"Inox Wind Limited

Q1 FY'25 Earnings Conference Call"

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MODERATOR:	**MR. ANUJ UPADHYAY – INVESTEC CAPITAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY'25 Earnings Conference Call of Inox Wind hosted by Investec Capital Services. 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 star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Upadhyay from Investec Capital Services. Thank you, and over to you, sir.

Anuj Upadhyay: Thanks, Muskan, and good evening to everyone out here. On behalf of Investec Capital, I would like to welcome you all to the Q1 FY'25 Earnings Call of Inox Wind Limited. Today, we have with us Mr. Devansh Jain, Executive Director INOXGFL Group; Mr. Kailash Tarachandani, CEO Inox Wind Limited; Mr. Akhil Jindal, Group CFO INOXGFL Group and other senior members of the management.

I will now hand over the call to the management for their initial remarks, after which we can open the floor for the Q&A. Thank you, and over to you, sir.

Devansh Jain: Good evening, everyone. This is Devansh Jain. Welcome to the Q1 FY'25 Earnings Call of Inox Wind. I will give you more of a strategic overview before handing it over to Kailash and Rahul for further details on the results. The Q1 results are a testimony of the hard work over the last several years. We are now on the runway ready for a massive takeoff for the massive growth journey ahead.

Recently, IWEL, the parent company of Inox Wind infused INR900 crores into Inox Wind, making Inox Wind net cash positive and has strengthened its balance sheet to capitalize on the multi-decade opportunity in the wind sector. We have delivered on all the targets which we have set out, be it making the company net cash positive within H1 '25, the execution ramp-up and also ensuring we get back our profitability to historical numbers in terms of the margins or better.

We are evaluating value unlocking through our EPC arm and also value enhancement through our hybridization of the existing common infrastructure. We're exploring virtually all value creation opportunities across the renewable arm of the group. I am thankful to all our shareholders for their support thus far and I'm confident of significant value creation as we go ahead.

I will now hand over to Rahul, our CFO, to take you through the financials for the quarter.

Rahul Roongta: Thanks, Devanshji. Good evening, everyone. I will now take you through some of the financials for the quarter. The company announced its results at its Board meeting held today, Friday, 9 August, 2024. The results, along with the earnings presentation and press release are available on the Stock Exchanges as well as on our website.

For the quarter on a consolidated basis, Inox Wind has reported revenue of INR651 crores in Q1 FY'25 versus INR352 crores in Q1 FY'24, an increase of 85% Y-o-Y. EBITDA of INR157 crores in Q1 FY'25 versus INR35 crores in Q1 FY'24, an increase of 349% Y-o-Y. Profit after tax of

INR50 crores in Q1 FY'25 versus loss after tax of INR65 crores in Q1 FY'24. Cash profit of INR92 crores in Q1 FY'25 versus cash loss of INR36 crores in Q1 FY'24.

Adjusting for 110 megawatts of capacity, which are awaiting commissioning, the revenue for Q1 would have been higher by that amount. The delay is on account of grid connectivity approval at customers end. With Q1 financial performance being the highest in the history of Inox Wind, we have set a very strong base for growth in the upcoming quarters. Further, our recent fundraise and operational cash flows have aided us to achieve a net cash status on a consolidated basis.

I would now like to hand over the floor to our CEO, Mr. Kailash Tarachandani, for his remarks. Thanks.

Kailash Tarachandani: Thanks, Rahul. We have commenced financial year '25 on a very strong note. Our profits have sold to INR50 crores for this quarter. This is after our interest payment of INR58 crores, which is expected to become negligible going ahead. The promoters infusing INR900 crores in the company resulting in Inox Wind turning net cash positive will only strengthen our balance sheet further, helping reduce our interest rates substantially and providing further boost to our profitability.

Our Q1 performance sets us on a robust base to rapidly scale up our execution backed by our largest ever order book of over 2.9 gigawatts with manufacturing capacities and supply chain in place. We are receiving very strong response from the customer for our products. We have already won 611 megawatt of orders, including repeat orders from marquee customers, active discussion over multiple APPs, PSUs and C&I customers provides us large order visibility.

