

Inox Wind Limited

Q4 & FY15 Earnings Conference Call

May 15, 2015

Moderator: Good Evening, Ladies and Gentlemen. I am Aman, moderator for this conference. Welcome to the Fourth Quarter and Full Year FY15 Results Conference Call of Inox Wind Limited organized by Axis Capital Limited. At this moment, all participants are in listen-only mode. Later, we will conduct Q&A session. Please note this conference is recorded. I would now like to hand the floor to Mr. Bhavin Vitlani from Axis Capital. Over to you sir. Thank you.

Bhavin Vitlani: Thank you, Aman. Good Evening, everyone and a very warm welcome to the Maiden Earnings Conference Call for Inox Wind Limited. From the management, we have Mr. Deepak Asher, Director and Group Head (Corporate Finance) of the Inox Group of Companies, and Mr. Devansh Jain, Executive Director, Inox Wind Limited. What we would do is we would request the management to take us through the presentation and then we can open the floor for question-and-answer session. Over to you Mr. Asher.

Deepak Asher: Thank you very much, Bhavin, thank you Aman, and good afternoon everyone. On behalf of the Board of Directors and the Management of the Company we extend a very warm welcome to all of you to this Maiden Conference Call of Inox Wind Limited for the Audited Financial Results for the 4th Quarter and the Full Financial Year 2014-15. We are at the cusp of an exciting start to a new chapter for our company. As many of you may be aware, we successfully culminated our initial public offering in the Indian capital markets in April 2015. An IPO, as many of you may recall, that was the largest in the last 27 months, received an absolutely overwhelming response from all categories of investors, and as many have said, ushered in the revival of the primary markets in India. We take this opportunity to once again sincerely thank all of you for the tremendous response and the high subscription that we received in this IPO and also the sustained buying interest that the Company has witnessed since it got listed.

Before we dwell upon our Financial Performance for the quarter and for the full financial year, I would like to give you a brief introduction about ourselves particularly for the benefit of those who are not familiar with us.

Inox Wind Limited is a part of the Inox Group of Companies which has diversified business interests and significant leadership positions across different segments, including Industrial Gases, Engineering Plastics, Refrigerants, Chemicals, Cryogenic Engineering, Renewal Energy and Entertainment. Inox Wind is a significant manufacturer of Wind Turbine Generators and, with its 100% subsidiary Inox

Wind Infrastructure Limited, provides to its customers turnkey solutions for setting up Wind Farm Projects across India. Our company has rapidly scaled up in the last 4 years, and with annual WTG sales increasing more than 4 fold from 120 MWs in FY12 to 578 MWs in FY15, our consolidated revenues, EBITDA and PAT stand at Rs.27 billion, Rs.4.5 billion and Rs.2.9 billion in FY15, clocking a CAGR growth rate of 148%, 150% and 161% respectively over the last 5 years. Our key strengths include:

- (a) our ability to provide end-to-end turnkey solutions in Wind Farm Projects including Wind Resource Assessments, Site Acquisitions, Infrastructure Development, Erection and Commissioning and long-term operation and maintenance for Wind Farm Projects for our customers
- (b) access to sophisticated technology and design for high quality wind turbines - we have, as you might know, a perpetual license from AMSC, Austria for the 2 MW Turbines resulting in high performance efficiency of WTGs and R&D cost savings
- (c) Our in-house manufacturing capabilities - all the key components in the WTGs that we make, which is the Nacelles, the Hub, Rotor Blade Sets and the Towers, are manufactured in-house which ensures strict control over quality as well as cost
- (d) We have a ready pipeline of project sites in excess of 4400 MWs spread across major States including Rajasthan, Gujarat, Madhya Pradesh and Andhra Pradesh
- (e) We have a strong order book of about 1178 MWs as of 31st March with a diversified and reputed clientele - almost all major IPPs in the country are our customers, and we have very high repeat order rates.
- (f) We have an extremely efficient cost structure leading to EBITDA margins in excess of 16% which are believed to be amongst the highest in this sector anywhere in the world
- (g) And we have a strong balance sheet with an extremely modest leverage ratio.

With these strengths, we hope to sustain a robust growth rate and further improve our return ratios going forward.

With these brief words of introduction I would now like to take you through the financial highlights of our performance and then request Devansh to take you through some of the key business parameters.

In terms of Financials, looking firstly at the quarterly numbers, and Q4 FY15 we are comparing with Q4 FY14 for Y-on-Y analysis, our quarterly revenues grew from Rs.6.8 billion to Rs.9.3 billion, which is a growth rate of about 35%. Our quarterly EBITDA grew from Rs.545 million to Rs.1.7 billion which is a growth rate of 212%, in fact, our EBITDA margins for the quarter improved from 7.9% to 18.3%. Our PAT grew from Rs.459 million to Rs.1.1 billion which is a growth rate of 156%. Our PAT margins in fact for the quarter improved from 6.7% to 12.7%. These are the quarterly numbers.

