



“INOX Wind Limited Q1 FY-18 Earnings Conference Call”

August 9, 2017



MANAGEMENT: **MR. DEEPAK ASHER – DIRECTOR & GROUP HEAD
(CORPORATE FINANCE), INOX GROUP**
**MR. DEVANSH JAIN – EXECUTIVE DIRECTOR, INOX
WIND LIMITED**
**MR. ATUL SONI – HEAD-INVESTOR RELATIONS, INOX
WIND LIMITED**

MODERATOR: **MR. PUNEET GARG – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Inox Wind Q1 FY17-18 Earnings Conference Call 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. In case 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 now hand the conference over to Mr. Puneet Garg from Axis Capital Limited. Thank you and over to you, sir.

Puneet Garg: Thank you, Aman. Good evening everyone. On behalf of Axis Capital, I would like to invite you for the conference call of Inox Wind. Today we have with us the senior management of Inox Wind, Mr. Deepak Asher – Director and Group Head of Corporate Finance, Inox Group; Mr. Devansh Jain – Executive Director at Inox Wind and Mr. Atul Soni – Head of Investor Relations at Inox Wind.

Without much ado, I would like to hand over the call to Mr. Atul Soni for his opening comments post which we will open the floor for Q&A. Over to you, Atul.

Atul Soni: Thank you, Puneet. A very warm welcome to all the participants of this earnings call. The board of directors of Inox Wind has approved the Q1FY18 results in their meeting which concluded shortly. The results have been sent to the exchanges and uploaded on the company website. I trust you would have had an opportunity to go through the results.

As was anticipated we are seeing a temporary downturn in the Indian wind power market due to the transition from a FIT based market regime to an auction based market regime. We expect this transition to continue in Q2 as well with normalization from an order inflow perspective to commence from Q3 onwards. The way we see it the shift to an auction regime has well underway. Our stand of calling out the conventional order book losing its relevance because of the market moving to an auction scenario has been vindicated in this quarter.

In terms of financial results, we ended Q1FY18 with revenues of Rs. 106 crores as compared to Rs. 435 crores in Q1 of last year. We had an EBITDA loss of Rs. 13 crores in Q1 FY18 as compared to EBITDA profit of Rs. 46 crores in Q1 of last year. We had a PAT loss of Rs. 39 crores as compared to Rs. 12 crores PAT profit in the preceding year quarter. We view the quarter’s results as a reflection of the temporary downturn being witnessed in the sector and expect things to pick up in the second half of FY18.

Coming to the operational highlights of the company, we achieved commissioning of 46 megawatts in this quarter. This compares with commissioning of 48 megawatt done in the same quarter last year. In terms of working capital our net working capital at the end of the quarter was 258 days which comprised of 250 days in receivables, 349 days in inventory, 180 days of payables and 161 days of others.

In the March 2017 quarter receivables stood at 206 days, inventory at 122 days, payables at 146 days and others at 29 days leading to a net working capital of 153 days. In terms of absolute values as of June, 2017, inventory stood at Rs. 866 crores; receivables at Rs. 1,984 crores; payables were Rs. 629 crores and others was about Rs. 142 crores as a result of which the net working capital stood at Rs. 2,080 crores. We have reduced our receivables by approximately Rs. 400 crores during this quarter.

We expect the working capital to reduce significantly going forward as the auctioning regime will ensure better coordinated production and inventory planning with PPA signed upfront leading to a secured financial closure at the IPP's end. On the debt front we ended the quarter at a comfortable net debt to equity ratio of 0.52. On the auction front we are expecting over 2 gigawatt of wind power auction to conclude over the next couple of weeks.

This includes 1 gigawatt of SECI auctions where technical bids have been submitted and we are expecting reverse auction to happen within August/September. Additionally, Gujarat and Tamil Nadu have announced their wind power auctions of 500 megawatt each where the auction process is currently underway. We anticipate FY19 as the beginning of a phase of a robust growth for the wind industry.

In terms of project sites, we continue to be amongst the largest project site holders in Gujarat, Rajasthan and Madhya Pradesh. We have also expanded in the Southern states of Andhra Pradesh, Karnataka and Kerala. We have sufficient project inventory as of June end 2017 for installation of an aggregate capacity of more than 5,000 megawatts. In terms of manufacturing capacities, as you know we have doubled our blade manufacturing capacity to 1,600 megawatts. We have enhanced our tower manufacturing capacity so nacelle & hub, blade and tower capacities are now largely aligned.