The macro-outlook continues to be extremely favorable. All India peak demand is 250 gigawatt during the summer. And given India's strong growth outlook, we expect power demand to continue growing at a rapid speed over the next decade, requiring huge renewable capacity addition. In the first 4 months of FY'25 itself, around 7 gigawatts of new wind hybrid FDRE tenders have been floated and around 7.5 gigawatt of hybrid FDRE projects awarded. Tariffs have been healthy and quantitative ranging between INR3.4 to INR3.5 per unit for central sector wind solar hybrid project, INR3.6 to INR3.68 for plain vanilla wind and around INR5 per unit for FDRE. It is important to note that demand from our C&I segment is over and above these figures.

Some of the hurdles faced by our Chinese competitors related to commissioning activities and also the draft report on domestic content requirement for the wind project by NITI Aayog provides further impetus to the domestic wind turbine manufacturer. This will only add to the opportunity for players like us. We are also setting up a new nacelle manufacturing unit near Ahmedabad on lease rental basis, which will provide substantial savings on capex as the lease expenses is less than INR4 crores per annum. The facility expected to be operational within calendar year 2024.

The new capacity would enhance our capabilities to address the growing demand of the industry, which is also reflective in our current order book and further order inflows opportunities. On the technology front, as already highlighted earlier, we have also secured a license of 4-megawatt WTG platform. We are targeting to commercially launch this turbine by financial year '26.

I would now like to open up the floor for the question and answer.

Moderator: Thank very much. We will now begin the question-and-answer session. The first question is from the line of Smitesh from Raedan Capital.

Smitesh: Congratulations on the numbers and the -- good luck for the foreseeable future. My only question is are we facing or thinking of any of the execution challenges, which may -- we may face on account of the several logistical issues to meet our guidance of this year?

Kailash Tarachandani: No, we don't see. I think small execution challenges are always there on the ground, but largely the way we are executing right now projects, we don't see any foreseeable future -- any problem as such.

Smitesh: And my second question is, how is the order pipeline or a bid pipeline looking like with regard to the C&I segment?

Kailash Tarachandani: The large segment right now, the most of the orders which are coming up from the C&I segment because there is a huge impetus and huge demand as such. But overall, as I said, the demand at this moment is large, and we are getting all kind of customers at present from all kind of segments.

Moderator: The next question is from the line of Prit Nagersheth from Wealth Finvisor.

Prit Nagersheth: Congratulation on a good set of numbers. So the question I have is regarding the impact of commodity prices. So what we are seeing is that a lot of steel and other commodity prices are coming down. So I wanted to understand if there is a pass through system that you had, or would you gain because of the price is coming down?

Devansh Jain: Look, I think internally, our supply chain, we continue, given the fact that we are ramping up so massively, we have leverage across our suppliers, so we use that to keep renegotiating that. Having said that, in terms of steel because there are various antidumping duties, we are tying up steel on a quarterly basis to 6 monthly tie-ups, but with a quarterly tie-up, I think we are well hedged.

With respect to other commodities, we are not concerned with copper and aluminum given that we tie up pricing for our components for the entire year. And as I mentioned, given the fact that we are ramping up so rapidly, we're using the incremental ramp-up to further cut down costs as we move forward.

Prit Nagersheth: Right. The other thing Devansh that I would love to know is that one of the large MNCs is out on the block. Are we looking to participate in that acquiring the business on that MNC?

Devansh Jain: Yes, we are looking at it. We are evaluating it. But all decisions which we take in this company are going to follow a very prudent capital allocation policy. We will not buy just for the sake of buying. And certainly, we will not buy anything at absurd prices.

Kailash Tarachandani: Are there any further questions?

Prit Nagersheth: Regarding…

Moderator: Sorry, sir, your voice is not audible properly.

Kailash Tarachandani: A lot of background noise as well.

Prit Nagersheth: Yes, can you hear me? Hello? Am I audible?

Devansh Jain: Yes.

Prit Nagersheth: Okay. I was saying regarding the guidance for next year of 1,200 megawatt, you were mentioning that you may revise it upwards. So could you share what are you seeing that's making you think of revising it upwards? And if yes, how much would you revise it back?

Devansh Jain: First and foremost, I think, yes, we have said there would be an -- there could be an upside to it. And the fact of the matter remains there is an upside to the execution guidance beyond 1.2 GW. I think this will be evident from the massive order inflows already increase and which will be announced as we move forward. I won't get into specific numbers, but I think that will be evident for our order book. Secondly, I think due to operating leverage and a better product mix as well as cost optimization, margins could improve as well as we move forward. But no guidance, no specific guidance.