As far as annual numbers go, our revenues for FY14 were Rs.15.6 billion these have grown to Rs.27.1 billion which is a growth rate of 73%. Our EBITDA has grown from Rs.1.7 billion to Rs.4.6 billion, a growth rate of 160%. EBITDA margins for the year stood at 16.9% as compared to 11.3% last year. Our

PAT has grown from Rs.1.3 billion to Rs.2.9 billion, a growth of 124% and PAT margins have improved from 8.4% to 10.9%. These are the key financial numbers.

In terms of Quantitative Numbers, for the quarter we sold 198 MWs worth of Turbines, of which 130 were on turnkey basis and 68 were on equipment supply basis. We commissioned 94 Turbines. As compared to having sold 132 Turbines in the 4th quarter of last year, of which 114 were turnkey and 18 were pure equipment supply and the commissioning last year in Q4 was 130 MWs. For the full year in FY14, we sold 330 MWs Turbines whereas this year we did 578 MWs. We commissioned 150 MWs of Turbines last year FY14, this year we have commissioned 274 MWs. So those are the volume metric details.

In terms of Balance Sheet, our total shareholders' funds increased from Rs.4.2 billion to Rs.13.9 billion. Total fixed assets increased from Rs.1.9 billion to Rs.2.5 billion. Working capital has increased from Rs.2 billion to roughly about Rs.11 billion, but there is a slight aberration here because this includes cash balance because of the IPO which happened on 30th March. Net of the cash because of the IPO working capital stands at about Rs.4 billion. And in terms of number of days, the gross working capital, gross of bank borrowings stands at Rs.11.7 billion compared to Rs.6.2 billion last year. So that is a broad overview of the financials.

I now request Devansh to take you take you through the key business parameters.

Devansh Jain:

We will start with order book. Our order book as on 31st March 2015 is at 1178 MWs. The estimated execution period for this is the next 12 to 15-months. Over Q4 2015 we have added 124 MWs net of what was already commissioned. I would like to add that our current order book as on date which is as on 15th May is far higher than the order book which I just spoke about. Our present order book is in excess of 1400 MWs, but we would prefer to talk about this as on 31st March and June and so on as we move forward.

In terms of the kind of customers we are working with, we have got a very diversified and reputed customer base, we have had repeat orders from virtually every customer we worked with, we are amongst the largest suppliers or probably are the largest suppliers to Green Infra which is owned by Sembcorp IDFC, the largest suppliers to Continuum which is owned by Morgan Stanley, the largest suppliers to Tata Power Renewable Energy, one of the key suppliers to Renew Wind which is owned by Goldman Sachs, one of the key suppliers to Bhilwara Energy, Hero Future Energies, CESC besides a whole host of PSU tenders which we have bagged which are in our kitty and which are going to be executed over the course of the financial year from the likes of NHPC, GACL and RITES. We are working on a very large number of enquiries at this point in time and over the next 1 to 2 quarters we should see a fairly large build up in terms of additional orders which obviously will get subtracted to the extent that we continue executing some of the previous orders. As many of you would know, Q4 is generally a slow period in terms of getting new orders because the focus is on executing orders. Again, Q1 is typically slow in the beginning, because you are completing orders and releasing the last 5-10% against

punch points so on and so forth. And as we start to move towards Q2, the order build-up starts happening because you are negotiating contracts and IPPs come to the table to start signing deals.

In terms of our order book analysis of captive versus 3rd party, 96% of our order book is 3rd party sales less than 4% which is less than 50 MWs is for in-house companies such as Inox Renewables. So of the 1178 MWs of order book as on 31st March, less than 50 MWs is for group companies and the remaining 96% which is 1130-odd-MW is for 3rd parties.

Our focus on Inox Wind has until now been IPPs and utility companies. As many of you may know since the time we entered the market, Inox Wind which is about 3 or 4-years old, the accelerated depreciation benefits had kind of elapsed. So we built this company and our capabilities for demanding customers such as IPPs and utilities. Presently 97% of our order book comprises IPPs and utilities and less than 3% of our order book is towards accelerated depreciation customers. Now that is a huge opportunity going forward because AD customers are low lying fruit, easy to do business with, good payment terms so on and so forth. And one of the focus areas for us going forward would be to get a larger pie of the accelerated depreciation market. It will not be too big for us in this financial year because we are virtually sold out for this financial year.

In terms of state wise breakup we expect to do about 48% of this order book in Madhya Pradesh, close to 27% of this order book in Rajasthan and 20% of the order book in Gujarat. Obviously, as the year builds out, we would be seeing a little bit on Maharashtra and Andhra Pradesh also entering our state wise breakup. Our split up between turnkey and equipment supply is broadly 53% towards turnkey development and about 47% towards equipment supply. While the Indian market is virtually 85% turnkey and less than 15% is equipment supply, a fairly large proportion of what we do in Inox Wind is pure equipment supply, simply because that requires less focus on execution on the ground, you do not need to get the land, you do not need to deal with PPA issues, you do not need to deal with evacuation issues, that gives us sufficient time to focus on building substations for the following years as well as executing existing year projects to the best of our abilities and best quality.