With minor capex, we can debottleneck our nacelle and hub capacity from the current 1,100 megawatts. Tower capacity can also be expanded with minimum capex as they are low technology items which can also be outsourced and hence we are fully geared in terms of manufacturing capabilities to produce whatever the market demands.

So 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 Mr. Devansh Jain and Mr. Deepak Asher to take your questions now. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just wanted to understand what do these Rs. 1,900 crores of receivables relate to? My understanding is your order book is about 300 megawatts so what do these Rs. 1,900 crores of receivables relate to?

Management: With respect to the order book of 300 megawatts, we will start execution and supplies from Q3 onwards. With respect to the present receivables, these are receivables for turbines which we have supplied as of March, 2017. So these projects are in Karnataka where approximately 100 odd megawatts are there where PPAs have been done but as has been reported across multiple newspapers due to ongoing uncertainty with respect to the already signed PPAs, banks are being very hesitant in terms of disbursing funds to the IPP leading to delays in fund flows to us. I think this state of flux is going to remain for the next one to two months before clarity emerges.

Puneet Gulati: Okay and post two months what kind of receivables would you be looking at?

Management: Well, we will not make any forward-looking projections but with respect to the Rs. 1,900 odd crores, we have got part of this blocked due to the 100 odd megawatts projects which I have spoken earlier to get resolved over the next few months. We have got a part of that in projects which are being implemented in Gujarat for NTPC and SJVNL where a large part of the projects have been done but a significant part still needs to be done post the ongoing monsoons and flood situation there.

We cannot be in peak execution at this point in time which is something which happens every year in the monsoon period in the wind sector. So I think we should over the next few quarters be able to eliminate this significantly.

Puneet Gulati: So do the receivables include any amount from the SECI 1 order book?

Management: No, The order book execution of the SECI-1 300MW has not started yet so it is not part of receivables yet. That is something which we will be starting from Q3 onwards.

Puneet Gulati: Okay these projects are commissioned but you are yet to receive money?

Management: About 150 megawatts is yet to be commissioned. We commissioned about 50 megawatts in this quarter and we still have about 150 megawatts to go across NTPC, SJVN etc.

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

Deepak Agarwal: Can you help us understand how do you rate the current ongoing situation in terms of the auctions because like we have been hearing in the news that in Tamil Nadu few IPPs have actually gone ahead and challenged the auction process of 500 megawatt? And a related question is what do you see the progress with respect to the other states moving ahead in the

auction like are their bid documents being approved by the regulator before they go ahead with the auction?

Management:

Okay so first and foremost there is the whole SECI piece which is the central auctions. In the third week of July, the PPAs for SECI 1 were signed. They were to be signed within a period of six months from the auction date and these were signed off in July. At that very event Mr. Piyush Goel made a public statement that he is looking forward to bringing out if not monthly, quarterly auctions on the central side.

Having said that, we already have the auction process underway for the second SECI auction which is for 1,000 megawatts in the public domain where technical bids have been submitted and we expect reverse auction to be conducted within August/ September. Now again there has been a bit of a delay in coming up with the 2nd SECI tender because there were certain teething issues around PGCIL connectivity and certain operating issues which had to be clarified. Some of them have been clarified and some of them are expected to be clarified over the course of this month post which this will become a routine business matter where they will be carrying out auctions on a periodic basis on the central side.

With respect to the state auctions and you are right that the Tamil Nadu auction has been stayed temporarily but the reason why the stay has been given is because there were two parts to it. One, there should be a TNERC approval which is the Tamil Nadu Electricity Regulatory Commission. And that as we understand the ERC is well within its power to give any approval to make modifications and changes to their own guidelines issued in the past.

The second point within that stay contention was that the central guidelines for intrastate transmission or carrying out intrastate bidding for renewable energy projects are only a draft guideline. The final guideline is still not in the public domain. And what we understand is that the final guidelines are going to be uploaded by MNRE within this month..