Prit Nagersheth: So you said over the 14%, 15% that you were talking, there's a chance that this could move up.

Devansh Jain: Correct.

Prit Nagersheth: Okay. And what about the 800 megawatts for this year? Do you think that's on track?

Devansh Jain: We are well on track for this financial year. But we are not revising anything for FY'25.

Moderator: The next question is from the line of Gokul Raj from Bavaria Industries Group.

Gokul Raj: Congrats on a fantastic quarter and the overall 3-year turnaround that you guys have done. Two questions from my end. One is on the Resco and the O&M bit. Would this also be broad-based platforms where you will do things outside of Inox turbines and tough like that and also would evolve into broader renewable platforms like solar or stuff like that. Or is it just on the wind chain and primarily on Inox and related stuff? And the second question is what's the update on the Inox Wind Energy merger?

Devansh Jain: So I'll take the first question and then Anshuman, you can take the merger question. We see a tremendous opportunity in value unlocking across hybridization across cranes, across various other products, which are contemplating under the EPC arm. But this is barring equipment rental, our EPC capabilities will not be offered to others. That's going to be a moat, and that's going to be a stronghold within Inox Wind itself. Equipment leasing or equipment, any other equipment which we may potentially manufacture could be given to third parties, point number one.

Point number two, there is no question of doing execution on the solar side. So we will do hybridization, which means leveraging the power evacuation infrastructure, but we have no interest in doing a commoditized business with over 100 players, where your margins are in 1%, 2%, 3%.

We cannot compete with our organized players where you have, as they call "Tax Chori" or which is below minimum wages. That's not the area where we would like to compete in. So execution pure play is going to be a stronghold of the group, which will be reserved only for Inox Wind. Any equipment manufacturing or equipment rental would be outsourced to third parties as well. On the merger...

Akhil Jindal: Yes, on the merger, I guess, we have kept everyone in the loop. So the shareholder approval is already obtained. The creditor's approval is already obtained and there's a regulatory approval, which is going on while we speak. There is a hearing, which is there in the first week of September, hopefully, that hearing -- some order would be pronounced, failing which there may be another hearing. So it is a matter of another 2 to 3 months that the merger will take place in any event, our expectations are that before November, this merger would be in effect. I hope we answered your question.

Moderator: Participant left the queue. The next question is from the line of Darshit from Nirvana Capital.

Darshit: Sir, when we look at the numbers and when we say about the historical kind of numbers if you want to achieve in terms of margins as well as top line, sir margins have been pretty high, even when you look at historical numbers of 16%, 17%, you are doing roughly 21%, 22% kind of operating margins at this 140, 150 megawatt execution. So do you think the new normal would probably be higher than what we used to do it earlier in our 2014, '15, '16, '17 period?

Kailash Tarachandani: So our guidance for the full year 16% to 17%. So broadly, we will remain in that range. On a quarter-on-quarter basis, there could be a plus minuses, but volume on a yearly basis, we would be on a 16% EBITDA margin.

Darshit: Got it. And sir, just a follow-up on the merger thing. So the ratio was probably 158 share of Inox Wind for every 10 shares of IWEL entries after the bonus. So this ratio would be adjusted with the bonus thing, Inox Wind, is the understanding correct, right?

Kailash Tarachandani: Yes.

Management: It's now equivalent to 632 shares of Inox Wind for every 10 shares of Inox Wind Energy Limited post the bonus.

Darshit Shah: Sure. And sir, lastly, as the earlier participant also asked on the MNC business, which is up on block. So we are considering evaluating the prospect as of now. And if you look at the news article, it says probably whatever the valuations asked are around $1 billion. So are we kind of looking at capital behind acquiring even evaluating this business since our order book and the pipeline looks quite healthy? So just for the management perspective and understanding for this.

Management: Okay. Let me just try and answer this. Firstly, clearly, the company, we are evaluating the company and we are looking into the financials and other things. And to be honest, the situation of the company looks quite bleak to me at this juncture given their inability to penetrate the Indian market and also looking into their O&M situation.

So I don't think any significant interest would be there. However, we would be valuating the company on a very, I would say, a very realistic basis. And if it's value accretive for us, we will consider it. There's no point in us throwing good money after bad in that sense. We would be very careful before we move on to the next step.

Moderator: The next question is from the line of Shweta Dikshit from Systematix Group.