I would now shift focus to the current pipeline of project sites. Our present inventory pipeline across project sites is about 4402 MWs. In terms of break-up, project sites, which are clearly in our control, are 2090 MWs, and about 2300 MWs of project sites which are in our control but in different stages of acquisition. We have also added Maharashtra to our project site inventory pipeline and broadly present split up is we have got a cumulative land bank of about 2500 MWs in Rajasthan, about 600 MWs in Gujarat, about 1000 MWs in Madhya Pradesh, about 300 MWs in Maharashtra and about 40 MWs in Andhra Pradesh. We also intend to enter Tamil Nadu this financial year. I am not sure if everybody would know but our Prototype Turbine was installed in Tamil Nadu because IPPs and utilities did not want us to be in Tamil Nadu we have not focused on Tamil Nadu, but with accelerated depreciation coming back there is some AD demand coming out of Tamil Nadu and hence we are re-entering Tamil Nadu over the course of this financial year.

In terms of in-house manufacturing capabilities we have got two existing plants and we are building one new plant. Our Himachal Pradesh plant had a capacity of 400 Nacelles and Hubs in the last financial year which was expanded to 550 Nacelles and Hubs in Q4 of the last financial year. Our Gujarat facility which is a complex where we made Blades and Towers had a Blade manufacturing capacity of 256 sets in the last financial year, which we have now enhanced to 400 sets per annum. Thee Tower capacity is 150 Towers which we intend to enhance to 300 Towers over the course of this financial year. The Madhya Pradesh facility which is the 3rd facility which we are building would like to share some updates on that – it is one of the largest integrated WTG facility on the globe. We are building a facility for Nacelles and Hubs, Blades as well as Towers. The proposed capacity there is for 400 Nacelles and Hubs, 400 Rotor Blade Sets and 300 Towers. Construction is in full swing at this facility. The Blade plant is in final stages of commissioning and we expect to commence production in that plant from June 2015. Of course, there will be a gradual ramp up from one mould to 6 moulds over the course of the financial year. Construction of the Tower plant commenced in May of this financial year and is on track for completion and commissioning in H2 of this financial year. Once these two plants are in full swing, we will start construction of the Nacelles plant which is not urgent at this point of time because the existing facility is large enough to take care of our requirements and demands for the current financial year.

The next slide is on Shareholding Structures and I will ask Mr. Asher to please take you through that.

Deepak Asher:

After the allotment pursuant to the IPO the promoters and the promoters group now owns about 85.6% stake in the company, this is broadly bifurcated into GFL the holding company owning about 63% and the Jain family owning about 22.5%. 3.5% is owned by FII, 3.5% by DII and the balance 7.2% by the public. Our market cap currently stands about Rs.99 billion at the 14th May price of Rs.449 per share. Key institutional investors include Reliance Capital, Sundaram Asset Management, IDFC Mutual Fund, Birla Sun Life Asset Management, Goldman Sachs, SBI Fund Management and Morgan Stanley.

In terms of historical overview of our financial performance, our revenues have grown from Rs.719 million to Rs.27 billion in the last 5 years, a CAGR of 148%. Our EBITDA has grown from Rs.117 million to Rs.4.5 billion, a CAGR of 150% over 5-years. Our EBITDA margin has consistently been maintained except for one aberration in FY14, at upwards of 16%. Our PAT has grown from Rs.64 million in FY11 to Rs.2.9 billion in FY15, a CAGR of 160%. Return ratios remain extremely attractive, we have a very modest leverage, in fact our debt-to-equity is less than 0.6, and our sales have grown from 120 MWs in FY12 to 578 MWs in FY15 and while 100% of sales in FY12 were to group companies 100% of sales of FY15 are to third parties. So that is a broad overview of our Financial and Operating Performance.

I would perhaps hand it over to Bhavin to start the Q&A session.

Moderator:

Thank you. Participants, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and '2.' Participants are requested to use only handsets

while asking a question. The first question is from the line of Balkrishna Shinde from B&K Securities. Please go ahead.

Balkrishna Shinde: Would like to know on the order book. As you said order book is around 1,400 MW, on that front, if you can bifurcate how much will be term sheet and letter of intent or everything in order book is orders in hand?

Devansh Jain: That would be roughly 70% of that would be binding contracts in place and about 30% of that would be term sheets which would get translated into contracts over Q1 and Q2. As I mentioned in Q4 the focus is on execution and Q1 is generally slow, building up towards Q2. So we will see a fairly robust ramp up in this order book as we move forward and the present term sheet should get converted into contracts over the next quarter or so.

Balkrishna Shinde: Regarding execution cycle, how much exactly is the execution cycle, in how much period it will get over these orders?

Devansh Jain: 12 to 15 months.

Balkrishna Shinde: As you said this year we will miss more on the accelerated depreciation side because of our total optimal utilization due to the current existing order book. What kind of framework we are working on to capture the accelerated depreciation market in FY17?

