical that you develop on your own and then sell it to IPPs?

Devansh Jain: Yes, this is a comfortable model for us. In any case, if an IPP wins on his own and he comes to us with the order we end up developing everything for him. Under that case, we get the land, we build the substation, we build the transmission line, we do the erection, we supply turbines and we only do the O&M. So even in the present model we are doing the same.

Shrinidhi Karlekar: You did a great job on reducing receivables. You earlier commented in the call that you will reduce the receivables further from the current levels, but there would be still some receivable left. Would it be possible to throw some light on what would those receivables be and why does it take longer to receive that money?

Devansh Jain: For example, while we would not quantify, but let us say I had a Rs1000crores held up because of the 150-odd megawatt across Karnataka and other states, which I am now implementing. Now the fact is that until now they were not paying for this because the PPA was not being ratified. The payment terms may be 25% advance, 25% on supply, 25% on erection, 10% on commissioning, 15% on punch point and stabilization and so on and so forth. Thus on commissioning these turbines, you will have 15% to 20% still pending which would be pending for punch points, stabilization etc. This typically is collected over the next quarter or so.

Shrinidhi Karlekar: Basically all that would be operational receivables right?

Devansh Jain: Yes absolutely and if you look at it over the past two quarters we have collected approximately Rs300crores of receivables every quarter. Now thanks to Karnataka signing and ratifying PPAs we expect to collect our pending receivables as we commission those turbines.

Shrinidhi Karlekar: Earlier it was held up, now it is entirely operational that is the way one should look at it right even at the March end?

Devansh Jain: Right.

Shrinidhi Karlekar: That answers me. Thanks. All the best.

Moderator: Thank you. The next question is from the line of Puneet Garg from Axis Capital Limited. Please go ahead.

Puneet Garg: Devansh, my first question is given that now the PPA ratification issue in Karnataka is resolved and you are now working towards commissioning the turbine, so how should we look at the working capital situation by end of this year?

Devansh Jain: Puneet, we are not going to quantify numbers, but logically speaking, we would be looking at receivables going down substantially that is part one. In terms of receivables going down, it would throw up a lot of cash for us, which would either be used to pay off debt which would lead to lower net debt levels. You may have noticed that our net debt is coming down over the past three months. In fact in January as well the net debt figure has gone down and as we keep on progressing, the net debt will keep coming down.

Puneet Garg: Second on the overall industry wide, on the commissioning what you see in terms of commissioning in FY2018 and FY2019 of the wind turbine?

Devansh Jain: I would put a number of 1000-1500 megawatts for FY2018.

Atul Soni: So Puneet if you look at the government data around 570 megawatts has been commissioned for 9MFY2018.

Devansh Jain: With respect to FY2019, I would expect all the auctions conducted until March to be commissioned in the next financial year. This should include 2000MW from SECI-1 & SECI-2, possibly 2000MW from SECI-3 and 2000MW from SECI-4 and 1500MW from Tamil Nadu, Gujarat and Maharashtra state auctions. All this should add up to 7-8GW of commissioning in FY19.

Puneet Garg: Third question is that while we know that Inox is the lowest cost producer on the wind turbines, what are the additional steps that we are taking on the cost competitiveness front, given the reverse auction regime and to maintain margins?

Devansh Jain: I think there are three primary areas. One is value engineering and cost reduction in terms of the supply chain costs. Second is lowering the fixed costs of the company and the third, which is the biggest to my mind, is continuously moving up the technology curve or being abreast with technological developments in the market. With respect to number one, supply chain costs, I think we are always striving on the supply chain front by continuously looking at every possible rupee, which can be saved by way of better negotiations and larger volumes. I suppose the markets have realized that with so much pressure in terms of the pricing of wind power itself everyone needs to take a little reduction in their margin, so I think that is something, which we have been able to get from the entire supply chain which we work with. As for value engineering, we continuously keep striving to see what next we can do. For example, we have the 120m hub-height tower, which we initially launched as a hybrid with steel and concrete. Now we are converting it to a hybrid with steel and lattice. I think that is something, which reduces our cost going forward, which helps us to compete more efficiently under the auctions. The second key area is reducing fixed cost, so I think over the past nine months, which has been honestly a very terrible period for the entire sector while we have been lean, it had been an opportunity for us to also get rid of additional fat which we had in the system. So we have looked at every fixed cost in the company, opex costs, travel costs, doing more video conferencing for example. Looked at salary and wages and any fat in any other areas which we carry, we have kind of cut that down. Though not very substantial, but it would tantamount to at least Rs25 to Rs30crores of annual saving on the fixed cost front. As you may be well aware, Inox Wind's fixed costs are fairly low at about Rs150crores or so and within that we have cut down our fixed cost further which I think is fairly substantial. Number three is working towards upgrading technology, so I think we have always been there at the forefront when we launched the 113m rotor and the 120mhub height machines. We have now launched the booster technology on this, those turbines are under certification, which would increase energy yields by another 4% to 5% approximately. We are working on launching larger rotor diameters and a larger platform turbine in the near future. You would be hearing more on that from us over the coming quarters. We are getting out of a very bad period for the industry on a whole and I think honestly this quarter has been a very significant transitionary quarter for us. We are quite excited about the future now so let me give you some more good news over Q4 and Q1.

Puneet Garg: Thanks Devansh.

Moderator: Thank you. The next question is from the line of Bhavin Parekh, an Individual Investor. Please go ahead.

Bhavin Parekh: Can you compare our current technology with other OEMs in India?