Shweta Dikshit: My first question would be, if you look at the realization number this year -- this quarter, it is around INR4.6 crores per megawatt at an execution of 140. Could you split this execution in terms of what were the pure equipment supply this quarter and what were actual installations for wind turbines this quarter.

Rahul Roongta: So actually, we cannot give the specifics on to it, but actually, we did 140-megawatt this quarter and around 110 megawatt to get pre-commissioning stage as customers are awaiting grid approval. Had this capacity being commissioned as I told in my opening comments also, the revenue for the quarter would have been substantially higher. So -- but we have made the full WTG suppliers supply this production of all the components.

Shweta Dikshit: Sir, in terms of supplies of all the components, we still are looking at a realization lower than what otherwise is around INR6 crores to INR6.5 crores -- or INR5.5 crores for the entire equipment supplier, still we are on the lower side in terms of realization. Can you explain that?

Rahul Roongta: Yes. So as of now, we are seeing that INR6 crores per megawatt is the total realization out of which the number you are seeing, that is right. It is INR4.5 crore. But as I said earlier, there used to be commissioning revenue also, which is actually stuck for around 110 gigawatts. So if you round up the numbers of 110 megawatt, this will give us around 150 to 160 megawatt more, and then it will make up -- yes, so INR150 crores to INR160 crores, and it will make up around 6 megawatt -- INR6 crores per megawatt.

Shweta Dikshit: Okay. Understood. Another question was, since last year, we've seen a capital infusion of around INR2,100 crores approximately into the company. Could you highlight what has been the debt repayment in this period consolidated, excluding any working capital borrowings, which were taken on.

Devansh Jain: I'm not sure what the specific response you want, but at this point in time, the company is a net cash company. And I mean if you need to see specific questions on working capital or debt, you'll have to get on a call off-line with our finance team. I don't think we have those specific answers, but the starting point is at the consol level, at the wind level, we're a net cash group now.

Shweta Dikshit: Okay. Understood, sir. One last question, if I could squeeze in, regarding the nacelles manufacturing unit, if I missed it, what would be the capex for this facility?

Devansh Jain: So you certainly you did miss it -- miss it since we put it out in the presentation as well as in Kailash's opening comment, that it's a minimal capex model, where our lease rents per annum are sub INR4 crores. So we are not investing anything substantial in building this facility. It's being built for us on a long-term lease basis.

Shweta Dikshit: Okay. I understood the INR4 crores per annum lease rental, but there won't be any investment in terms of machinery or equipment, etcetera?

Devansh Jain: Zero.

Moderator: The next question is from the line of Abhishek Shah from Ambit GPC.

Abhishek Shah: Congratulations on another spectacular quarter. Just a few quick questions. So firstly, on accumulated losses, would we still maintain that we would essentially be paying no tax more or less on FY'25 and possibly on FY'26? And secondly, on the finance cost, this quarter was around INR58 crores, out of which, I think, INR12 crores was a one-time expense. So if you can just kind of give us a guidance on what that would look like for the full year.

Rahul Roongta: Yes. So on this interest part. So actually, our exit run rate will be INR35 crores as of now and going...

Management: Yes. From Q2 onwards, if you see, so we will have interest earnings also, which will negate the interest expenses. So we'll have a negligible interest outgo from Q2 onwards. So that's on the interest part. So in FY'26 as well, you will see a negligible interest outlook. There will be normal LC / BG charges, but that will be offset by the interest earnings on the cash balance which we have in our balance sheet today.

Devansh Jain: I think just to reiterate, obviously, Q1 has been in terms of the INR58 crores, Anshuman, why don't you share those details. We have INR58 crores where it was one-time, and we have INR11 crores of earnings. So what was the Q1 run rate, it's INR35 crores, on exit, the total cost was INR35 crores, and we are now net cash. So effectively, the exit or the cost for Q2 should be less than single digits broadly. I mean, we've guided for the full year finance banking interest cost net to be at about INR60 crores to INR75 crores. And I think we are bang on target to achieve that given we are net cash now.

Rahul Roongta: So on the taxes part, we have actually brought forward losses and a number of depreciation, which will actually make us to pay no tax till FY'26. So FY'25 and '26, we'll be actually paying no taxes on our profits.

Abhishek Shah: Great. And sorry, if I can just squeeze one last. So the entire 800 megawatts of -- most of it in the current financial year would all be the 3 megawatts, right? The 3 megawatts turbine going forward.