Deepak Agarwal:

How do you see the progress on state auctions since Gujarat and Tamil Nadu went ahead before the central guidelines are there in the public domain. It is a good sign since the preparatory work and everything is already done. Only the bid results need to be announced. But how do you see the progress in let us say states like Rajasthan or MP or do you think that they will pile on to the SECI bid and avoid doing state level bidding at least for FY18?

Management:

We have spoken to multiple states. States like Gujarat and Tamil Nadu have the highest PLF and hence majority of the SECI installations are happening in Gujarat and Tamil Nadu. But obviously there is a finite capacity and the whole of India cannot just go to Gujarat and Tamil Nadu and put up 10 gigawatts or 5 gigawatt a year capacity, year-on-year for the next 10 to 20 years. Each of the states are also interested in having these installations with-in their states because it provides a lot of job opportunities. A lot of the manufacturing units are also established in many of these states. And if none of these states carry out domestic bidding just

like we have Gujarat and Tamil Nadu doing, then all these manufacturing plants will be shifted out of these states.

What we also know is Madhya Pradesh is working on a draft document; Rajasthan has already created a draft document. I do not know about Andhra at this point in time and I am not sure about Karnataka at this point in time because they are already talking of carrying on the existing PPAs which have already been signed and kind of finding a solution to honor the existing PPAs. But with respect to Rajasthan and Madhya Pradesh yes, there are draft documents which are prepared or which are being worked upon and I think over the next six months we should see almost all the states coming out with their guidelines.

Obviously you always have some states which are more pro-active and are in advanced stages which are evident in Gujarat and Tamil Nadu's case. Certain other states are working towards it but we would expect that over the next six months almost all the states would have transgressed to the auction scenario.

Deepak Agarwal:

Okay. You have commented in your presentation and we have discussed earlier also about the PSU pipeline of about 1 gigawatt annually and which is quite evident since even NTPC, SJVN and Railways are out with new tenders. So how do you see order flow from the PSU side and which of these would be the major customers in the space?

Management:

What I can say is that historically most of the PSUs over the past few years have been coming out with tenders. I can also tell you what is already in the public domain. So NTPC has already taken out a tender for 250 megawatts as recently as July. SJVN has come up with another tender for approximately 50 megawatts. THDC has come up with a tender for about 125 megawatts. REMCL has come out with an approximately 50-megawatt tender; NVVN has come out with a 20-megawatt tender.

So all in all, we already have tenders in the public domain of approximately 600 megawatts. These are expected to be tendered out over the coming months. Some of them are waiting for the auction process to be carried out. Some of them will simply put it up and sell the power under APPC REC. Different PSUs will decide what works best for them.

Deepak Agarwal:

No, I understand that yes, I think that is very clear. So that is their prerogative whether they go for PPA or they want to go for the APPC or REC.

Management:

Absolutely we have already 600 megawatts of PSU tenders in the public domain at this point in time.

Deepak Agarwal:

And my last and final question is now obviously given that we will have a limited kind of tendering at least for FY18 or first half FY19. How do you think we should assume in terms of a margin perspective because this kind of aggressive competition we have seen in different

sectors of infrastructure in the past as well. So is it fair bit of assume that there could be some sizeable pressure on the margins going forward because of this transition phase?

Management:

You see I think we cannot look at it from a short-term perspective because what we have been maintaining is typically H1FY18 is a temporary downturn in the market where you are not really going to see anything.

Now if you actually start looking at the beginning of this year as 1st October and you look at H2FY18 as really the period where business actually gets back, I think we should be able to maintain historical PAT margins which we have been maintaining over the past four or five years. Yes, this six months period is a transition period where there is a bit of pain which people are going through but we have now got over 40 countries globally under the auction regime in the wind sector and the solar sector.

And every time a country shifts from a FIT regime to an auction regime there is a period of six months to one year of transition and uncertainty. So honestly while nobody wants this six months of uncertainty and no work but fact of the matter is post six months or eight months it is actually very, very good for the sector. Because you get long term clarity of business, you get clarity of PPAs; financial closures happen in a time bound manner; working capital gets streamlined and there is no madness of execution in Q3, Q4 while having no work in Q1, Q2. All this leads to uniform business. So with respect to margins I think going forward we should be able to maintain historical margins on the PAT perspective. H1 obviously you will not be able to see this on back of the downturn in the sector.