Devansh Jain: As you may know AD is much easier to work with, and the IPPs and utilities are the most demanding customers, they have the most stringent requirements and the payment terms are also the most stringent. AD customers are very easy to work with because they are not as informed as IPPs and utilities and do not have the capabilities which IPPs and utilities possess. To the extent that AD got introduced in September 2014 and we were sold out for the previous financial year as well as this financial year, there was limited Inox Wind could do to capture the AD market. The fact that we are building additional capacities to enhance production and to take more market share means that we will focus on AD going forward. Now what does that require? A strong brand, strong execution capabilities and more people on the ground to capture those one, two, three turbine guys. We are one of the strongest brands in this sector today with a preferred supply to all IPPs and utilities. Our execution capabilities are pan India and we are creating a fairly large team of foot soldiers as I may call them in terms of marketing people in various locations. That is about it, there is no rocket science in capturing the AD market.

Balkrishna Shinde: Will we be capturing the AD market in FY16 or it will be a phenomenon of FY17?

Devansh Jain: To the extent that we have some cushion in delivering projects in FY16 we may take in some AD customers and shift some of these projects into FY17, but nothing significant because we have virtually sold out for this financial year.

Balkrishna Shinde: Out of 1500 MW which is expected in acceleration depreciation, how much you expect to capture in FY16 & 17?

Devansh Jain: Very hard to answer that, I cannot talk of specific regions or audiences, I think Inox Wind has a certain volume in mind which we intend to hopefully do and we work towards that if that is AD or whether that is PSU or IPP, honestly, does not matter.

Moderator: Thank you. The next question is from the line of Abhijit Vora from Sundaram Mutual Fund. Please go ahead.

Abhijit: I have two questions: Firstly, you are trying to push these larger Blades. So, what portion of your current order book you expect to do in these larger Blades and consequently, how will your realization and margins look like next year? Secondly, your current facilities, is it sufficient to execute the order book of 1200 MW over next 12-15-months?

Devansh Jain: I will answer the second question first and then take the first question. Our existing capacity today are about 800 MWs per annum on the ground, Nacelles, Blade, certain Towers and certain Towers are outsourced. What are we doing? We are doubling capacities by adding 800 MWs of Nacelles and 800 MWs of Blades. As I have mentioned to you the Blade capacity goes live from next month onwards followed by the Tower facility followed by the Nacelles facility. So to the extent that we have an order book of about 1200 MWs as of 31st March, yes, we have existing capacity of 800 MW and if you assume an incremental 800 MW coming in and assume it being available for 6-months of the year, then our capacity for this year is at least 1200 MWs. While I am not going to give any volume guidance but I think we have enough capacity for what we intend to execute over this financial year and those 12 to 15 months guidance given to you is fairly accurate from that perspective.

The first question was with respect to how we are pushing the 100 mtrs Rotor how much we expect it to do in margins. So to the extent that the new capacities have been added in the Gujarat facility which has moved up from 250 sets to now 400 sets, and the MP plant starts from next month, all of that is towards the 100 Rotor, the bigger Blades. We expect to do 50% of business this year with the bigger Blades. I think we are broadly on track with respect to the margins we wanted to capture with the new product.

Abhijit: When I look at your balance sheet, Rs.420 crores of inventory on book seem to be quite high compared to the execution we do. Is it some orders were split over to first quarter of FY16?

Deepak Asher: Inventories have been at about Rs.420 crores, now this, based on the projected sales for the next year, would actually translate to around 1 month of inventory. So considering the manufacturing cycle and the stock that we need to keep in order to ensure continuity of production, we do not think this is abnormally high.

Moderator: Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Just one clarity on the order book: You said 1178 MW of order book and 274 is commissioning. So we have to add that or included in that?

Devansh Jain: No, 1178 is the present order book which is not commissioned, that was as of 31st March 2015, what I said was as on today our order book has exceeded 1400 MWs but I did say that I do not want to share order book status every time we get on a call, I would rather restrict it to 31st March, 30st June and 30st September.

Ketan Gandhi: That is right sir, but is it fair to assume 1178 plus 274 at the end of the 31st March?

Deepak Asher: As on 31st March it was only 1178, there has been a further build up since then, but as Devansh shared, we will as a policy confine ourselves to the order book status as of the end of the quarter.

Ketan Gandhi: Last quarter we have done EBITDA margin of around 18.3%. Any chance of further improving in that in this current year?

Deepak Asher: As volumes go up obviously you would expect economies of scale, operating leverage to kick in, and therefore margins to expand because of that. Secondly, we have also mentioned earlier as well that with the introduction of the new Rotor Blade of 100 Rotor diameter, that would lead to better efficiency of the Turbines which would also help us get a better price on the Turbine, by more than the additional cost that would be incurred to make that Turbine. Even though we might share a part of that value with the customer in order to reduce his cost of generation, but that would also help in improving margins.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: My first question is your standalone PAT is at around Rs.331 crores and your consolidated PAT is around Rs.296 crores. So can you explain the losses incurred by your subsidiaries and is it sustainable?