Kailash Tarachandani: No, it is largely 3 megawatts, but it's a mix up of some orders which are still there from last year, which we have executed this year, a small number, a very small number, but largely it remains at 3 megawatt, I'd say almost 80% to 90%.

Moderator: The next question is from the line of Rohan Vora from Envision Capital.

Rohan Vora: Congratulations on the numbers. So two questions. One is just a doubt. So basically, when you said the 110 megawatts was just pending for one-off certification. So that 110 is a part of 140 and that is why INR150 crores of revenue is not booked. Am I right in understanding that?

Kailash Tarachandani: No. It is not part. 110 is waiting for grid approval, but the supply would have been done earlier, and they are elected and they are ready for commissioning. But when I think Rahul tried to explain that, it was like typically in a quarter you mix both. There are supply revenue, there are commissioning revenues. And since this 110-megawatt which is ready for commissioning is not commissioning, that revenue is still not calculated in that. But it's not the same supply.

Rohan Vora: So on a blended -- once normalized revenue is booked -- blended will be reaching around INR6 crores per megawatt.

Kailash Tarachandani: This is what we said, roughly 110-megawatt is there. If you take into almost on a thumb basis, INR1 crores or INR1.2 crores. This will add another INR120 crores, INR130 crores at least, or INR150 crores, which will take it to almost INR800 crores.

Rohan Vora: And one more question was on the fixed cost run rate. So what is the fixed cost run rate annual rate as of late?

Rahul Roongta: INR110 crores.

Rohan Vora: INR110 crores. And as we scale up massively, how do we see that increasing? Any directional idea on that?

Rahul Roongta: Yes. So this is going to remain same almost hardly 5% to 10% increase might be with the ramp-up, but no major change.

Moderator: The next question is from the line of Subrata Sarkar from Mount Intra Finance Private Limited.

Subrata Sarkar: Sir, I have a small like understanding that I need to have like -- and this is regarding only the merger. So post-merger, can you help me to understand what will be the fully -- on a fully diluted basis number of equity share and what will be the face value on that so that I can get an understanding of like how things will...

Management: Inox Wind, number of post merger, the number of fully diluted shares will be around INR162-odd crores.

Subrata Sarkar: Okay. This is number of equity face value. Can you help me on that? Or you are talking about this is the number of shares?

Management: This is the number of shares, yes.

Subrata Sarkar: Okay. And that will be a face value of what sir? Like what will be the equity capital in this case?

Management: Face value of INR10.

Subrata Sarkar: Okay. Perfect, sir. Sir, just one question on the execution side and on the payer like, sir, can you -- is it possible to at least share a ballpark number of what is our working capital days right now on that side.

Management: So basically, we have guided for the full year on basis. But telling specifically on a quarter-on-quarter basis, we are restraining over self on from guiding on quarter-on-quarter basis.

Management: Full year is broadly 90 working days.

Moderator: The next question is from the line of Avishek Datta from Anand Rathi Shares. Please go ahead.

Avishek Datta: Sir, congratulation on great set of numbers. Just had one clarification I needed is like, in the presentation, you have mentioned about value unlocking to EPC arm and value enhancement to hybridization of common infrastructure. So what exactly do you mean by that?

Management: So, Akhil, do you want to go?

Akhil Jindal: Yes. So basically, whatever assets that we have, we can further be utilized for the enhanced capacity on the solar side. I mean, obviously, these infrastructures are there and can be enhanced. So that's number one, which is an immediate use that we can see on this. Also, you can see that a lot of assets are there, which are in the books of green. So what we're trying to do is to demerge those assets into our EPC company called Resco. And within that Resco, obviously, because the assets could be demerged, it would be auto listed.

Now obviously, all these proposals are at a very nascent stage, the Board has decided to appoint a consultant and the registered valuator as essential. And once we have the final scheme, we'll come back to you. And to that extent, it would take around 6 to 9 months' time, which is what we are assuming at the time period.

Management: Just to add, I think we see tremendous value creation opportunities across the EPC arm. I think we are of top 2 wind EPC companies. This is something which is a very, very strong moat. As I mentioned in one of my answers earlier, solar EPC, you've got hundreds of players doing. There is no rocket science to it, and I don't mean to disrespect anybody. Wind is very, very complex. It's very challenging. It's taken us years to build this competency, this capability.