Deepak Agarwal:

Yes, I understand that quarterly volatility it is too high in this sector. Thanks and all the best to the team

Moderator:

Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar:

Sir, a couple of questions I have. So first is on the inventory. We have got Rs. 860 crores of inventory, is this pertaining to NTPC and SJVN order?

Management:

Well, inventory is in two parts. One is CWIP which is the Capital Working In Progress because as you know how we recognize revenue is in two parts. One is when we supply the nacelle, blade and tower complete set and the second part is when we commission the turbine which is roughly Rs. 1.5 odd crores per megawatt. Now much of the MW 150 odd megawatts get to be commissioned is already CWIP. So to that extent this is infrastructure which is yet to be billed and which will be billed to customers on commissioning. That is one part.

The second part is we have got multiple substations also built across the country where we are going to carry out projects on an ongoing basis. Now none of those projects are being implemented at this point in time because of the downturn in the market where FIT base

market has been shut down. Now some of these sites will be used in PSU tenders; some of them may be used in the central or state auction tenders and some of them for sale to captive consumers.

A part of the inventory is towards the wind turbine components. So if I broadly put it we have got approximately about Rs. 400 crores of wind turbine inventory which includes steel plates, epoxy, balsa, blade sets, nacelles, hubs, generators, gearboxes, castings lying in system. And then we have about Rs. 400 crores which is towards the infrastructure which is being built out. Part of it will move to receivables and be collected over the next one to two quarters.

Mohit Kumar: Sir, given that order book is now 300 megawatts, how do we see the order book going forward for next three to four quarters?

Management: Is your question, how do we see the order book being build out or is your question how do we see the execution for this?

Mohit Kumar: How do you see the execution being built up over the next three to four quarters in these 300 megawatts? Will it get commissioned in this fiscal year or respected to it is spill below about to next FY19?

Management: It will not be commissioned in this financial year because it is linked to the PGCIL line and the PGCIL line itself is being commissioned between March to June 2018 and hence execution of these projects are going to start only from Q3 as we said October. Because none of these IPPs who we have tie up with want execution to happen today when the PGCIL line itself is being readied in March to June. So these projects will be commissioned post March. Execution for these projects and supply for these projects will start from October onwards.

Mohit Kumar: So the likelihood of the revenue recognition in these turbines in the orders will not be more than Rs. 30% to Rs. 40% in FY18. Am I right?

Management: Well, when you supply a turbine assuming it is a Rs. 6 crores price and obviously in this case the turbine prices are much higher because these consist of 113 meter rotor with 120 meter hub heights. But assuming a Rs. 6 crores thumb rule, roughly Rs. 4.5 crores come from supplies and Rs. 1.5 crores comes on commissioning. So to that extent Rs4.5 crores amounts to about 75% of revenues.

Moderator: Thank you. We have the next question from the line of Ila Singal from HSBC. Please go ahead.

Ila Singal: Inox Wind has been a cash rich company till last year. What is the current cash flow position and how do you see it panning out in the next two quarters when the EBITDA levels losses are expected to be reflected in the financial statements and I believe the bank limits are almost fully utilized?

Management: So if you look at the presentation, our present opening net debt in the company was about Rs. 779 crores. We have got enough cash balances in the company as of June which I with the ICDs and cash balances together would be in excess of Rs. 500 crores as of 30 June, 2017. So I think the company is in a very comfortable position with respect to fulfilling its commitments towards vendors or commitments towards financial institutions.

I am not sure where you pick up this information that all our limits are almost fully utilized. We have got over Rs. 500 crores of cash and we have got almost Rs. 1,000 crores of free limits in this company. So I am not sure where you have picked up some of your data points.

Moderator: Thank you. We have the next question from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: I joined the call a bit late. So excuse me if some of my questions may be answered already. The only point I want to understand is that for the receivables sitting in our books when exactly you expect them to be realized?

Management: You know honestly it is not a straight forward answer. We expect receivables to come down further over the next two quarters simply because we would continue to collect pending payments due on already commissioned projects and we would also see payments coming from the projects where the PPAs are signed but the respective discoms are disputing the same which leads to the banks stopping lending to IPPs. We have seen numerous articles published in newspapers about this in AP and Karnataka.