Deepak Asher: Frankly speaking, I would highly recommend that you look at the consolidated numbers because the bifurcation between IWL as a supply company and IWISL as a services company is purely for tax reasons. From investment or investor perspective it is one consolidated business and hence how the pie is split is really of no significance except for the fact that the total PAT is what it is. Broadly speaking, I can say that the PAT figure for IWISL for FY15 was a bit lower than what we were expecting essentially because the spillover of a large number of Turbines that will now be commissioned during this year and did not get commissioned by March 15. And secondly, do not forget that in IWISL which is a services company, there has been operation and maintenance revenue which will kick in as our Turbine population gets larger, and as the free O&M warranty period would get over for the Turbines, which is typically for the first 2 years, and therefore there will also be O&M revenue that will kick in which is a fairly high EBITDA margin business. So we obviously do not expect the loss in IWISL to continue because of the expansion in the volume of Turbines that we will commission there as well as the kicking in of O&M revenues.

Ankit Babel: This Rs.2700 crores of revenue which have reported is below your target means since you are saying that there was some spill over?

Deepak Asher: There was some spillover of Turbines that will be commissioned now in the first quarter. So to that extent, yes, we could obviously have done better.

Ankit Babel: Can you quantify that how much was the spill over?

Deepak Asher: We do not have that information in front of me.

Ankit Babel: This 580 MW of sales was done in this year which translates to an average realization of Rs.4.65 crores/MW. What kind of realizations per MW can we expect in FY16 based on your order book?

Deepak Asher: As a policy, we will not give you futuristic guidance in terms of specific numbers, all we can say is that we have maintained an extremely robust momentum of growth historically, and we expect as the market expands for us to be able to maintain a very significant rate of growth, because ultimately what is going to be the average price for next year unfortunately that is a quantified futuristic number which I cannot talk about right now, I am sorry.

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

Deepak Poddar: First of all I wanted to understand that now we do not have to pay royalty on our 93.3 and 100 metre output right?

Deepak Asher: Yes.

Deepak Poddar: So that advantage has been fully factored in at 18.3% EBITDA margin that we did in this quarter?

Deepak Asher: Yes, to the extent that there was no royalty payment in that quarter, the 18.3% EBITDA margin already reflects the situation of there being no royalty cost.

Deepak Poddar: So this should be the base as we go in to FY16 and upside that can bring in because of operating leverage, right?

Deepak Asher: That is correct, operating leverage, supply chain, cost efficiency is because of larger volumes and the improved margin because of the introduction of the larger Blades.

Deepak Poddar: On your outlook on your debt, we are also doing this Rs.200 crores expansion in Madhya Pradesh and we had about Rs.700 crores cash as well. So what is the plan with that – do we plan to repay the debt on account of cash or what's the plan?

Deepak Asher: Frankly speaking, looking at the internal projection that we have in terms of revenues next year as well as the EBITDA and the cash profits that we will generate next year, even after considering the incremental investment in working capital, we believe we will have a significant cash surplus, and hence we should be almost entirely able to nullify our debt. Now whether we actually repay the debt or whether we retain the debt and keep the cash is a function of treasury management that we will take a decision at the appropriate time.

Deepak Poddar: So basically on net debt level, we will become zero by FY16?

Deepak Asher: May be not zero but very close to zero.

Moderator: Thank you. The next question is from the line of Sanjeev Panda from Sharekhan. Please go ahead.

Sanjeev Panda: If you can just guide me the volume numbers?

Deepak Asher: The volume for the full year we sold 578 MWs worth of Turbines, of which 510 were turnkey and 68 were pure equipment supply, and we commissioned 274 MWs of Turbines.

Sanjeev Panda: Currently, receivables days is 190-days. Going forward how do we see that practically like moving ahead?

Deepak Asher: First of all, I would like to clarify that this so-called optical 190 days is an aberration because of lopsided billing and just to illustrate the point, if your annual sales are a Rs.1,000 crores and if you do that Rs.1,000 crores billing on say 31st March, and this of course is an extreme example but will illustrate the point, all that Rs.1,000 crores will be outstanding at the end of the year, and therefore what you will see in your balance sheet is Rs.1,000 crores of receivables and your P&L will show your Rs.1,000 crores worth of sales and therefore optically it will appear that your average collection period is 365 days, but that is how the receivables look on our balance sheet because of the fact that the billing was not uniform throughout the year. If you actually do age analysis of the receivables, the average age of receivables is around 90 days.

Sanjeev Panda: So it is basically the timing or the billing time?

Deepak Asher: And the volatility in the billing cycle which has led to this aberration, but we do believe that over time probably in this coming financial year itself FY16 this will get corrected because we do not expect significant volatility in billing in this year.

Moderator: Thank you. The next question is from the line of Ruchit Mehta from SBI Mutual Fund. Please go ahead.

Ruchit Mehta: Just a query on your project sites that you have disclosed. What would be the corresponding total land bank that would represent that 4,000 odd MW?