And what we are now doing is given the massive multi-decade opportunity we have ahead of us. We are -- if I may say so backward integrating into capturing more value within the EPC arm. So we are getting our own cranes. The returns are phenomenal. The payback periods are phenomenal. We are evaluating various other assets to be added within the EPC arm where returns are phenomenal.

For example, we buy transformers, our transformers and cable procurement is almost INR400 crores to INR500 crores in a year, given the run rate which we would be on in the coming financial year. We are evaluating whether it makes sense to buy out some of these things to get into it, to manufacture that in-house. Cranes, as I mentioned, is one key area we are anyways moving into internally.

So it's just that we want to unlock value across the EPC capabilities we've built, also capture more value across some of the key components of EPC, where margins are very, very high with very low barriers to entry, at least for us. And third, I think we sit on over 5 gigawatts of project site inventory and land bank, which frankly is not given any due importance of value in reality terms, and that's worth a few couple of INR1000 crores, honestly.

So by shunting out the power evacuation from INOX Green, not only do we make the INOX Green balance sheet very light and eliminate the depreciation line, which impacts profitability. But by merging that into the Resco, which is our EPC arm, it leads to automatic listing and creating tremendous incremental value for the larger Inox Wind group. Of course, it's subject to board approval, but that's what we are thinking of.

Avishek Datta: Okay. But at no point, you are planning to execute other wind EPC projects.

Management: There is no question. I mentioned that in my previous -- to one of the previous questions. It is a very, very strong moat for us. There is no question of giving a strong moat which we own to other third party. There is no question. It's absolutely ruled out. We may give equipment if we get into manufacturing equipment or give out cranes on rent. But there is no question of sharing our EPC capabilities, knowledge, land banks with other wind OEMs.

Avishek Datta: Okay. But just to get it right, like cranes, already we've players who are leasing the cranes to the EPC player. Now you want to buy those strengths and do it in-house.

Management: That's right because the returns are phenomenal. And given the multi-decade opportunity, if we see 30% plus returns on investment, there is no question of us letting that opportunity go out to third-party players.

Avishek Datta: Okay. And in the near term, how do you see the PSU order book shaping up?

Kailash Tarachandani: I think PSUs -- there are a lot of PSU bids still coming, and I can see that there is a huge impetus from different PSUs and a lot of tenders are, as I see, coming up. So while, as I said, the C&I business continues to build up, but at the same time, we have executed and we are still executing projects like NTPC.

We have separately bidded already possibly more than 200, 300 megawatts for separate -- different PSUs. And at the same time, we are in the process of bidding as we speak over the next couple of months. So I would say that PSUs will continue to be -- take some important pipe from our business.

Management: I think just to add to Kailash, I think historically, we had over -- if you go back about 1 year, 1.5 years, we had a lot of dependence only on NTPC. And it was a carefully crafted strategy for us to move away and diversify from NTPC to other customers. And I think if you see over the past 12 months, we bought out and added close to 2 gigawatts. This is across the private sector. That does not mean we are not focusing on PSU, but I think we have built too much of a portion in PSU when we were getting out of the bad state the industry was in.

So it was important to pick up those tenders. As we are moving forward, we are selectively bidding in PSU tenders and diversifying that across different PSUs as opposed to having too much concentration only on 1 PSU.

Avishek Datta: Sir, one more thing, like you're looking to set up a new manufacturing unit for rationale, so what is the rationale given the fact that our capacity is over 2.5 gigawatts, and we are currently targeting to deliver 800 megawatts and 1200 megawatts over next 2 financial years, what is the rationale to expand capacity? I know it is -- the lease expenses are much lesser. But what is the rationale for that?

Management: It's simple. I think we mentioned there is an upside execution upside bias to the execution guidance for FY'26. And I think this will be evident from the massive order inflows. We're sitting on the highest ever order book in the company's history. Perhaps you miss that, Kailash mentioned that in his opening remarks, there is almost a gigawatt, which is in advanced stages of negotiation and discussion in the near future.

Now, and we've set out a vision of making it a 2 gigawatt company in the near future. Now effectively, every quarter is not going to be the same as every other quarter. As is well known in this sector, Q1 is the weakest. Q2 gets more or less in sync with Q1 given that there is monsoon. And Q3, Q4 are very large. Yes, it's no longer a Q4 syndrome during the feed -- like in the feed-in tariff regime where 80% of the market was Q4.