So while the money is due in many of these projects and many of these projects need to be implemented, the IPPs in turn are delaying these payments. We expect over the next one to two months a solution to come out on this because there is a lot of pressure going on the respective state governments not just from the manufacturers and the IPPs but now also the banking sector. In fact just two days ago it was front page news that the Indian Banking Association has written to all the states and the PMO and the central government that you need to resolve this issue otherwise all these IPPs will be in trouble.

So we have to that extent an exposure of about 100 odd megawatts in this but once this gets cleared we should be able to collect our pending payments in about two to three months. That is point number one. Point number two as I mentioned is we have got ongoing projects being executed across Gujarat where PPAs have been signed.

As you know, we have collected about Rs. 400 crores to Rs. 500 crores in Q1. We would expect to keep collecting from the commissioned projects and ongoing executed projects. To some extent given the peak monsoon and the flood situation in Gujarat the execution is a little offbeat at this point in time. But that is something which happens every year in peak monsoon in majority of these heavy monsoon states. So I think over the next one to two quarters our entire Gujarat backlog will be cleared and with respect to the 100 odd megawatts which we

have in AP and Karnataka. As soon as clarity emerges we believe over the next one to two months we should be well on track to collect those receivables.

Jigar Shah: So essentially you are trying to say that very significant portion of that is in Gujarat which is subject to the completion of the commissioning and then you will get that money. So overall probably by December quarter you should have all of those in in your bag?

Management: That is right.

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

Viral Shah: Sir, just to take this question forward on debtors, we said that we have 100 megawatts in Andhra Pradesh and Karnataka even assuming a Rs. 6 crores kind of NSR that would roughly amount to Rs. 500 crores to Rs. 600 crores of debtors there and we will still be with over Rs. 1,200 crores of debtors?

Management: That is right.

Viral Shah: So should we consider that all of that is related to Gujarat or even majority of that is related to Gujarat?

Management: Majority of that is related to Gujarat. We have got NTPC and SJVNL alone where we have still to collect a very substantial part which is something which is ongoing. We have got another key Gujarat project where the PPA has been signed which is being implemented. Unfortunately, we could not implement it in Q1 because given this whole AP, Karnataka mess while Gujarat was unconnected to that where PPAs are signed post the ERC approvals. As I said the banking system became so stringent they stopped disbursing loans to our IPPs. So even though the IPPs wanted to pay, they were not getting disbursements as a result of which you just get stuck. I think given some of the Gujarat projects over April, May, June have been commissioned and these were all PPAs which had been signed later and are being honored, enough confidence has gone on that.

So that is another 34 odd megawatts of project size which is being implementing at this point in time which we will collect. Besides that, collections of ongoing projects and commissioned is something which we are collecting.

Viral Shah: Another question sir, we were earlier also in talks with another winning IPP of SECI 1 for 250 megawatts. Where are we on that?

Management: I think at this point in time all I can say is that we have a 300 megawatts order book. There are ongoing discussions and whether we work with that IPP on the existing SECI 1 or whether we work with him on SECI 2 is something they need to decide. But clearly and hopefully between SECI 1 and 2 we will be working with that IPP.

Moderator: Thank you. We have the next question from the line of Nirav Vasa from B&K Securities. Please go ahead.

Nirav Vasa: Thanks for the opportunity. I just wanted to understand one thing. Based on your current assessment, once things normalize and as you have stated that the activity is expected to be normalized in the new auction regime what would be the Net Working Capital (NWC) days once the operations are fully stabilized under the new regime?

Management: Well, I think in that scenario we should be down to 90 days of net working capital.

Moderator: Thank you. We have the next question from the line of Saurabh Kumar Singh as an individual investor. Please go ahead.

Saurabh Kumar Singh: Now I understand that a lot of our current goals are a result of changes in government policies. Inox Wind is a very competitive producer in the Wind Turbine segment and I was wondering if the company is looking to expand to other countries to hedge against such risks? Because if again something like this happens in the future then what happens? So are we looking at expanding to some other countries or capturing market share in say United States or UK?

Management: First and foremost, thank you for your question. This is not something which gets repeated again and again. This is a structural change in the wind sector. We are moving from a FIT based regime to an auction based regime. It happens once in a lifetime I mean post auctions if there are some new techniques which comes out globally may be over the next 10 years so may be 10 years down the line we will have another shift over. But once you are on the auction regime there is no change over. Point number one.