Devansh Jain: Again, it is hard to put an exact quantum in terms of acreage because it depends from state-to-state what the policies are, in certain states simply giving the little 50x50 meters of land where you set up your tower, we view this as for the erection of the Turbine. Thumb rule: 2 MW Turbine requires 40 acres but for that same Turbine what land I actually require is only 1 acre. So it is a function of how much land is allotted by the government and is this waste land, is this private land, is it cheap private land, is it expensive private land, but in terms of volume of rough acreage which is under the sites for 4000 MWs into 20 acres this should be about 80,000 acres and in terms of actual land which we really have this would be about 4,000 acres at most.

Ruchit Mehta: Would it be fair to say for all that project sites that you have disclosed, for what percentage of that you would have sufficient land in place?

Devansh Jain: Like I mentioned almost 70 to 80% of this land bank is revenue land, government waste lands. Depending on state policy, once you have registered it once you have blocked it, that site is yours. You do not take allotments for all the sites upfront because once you take allotment there is a time within which you need to execute, whereas once you register it and block it, then there is no time. Kind of get allotments done about 1-year before we start executing projects in those states.

Ruchit Mehta: What percentage are these sites would be on private party land?

Devansh Jain: Like I said 70% would be revenue land, 30% would be private land.

Ruchit Mehta: On this 30% which are a private party land, how do you handle the aspect that there could be cash involved where you need to acquire the land?

Devansh Jain: We have got 3rd party developers first of all, so we are not engaged in acquiring land directly there are brokers who are engaged, so we do not face these issues.

Moderator: Thank you. The next question is from the line of Anand Vyas from Bajaj Holdings. Please go ahead.

Anand Vyas: Can you tell me what were the total order inflows for FY15 and FY14 also?

Deepak Asher: We would have got between 1200 to 1400 MWs of orders during FY15. For FY14, again roughly I think about 300 to 400 MWs.

Moderator: Thank you. The next question is from the line of Chintan Seth from SKS Capital. Please go ahead.

Chintan Seth: On order book of 1400 MW, what is the split between turnkey and equipment supply?

Deepak Asher: About 53% is turnkey and 47% is equipment supply.

Chintan Seth: Can you help me understand, how the realization between the split like it will be lower in equipment supply and higher in the turnkey?

Deepak Asher: I am just giving you a very very broad averages because the actual numbers will differ from site-to-site, but very roughly speaking if my blended average price for a turnkey project is about Rs.5.75 crores per MW this would comprise essentially of equipment supply which would be roughly about Rs.4.5 crores per MW and EPC services which will include the land, the site infrastructure and the evacuation of about Rs.1.25 crores per MW. So the split is Rs.4.5 crores versus Rs.1.25 crores per MW aggregating to Rs.5.75 crores per MW for turnkey.

Chintan Seth: If I just see the average for the quarter it is coming around Rs.4.7 crores that is similar to what we did for the year, but if I compare it with the last year quarter, average was Rs 5.23 per MW realization, and this year is Rs.4.7 crores. Can you explain a bit on it?

Deepak Asher: Again, as I said, I gave you very broad numbers, you will also have to consider the fact that a) out of the total sales I do, the proportion between turnkey and equipment supply is different in these two years. Talking of the commissioning numbers, even for the turnkey how much I have actually commissioned that is going to be different. So I am afraid it is going to be difficult for us to reconcile that number on phone because there are several balls in the air as far as that calculation is concerned.

Chintan Seth: Any split between IPP and AD for the 1400 MW, there is some more IPP or 100% IPP?

Devansh Jain: There are IPP and utilities of 97%.

Chintan Seth: On the larger Blade, if I refer to Red Herring Prospectus, wherein we had an agreement with the technology supplier under royalty issue for the larger Blade and smaller Blade, we exhausted with the number of Rotors we manufacture...

Deepak Asher: The royalty payment was payable on first 450 Turbines which has already been manufactured and shipped sometime in August-September 14, thereafter there is no further royalty payment.

Chintan Seth: But for the larger Blades, there was some line item?

Deepak Asher: There is a small payment involved, but that is pretty insignificant in the overall context.

Moderator: Thank you. The next question is from the line of Balkrishna Shinde from B&K Securities. Please go ahead.

Balkrishna Shinde: Regarding our competition, in accelerated depreciation, I wanted to actually emphasize on, since one of our competitors was not in the market because of their working capital problem, and I guess the other competitors were also not that much present, with the increased competition from FY16, how we see our business prospects going further?