But certainly, it could be 35-65, H1 and 65% H2 broadly. Now within that piece, if our capacity of manufacturing, you say 2.5 gigawatt or 2 gigawatt, and we've produced 300 megawatts for example, in Q1 and 300 megawatts in Q2, effectively, we are left with only another gigawatt for the full year. So what should we do? Not reduce turbines.

And keeping the future in mind, we are taking decisions well ahead of time to play this multidecadal opportunity. Again, if you notice, we've not announced INR200 crores, INR300 crores, INR400 crores of capex in our manufacturing plants. It's under the lease model, where the outgo for the company at peak is INR4 crores per annum.

Avishek Datta: Okay. And so what will be the capex for this year?

Moderator: I'm sorry to interrupt, sir. I just request you to follow the...

Avishek Datta: Yes, just -- continuation to that, what is the capex for this year?

Management: So it will be around INR50 crores to INR75 crores.

Avishek Datta: And next year?

Management: Similar levels.

Moderator: The next question is from the line of Anuj Upadhyay from Investec Capital Services.

Anuj Upadhyay: How much NCRPS will remain in the company post-merger? And what would be our plan for the same?

Management: No, basically, the NCPRS held between IWEL and the company will be scored off because the 2 companies are getting merged, so it will be scored off. The post merger, the NCPRS, which are outside this merger will remain, which is of the order of around INR560 crores.

Anuj Upadhyay: INR560 crores.

Management: Yes.

Anuj Upadhyay: Okay. And how do we plan to...

Management: Sorry, what do you see as the current figure, which is, if I'm not mistaken, around INR2,000 crores, it would be restricted to INR560 crores because as I mentioned, the effect of the merger would be that a majority of these will be scored off or cancelled because it would be within a big company then.

Anuj Upadhyay: And the plan on the balance one, you mentioned that INR560 crores, INR580 crores would still remain. How do we plan -- promote this plan to...

Management: So as and when there are surplus cash flows in the company, as and when there are liquid in the company, which are not meant for any other use, it would be retired. I mean that's our ultimate aim. As it is, there is a -- if I'm not mistaken, around 3 years' time, ended then for us to redeem it.

Management: Just to add, I think the maturity is 2027, the promoters pumped in this money with no return expectations whatsoever. So we are in no hurry to take back the funds as and when we see there's abundant liquidity far beyond what we need, then we will retire these NCPRS.

Anuj Upadhyay: Okay. And sir, what market share are we targeting going ahead, factoring now the entire wind market side has gone up from 2 gigawatt odd level to nearly 7 to 8 gigawatt on an annual basis. One is this, and that current capacity, which we have, how much can we execute or intake order on an annual basis?

Kailash Tarachandani: What we believe that market will be closer to 5 gigawatt in 2025 and possibly go 7 to 8 gigawatt in FY'26. And as we highlighted in the presentation also, and we have talked earlier also, ultimately, we are gunning like in '26, something like closer to 2 gigawatt or next year 1.2 gigawatt. So you can roughly work out, it will be closer to 20%, 25%. But again, we are focused on profitability rather than market share.

I won't keep increasing and keep taking all kind of orders. We will be taking orders which are meaningful. There is an easiness in terms of execution and at the same time, decent profitability. And we will take our fair share of select high-quality orders with marquee customers only, and we will not go everywhere. So that will be our philosophy.

Devansh Jain: I can only see, market share does not guide us. It's profitability, as Kailash mentioned. And obviously, as the market goes beyond 6, 5 gigawatt to 6, 7, 8, we will take our fair share of the market. I mean we probably have the highest promoter holding across OEMs in India. We have a rock solid balance sheet. So there is no question of us not taking our fair share of market.

Anuj Upadhyay: Sure, sir. And just one clarification on a question by a previous participants. The INR50 crores, INR60 crores capex you mentioned is your routine capex? Or is the capex we plan to incur on the newly launched plant Ahmedabad National Plant.

Management: Yes. Again, just to clarify, our INR50 crores to INR75 crores capex is for molds, which we keep buying as we launch better products or larger blades. The new capex on the -- we had zero capex on the new Ahmedabad plants for Nacelle and Hub. It's under the opex lease model. So the cost there is some INR4 crores per annum, which will be and opex. There is no capex. We are spending 0 in terms of capex of that plant.