Point number two, we see the market expanding very significantly under the auction regime. The Central Government itself is talking of at least 4 gigawatts of tenders and then we have got these 7-8 key windy states which will come up with their respective tenders. We are really looking at the market expanding to about 6 gigawatts to 7 gigawatts per annum in the next year or so. Of course, execution and implementation to that extent will kickstart from the day the market expands.

But we are really looking at 6 gigawatts to 7 gigawatts per annum market and I think given our cost competitiveness, our technology and our project site inventories; we are ideally placed to capture a much larger pie of the market than we already have. So at this point in time honestly I think there is so much work to be done going forward. We are not really looking at expanding to any other country beyond India. We may do small projects in neighboring countries of India but we are not really looking at anything significant beyond India.

Moderator: Thank you. We have the next question from the line of Dhavan Shah from K.R. Choksey. Please go ahead.

Dhavan Shah: Thank you sir for the opportunity. Firstly, just wanted to understand about the order visibility from the non windy states because some days ago there were some articles that SECI was coming out with 3,000 megawatt of auctions but there is some issues in the transmission lines not being ready. So they have delayed the overall auction for this 1,000 megawatt. So how do you see the traction for these overall non-windy states orders for the wind turbines?

Management: So first and foremost, these are SECI auctions which are now opened to windy and non-windy states. SECI was not taking out a 3 gigawatts tender in one go, They are taking out tenders in lots of 1-gigawatt each in a periodic manner such that they achieve 4 gigawatts of central auctions in a 12-month period. SECI Auction 1 was carried out in February; SECI auction 2 was supposed to happen in July which got delayed to August and we believe the technical bids have now already been submitted by all the parties and the reverse auction should get concluded within August / September.

The transmission line is supposed to be commissioned between March to June in Gujarat. What was happening was there were certain anomalies or teething issues with respect to the PGCIL approvals, the CERC interpretation and what MNRE assumed. So there were certain you know, rather than getting in to technicalities, there were certain approvals which are given to solar power developers which is something which MNRE thought will get implemented by PGCIL even in the wind case.

But that unfortunately required minor changes by CERC and I think for that certain petitions needed to be admitted. Those petitions have already been admitted and I think over the course of this month those anomalies will be corrected such that these teething issues will be resolved and going forward we will have routine central auctions on a periodic basis.

Dhavan Shah: So it could be around 4 gigawatts to 5 gigawatts per year that could be the size, right?

Management: Central Government has spoken 4 gigawatts per annum of central auctions. And then you will have respective states coming out with their auctions such as Gujarat and Tamil Nadu who have come up with 500 megawatts each.

Dhavan Shah: Right, now there are some southern states they want to reduce the overall tariff what they have signed two years prior from now. So how do you see the overall scenarios because now the solar is much competitive and the government also planning to impose the anti-dumping on the casting for wind turbines for the Chinese product. So how do you see the overall traction in terms of the wind tariff in two, three years?

Management: Multiple questions. I am not sure what you meant by they are trying to renegotiate PPAs which was signed two or three years ago because I am not aware of that. What the government is doing at this point in time, if you are referring to that, Andhra Pradesh had signed PPAs at Rs4.80/unit with a given clause in the PPA that ERC may reduce it to Rs4.30/unit and that is what ERC is requesting for. With respect to other signed approved PPAs of Karnataka I think

that is an ongoing battle between the state and the ERC which is getting resolved and the Central Government has also issued certain directions. So that is with respect to the recently signed PPAs. I am not aware of any wind PPA which has been signed in the past which is being renegotiated.

With respect to anti-dumping Duty of castings, we have already had additional duty and CVD being implemented on castings in the past 1 to 2 years. The cost of that is about Rs. 7 lakhs to Rs. 8 lakhs per turbine. So I think to that extent that is not something significant which is going to change anything.

Having said that I think we already know there is an antidumping duty which is going to be implemented on solar panels and there is a 5% GST which is being implemented on solar panels such that cost of solar panels is now going up almost Rs. 40 lakhs to Rs. 60 lakhs per megawatt which is significant. So we are actually going to be seeing solar prices going up by 20 to 30 paise going forward. Also what is happening is China panel prices are not reducing. People had bidden out various projects assuming \$0.30 will go down to \$0.26 or \$0.27 whereas panel prices are still at about \$0.29 to \$0.31. So that is what is happening on the solar side.