Deepak Asher: I would answer that question in two parts: I am not going to make any specific comments on competition, but we are extremely confident of our own strength and our strengths include the backing of a very strong Group, the credibility and reputation that goes with the Inox Group, an

extremely efficient Turbine, a very wind-rich land bank, evacuation permissions for a large part of that land bank, erection and commissioning and project execution team which is amongst the best in the country, and with this I believe that we should be able to grow significantly going forward regardless of what the competition does. As you know, historically, not because of competitive elements, but because of the sectoral issues, the sector actually de-grew by about 50% from FY12 to FY14, but even during that phase, we have grown at upwards of 70% p.a. Now, when the sector is taking an upturn and the sector is expected to grow significantly, we see no reason as to why we should be concerned about competition. We are confident of our strengths and we believe that we will be able to compete very effectively. Also do not forget that we are amongst the most cost-competitive producers of Turbines in the country if not in the world, our margins are the highest in the country if not in the world, and therefore even if the situation gets competitive, I believe that we will be able to withstand that stronger than anybody else.

Balkrishna Shinde:

Till now for our prices are we getting any premium to competition or?

Deepak Asher:

We sell at market prices, everybody competes in the same market and sells at the same price. So to that extent we have better profitability is because of a more efficient cost management.

Balkrishna Shinde:

Just one metric, another perspective which I wanted to actually get into is like since our competition was not present in earlier year, and this year it will be as compared to...?

Deepak Asher:

That is what I am saying, when the competition was so far not present, the market was 2000 MW, the market now is expected to be 4000 MW, so even if the entire incremental 2000 MW is taken by the competition, which, of course, is not possible, but even if you assume that I still have the market that I was catering to and that market I was growing at 70% p.a.

Balkrishna Shinde:

So, we expect our market share to improve further from here onwards?

Deepak Asher:

That would be your target.

Balkrishna Shinde:

What kind of target you expect?

Deepak Asher:

As I said, the policy we will not give you quantified forward-looking numbers. We expect to maintain a significant momentum of growth and profitability.

Moderator:

Thank you. The next question is from the line of Swarnam Maheshwari from Edelweiss Securities. Please go ahead.

Amit:

Amit here. What is your assessment of the overall Wind market in fiscal 16-17 based on the inquiries that you are getting on a bottoms-up approach? That is first. The qualitative expect with respect to pricing, how is it moving and how do you see that going forward because fiscal 2015 has been a very good year with respect to the profitability as far as Inox Wind is concerned. So how do you think the Wind industry overall in the medium term say next two years will turn?

Deepak Asher: In terms of how the sector is going to perform, going forward I think there are two or three different data points that one could look at. One is the stated objective of the Government of India, the Ministry of Power and the Ministry of Renewable Energy. The stated goal of the government is to see the size of the sector to grow from the present 2000 MW per annum size to 10,000 MW per annum. Obviously there is no specific timeframe within which that will be achieved and also it is possibly arguable that this is very ambitious in terms of target but that is what the government wants to do. The second independent assessment that we have of the size of the market is a CRISIL sector outlook report, which was updated in January 2015, that put the size of the Wind Energy market to be around 3600 MW in FY16 compared to 2100 MW in FY14. So, they were projecting a growth is about 70% in two years from FY14 to FY16. And about 4100 MW in FY17. So they looked at FY17 to be 2x of what it was in FY14. Our own internal assessments are actually a little bit more aggressive than what CRISIL is placing them at; we believe the sector could potentially be around 4000 MW in FY16 and perhaps 5000 MW in FY17.

Amit: Sir, with respect to the steady state working capital for Inox, what should we take as a steady state working capital to sales ratio? It is pretty volatile in the last two years, currently around 40% and WC to sales. So what should be the steady state WC to sales one should look at?

Deepak Asher: Historically, the net working capital to sales has been affected because of two reasons -- policy discontinuity, you saw feed-in tariff regulations being announced on a year-to-year basis and that too in the middle of the year and therefore for the first six months you have to build up inventories, the next three months you have to build up order books, and then you executed in the last three months, which led to your working capital actually going for a toss, because you did not collect your receivables till the end of the year and the lop side billing also led to the aberration, optically, the working capital looked higher than what it actually was in terms of the illustration that I just gave you about 15 to 20-minutes ago. Having said all that, our current working capital is roughly about 130-days of sales with those aberrations and with that optical illusion, but nonetheless we have an internal target to bring this down to about 90 days of sales and that is what we are working on.

Moderator: Thank you. The next question is from the line of Ankit from Jefferies. Please go ahead.

Ankit: Continuation from the last question on the project site, so how do you want us to look at project sites number as in going forward if you expect market to grow will the project site number grow at the similar rate or how do you want to look at it?

Deepak Asher: We believe project sites are in a sense raw material for us and we have been aggregating project sites at a pace higher than our consumption rate and therefore we do believe that our project site inventory will keep on going up as we go forward.

Ankit: Sir, what I was coming at is, is it like a tender based thing, as in like some state might be giving a project site as a tender, how does this system work of acquiring the project sites?

Devansh Jain: This is not how the solar system works, there are tenders where the government acquires all the land, provides an auction and then people come and bid. In Wind industry people are left to fend for themselves, they are supposed to go and identify wind resource sites, set up mast, collect data, if the data is good, go and acquire land, once they acquire land, then they are supposed to apply to the state utility for evacuation approvals.