Devansh Jain: I think with respect to the top three or four players virtually everyone has got the same rotor diameter plus minus 1 to 2 meters in length and in terms of hub heights, I suppose all the 3 or 4 players have virtually the same hub height. Some may be at 106m, some may be at 110m, maybe1 or 2 players have a 120m. Amongst the top 3 or 4 players there is not too much difference in terms of technology. I think you have to be at par with at least the top 3 or 4 players to be competitive. That is where we stand presently and I suppose with respect to us working towards newer technology and with respect to what we know about competition as well, I think almost everyone is working towards almost the same improvements in terms of hub height and rotor diameter.

Moderator: Thank you. We will move to next question, which is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: What would be the idealistic situation for Inox to operate at - 1000 megawatt or 600 megawatt?

Devansh Jain: The more the better. Why stop at 1000MW, 1600MW would be the best, but honestly I think if you look at it, 1000MW gives us a fairly large top-line. With 800MW to 1000MW, which is a fairly good number, the company would have a very sizeable top line of almost Rs5500 to Rs7000crores. I think that is a fairly good number and gives a fairly solid profitability as well.

Ketan Gandhi: Technically is it possible to achieve that. I am not telling you about the capability wise, technically I mean as per the terms of the contracts and all that?

Devansh Jain: I am sorry I did not understand what do you mean by terms of contract and technically?

Ketan Gandhi: SECI-1 is completed, And SECI-2 I think signing is pending?

Devansh Jain: Major capacities have been tied up for SECI-2, but again we are talking as of December 31st and I do not want to talk of where we stand in January, but I suppose as we keep on moving forward we will be updating our investors. Yes, we have about 600 megawatts of order book at this point in time and of course now with SECI-3 bid submission done and SECI-4 coming up we believe we should be able to win more and more and as we keep winning I suppose 800 to 1000 megawatt is a fairly good number to be able to do. Nothing prevents us from doing more, I think it is like saying if we have got 30% market share of SECI-1 and SECI-2 hopefully we can always keep doing that in future, but then again I will reiterate, we are not looking at doing 3 gigawatt of the market incase it is going to be a 10 gigawatt market.

Ketan Gandhi: Got it.

Devansh Jain: 1500 megawatt is a very large number. 1000 megawatts would be almost Rs5500 to Rs7000 crores of topline. I think what is important for Inox is profitability. At the end of the day we are not chasing topline without profit. I believe that has always been our focus and will always continue to remain our focus.

Ketan Gandhi: That is cleared my doubt. Thank you.

Moderator: Thank you. The next question is from the line of Annamalai B, an Individual Investor. Please go ahead.

Annamalai B: Devansh, my question is regarding the minimum public shareholding limit of 25%, so how Inox is going to achieve it?

Devansh Jain: I think the Board of Directors is cognizant of the fact that we need to comply with the listing requirements by April, which mandate the promoters to get to 75% from the present 86% shareholding level. Without elucidating too much, the management team is working with the promoters on several fronts and I think we are well on track to comply with the listing requirements.

Annamalai B: I think we listed on March 31st, 2015, so I think it would be over by 2018 March?

Devansh Jain: Well we listed on the April 9th, 2015 and we will comply with the requirement within the 3 year window.

Annamalai B: Thank you. That is my question.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Thanks. I just have one follow up. In this auction regime are we seeing any change in our long-term O&M agreements including the escalation that we generally build in of about 3%. I would assume that you also would be maintaining the same level of O&M agreements as in the FIT regime?

Devansh Jain: More or less, nothing significant, historically it has been at about 5% escalation, so plus minus 0.5%, 1% here and there, but honestly this has got no bearing on the O&M contracts.

Deepak Agarwal: So that continues, as it is, no change in that?

Devansh Jain: Yes.

Deepak Agarwal: Thanks Sir.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Puneet Garg for closing comments.

Puneet Garg: On behalf of Axis Capital, we would like to thank the management of Inox Wind for giving us this opportunity to host the call and also all the participants who joined in. Before we close I would like to hand over the call to Devansh for any closing comments.

Devansh Jain: Thank you Puneet. Thank you for your continued interest in Inox Wind. The past nine-months had been a fairly challenging period for the entire wind sector including Inox Wind. As we speak today, we are very relieved and very happy and looking forward to the future, which is very bright. As I mentioned and as Atul mentioned in the initial comments, I think a couple of big developments have happened over the past quarter.

Firstly, the Honorable Power Minister has given a very, very strong pipeline for future auctions, which is stronger than what was expected. I think that provides a lot of clarity for the entire wind sector with respect to the future and with respect to order inflows. In fact just today SECI-3 bids have been submitted and we are told that SECI-4 is to be uploaded at any point in time.

Secondly, while the past nine-months have been a period where the sector came to grinding halt, but we seem to be ending FY2018 on a very strong wicket with respect to revenue visibility into the next financial year and hopefully a much lighter and cleaner balance sheet into the next financial year and that has happened for a variety of reasons. The Karnataka PPA ratification issue has been resolved, which clears a huge chunk of our pending receivables for us and I think as we have mentioned that we are in full swing in terms of execution in Karnataka and hopefully over this quarter the receivables should go down further by a significant sum. Thirdly, over this quarter we have managed to tie up our SECI-1 win. We have also majorly tied up for our SECI-2 auction win and I think that gives us very strong visibility in terms of revenues as we head into Q1 of the next financial year. I think these are the two or three developments, which have happened at our end and I think finally it is good days for the sector again and we are really looking forward to a very strong FY2019. Thank you for your interest and we look forward to talking to you post Q4.

Moderator: Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.