Moderator: The next question is from the line of Sanjay Kular from ACME Private Limited.

Sanjay Kular: Mr. Jain, first of all, I would like to compliment to you and your team for extraordinary turnaround and rewarding shareholders with a liberal bonus issue in the first year of turnaround itself. You are truly visionary next-gen entrepreneur who has created unprecedented wealth on the seat.

My question is only one, which is very simple. What is the key differentiated we will have with our peer group company in terms of execution or in terms of profitability? Would you like to share some thoughts?

Devansh Jain: Thank you, Sanjay. Thank you for your kind words. Look, this is not a dissing session or a punching bag session. All I would say is I think there are possibly just 2 domestic players who are large who survived, who are growing. But possibly one thing which is -- which I believe is different from others is, for us, credibility and reputation and financial management is absolutely critical.

6 years of pain in this sector. We struggled for almost INR3,000 crores of losses, left, right and center payments to banks, but not a single rupee of haircut. Not a single restructuring. The promoters were undergoing a split. We pumped in money, whatever we could as much as we could with 0 return expectation to the promoters, and it continues to remain in the company.

Of course, it's different that the company is now on a massive growth trajectory, is financially strong. Having said that, for us, credibility, reputation and financial management is absolutely topmost priority. Other than that, everyone is going to be plus/minus in terms of technology, in terms of supply chain, in terms of order book, in terms of XYZ. And I think the third differentiating factor for us is we are net cash now.

And a lot of people have asked, I hope you're not going to get into a bidding war. I hope you don't get into stupid decision-making. And I think to some extent, I think the entire management team here is absolutely clear, be it Mathu, be it Kailash, be it Rahul, be it Akhil, all our core people. We are in no urgency to deploy capital at absurd rates, with no payback. For us fundamentally profit should come. Market cap is temporary. I don't know what the market cap will be today, tomorrow or day after.

But cash flow and profitability is the most important thing for us, which is reflected in the fact that we're going into our own cranes because the returns are north of 30%. So there is no question of us not doing something which gives us 30% returns. At the same time, some people have asked us questions about certain acquisitions, certain OEMs in the market space.

We're not going to go and do anything stupid for market cap reasons, or for reasons, which give us a 5% return on capital or absolutely irrelevant visibility in terms of return on what we've deployed. I think that's also reflected in one of the acquisitions we have done in our sister company, INOX Green, where we went in and bought out I-Fox, IPP, an OEM, it was a third-party ISP over service provider.

We bought it at 4x EBITDA, and in 1 year, the team has doubled the EBITDA and top line of that company. We're on track for that. And we bought it at 4x EBITDA multiple. So some people would be happy paying being 10, 20, 30, 40 times, best of luck to them. That's not how we work.

Moderator: The last question is from the line of Prateek Giri from Subh Labh Research.

Prateek Giri: Congratulations to the entire team for amazing set of numbers. Whatever has been promised, it seems we are on track to deliver that. My question to Kailash is, Kailash we have been -- since last 3 quarters, we have seen our margins beyond 18%, 19% and 21% this quarter. That two in these 3 quarters, our realization has not crossed INR5 crores per megawatt. But still we have made handsome margin. So I'm just wondering what is holding us from revising our margin guidance. I'm not asking you to revise it, but still, if you can help us with some colour, Kailash?

Kailash Tarachandani: Rahul can answer this.

Rahul Roongta: So we are still to actually realize the revenue from the EPC business around 110 megawatts is being stuck due to the grid approvals. So actually, you will see those kind of revenues once we see that EPC revenues realizations.

Kailash Tarachandani: So broadly we give guidance of 15%, that could be a little bit higher also, but we are currently sticking to that guidance only. And quarter-on-quarter, it can vary, but yearly, it will be 15%.

Prateek Giri: No, I totally understand. But since last 3 quarters, gentlemen, the margins have been crossing that and the realization has also been low. So I mean how should we look into it then.

Devansh Jain: I mean, again, I think everyone has guided. We've mentioned as the company, we're saying, look at it at INR6 crores per megawatt, we've given a volume guidance. That's what we should that's what we will stick to. And I mean making more profit is not something which is bad. But at the end of the day, we will continue guiding for 15% to 16%. We are not upping our guidance at this point in time.

Moderator: Ladies and gentlemen, that was the last question for today's conference. On behalf of Investec Capital Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.