Ankit: Sir, it can be like there is a certain piece of land on which you can have a wind site and some competitor goes and finds it earlier so he gets the land if you go and find it earlier you get the land, is it like that?

Devansh Jain: You find the land means what, you first set up mast collect data, if the data is good, you start acquiring lands. Now obviously within that area someone sees that Inox has gone and purchased 100 acres, you may have a competitor who comes and buys 50 acres that could happen. It would be very hard for them to then sell those sites, simply because they do not have the wind resource assessment data of the wind mass, #1; and #2 if it is a fly-by-night operator, the state utilities are not going to allot him grid capacity. It is not just a land thing, that if you have the land you can go and supply a Turbine, you also need evacuation capacities, and States do not give out evacuation capacities to frivolous players.

Ankit: So, anybody who has a presence in the sector, who has done it earlier will most likely get it.

Devansh Jain: You may get a 100 MW as a new comer, but if you do not implement that 100 MW, you are clearly not going to get the next 100 MW.

Ankit: Secondly, on the sales number and the commissioning number, typically, how do you tally these two, can you give a flavor on that, as in the commissioning will be how much is difference in terms of sales recognition in terms of times?

Devansh Jain: Ideally, they should typically be about a quarter and quarter and a half of lag because it is a function of are you building a big substation, let us say if you are building a 220 kV substation where you are supposed to pump 400 MW of power, you continue supplying Turbines and erecting Turbines, you do not wait for the substation to go live and then supply and erect Turbines. The day the substation gets ready on that single day you will then have 200 or 400 MW getting commissioned, so to the extent that many of our sites are 300, 400 MW sites and common infrastructure was being built and is on final stages. A huge jump in terms of commissioning numbers and there are a lot of catching up which will happen over Q1 and Q2. But Typically, I would say there should be lag of about a quarter, quarter and a half.

Ankit: This commissioning number will typically impact your O&M?

Devansh Jain: Going forward, once you commission, typically two year free O&M period is over, then you start earning O&M revenues which then annuity stream which gets created and this should become larger and larger as our installed base becomes larger, but to the extent that let us say you sell a Turbine for

thumb rule Rs.5.75 or 6 crores and let us say 25% of that is service revenue or the project commissioning revenue that will be recognized only once commissioning happens.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Can you just tell me the amount of your order book in value terms?

Deepak Asher: No, we do not disclose the amount of the order book in value terms, we have as of 31st March an order book of 1178 MW, that is all frankly speaking we can disclose at this stage.

Ankit Babel: When you calculate your working capital as 130 days how you calculate because when we calculate like inventory plus debtors minus payables, so is there a different mechanism which you use or how is it?

Deepak Asher: Inventory plus debtors minus payables, minus advances received from customers.

Ankit Babel: I agree that since Q4 is a bigger quarter and as you just mention that billing happens and that is what reported is higher, so the reported days is coming at around 150 to 160-days, so are you saying that further if we take on an average in a near term working capital is 130 days?

Deepak Asher: No, it is 130 days of 31st March, maybe we can separately help you reconcile the numbers there would be certain non-business related assets that need to be removed from the current assets.

Moderator: Thank you. The next question is from the line of Viral Shah from Enam Holdings. Please go ahead.

Viral Shah: One question regarding foreign exchange fluctuation which we have shown in the P&L regarding Rs.26 crores. Could you tell me what is the nature of this?

Deepak Asher: First of all I must say this is a gain, it is not a loss, because our Euro imports were done at a rate which were higher than the rate that when we actually paid for them and therefore that was a profit. As you know, Euro has been weakening over a year and that helped us in terms of bottom line.

Moderator: Thank you. The next question is from the line of Ankur Sharma from Phillip Capital. Please go ahead.

Ankur Sharma: Now you supplied about 578 Turbines and you commissioned 274. Correct me if I am wrong, so what you saying is that the commissioning part of the revenues here will happen only once the balance 300 odd get commissioned over Q1, Q2, is that right?

Deepak Asher: That is correct, the EPC revenues would come in Q1 and Q2.

Ankur Sharma: Out of the Rs.2700 odd crores that we booked in top line this year, how much was the construction related revenues because they stood at about Rs.153 crores as of the nine months. Can we have the full year number please?

Deepak Asher: You will probably see that in the IWISL profit and loss account or rather the difference between consol and standalone P&L. I do not have that number in front of me, but that is computable from the difference between standalone and consol.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor to Mr. Bhavin Vithlani for closing comments. Thank you. And over to you, sir.

Bhavin Vithlani: On behalf of Axis Capital, we would like to thank the management of Inox Wind to give us an opportunity to host the call, and we wish them all the best for the future. Mr. Asher, Devansh, if you have any closing comments please?

Deepak Asher: Once again, I just like to thank all the participants on this call, and particularly those who asked questions, for their interest in this company. We look forward to your continued interest in our performance and thank you, Bhavin, thank you, Aman for hosting this call.

Moderator: Thank you very much. With that we conclude this conference. Thank you for joining us and you may now disconnect your lines.