Having said that I think we are really not fighting between wind versus solar because whether wind is at Rs. 3 or Rs. 3.20 and solar at Rs. 2.70 or Rs. 3.10 it is really wind and solar versus thermal power today. And I think there is no new investment happening on the thermal side barring certain PSU projects by NTPC and so on and so forth. You do not see any new private sector investment happening on the thermal side. It is only investments in wind and solar and honestly if you are supplying power at Rs. 2.80 per unit fixed tariff for 25 years, States are extremely happy to buy power in that range. So it is not really now a question of how do we see wind versus solar. It is really how we see renewables versus thermal power.

Moderator: Thank you. We have the next question from the line of Pawan Parakh from BOB Capital Markets. Please go ahead.

Pawan Parakh: So maybe this is kind of a repeat but one thing which I failed to understand is that you said we have got about 150 megawatts of projects under commissioning across three states; Gujarat, AP and Karnataka. Assuming not even a single rupee is realized out here and considering Rs. 6 crores per megawatt that is like about Rs. 900 crores to Rs. 1,000 crores. But we have receivables of more than Rs. 1,900 crores. So how do you explain the difference?

Management: Yes, so we have AP and Karnataka alone amount for Rs. 600 odd crores where we have 100 odd megawatts and these are newer turbine so it is slightly more but assume it is Rs. 600 crores. We have got NTPC and SGVNL projects which are still being implemented and where majority of the collections are yet to come in, we have received about 40% to 50% of the collections in those projects. But those alone put together were about Rs. 700 crores of projects. So we have about Rs. 350 crores to Rs. 400 crores to get on those projects.

We have got another 34 megawatts of Gujarat project which is being implemented at this point in time where the banks have held back disbursement in spite of the PPA being signed which has now been resolved. That is almost Rs. 200 odd and then we have got routine collections which need to come in for all the commission projects. As you may know in any year when you commissioned the projects you have got 10% to 20% held up for punch points, stabilization, and performance tests and so on and so forth.

And all of that does not come to an end within one to two months because all these IPPs also take certain amount of time to pay the last 10% to 20%. And that is exactly what we are collecting. So if you add that up on the 656MW of execution which we did in the past year that we have about Rs. 400 odd crores still to collect on already commissioned turbines.

Moderator: Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, can you just tell me the impact of the antidumping duty on the cost of the wind turbine in per megawatt terms?

Management: The impacts would be close to 3 lakhs to 4 lakhs per megawatt.

Mohit Kumar: And sir, my second question is regarding the must-run status which we as per the press report there is a case where the Madhya Pradesh had taken the must-run status. My question is whether they can take it? I thought it was granted by the CE and the Ministry of Power?

Management: The problem is majority of the times people simply read what the press states without getting into the details of that. And the press picks up any headline news and anything which is negative is the first thing which the press publishes. This is true that MPERC has proposed to take away Must Run status for wind turbines vide its draft seventh amendment in cogeneration and generation from RE sources regulation 2010, notified in July 17. This is a draft and subject to public comments and hearing. Given the fact that Indian Electricity Grid Code, 2010 also mandates must run status for wind turbines. The MNREs recent draft guidelines in April 17 for procurement of wind power by DISCOMs through competitive bidding also stipulates the must run status for wind power generators, hence it is unlikely that MP will be able to take it away

Moderator: Thank you. We have the next question from the line of Jay Balaji from Jay Balaji Securities Private Limited. Please go ahead.

Jay Balaji: I am a shareholder in your company. It is my request to you that the company considers giving details of the ongoing projects on your web site. This is my first request. The second question from my side is if you can please share your thoughts on renewable vs non renewable energy debate. Also, is demand really there for renewable energy and do you think coal based plants would be closed in the future?

Management: We will consider your suggestions. Coming to question of demand, currently 82% of our country's energy is produced from fossil fuel and only 18% is from renewables. So that leaves a huge market for renewable sources of energy to fill. Whether it is going to be 4GW or 6GW or 10GW, I leave it up to you to make that judgment. The main thing to keep in mind is that if we are able to produce cheaper power than the source which is currently generating ~80% of our requirements then sky is the limit as far as the market demand is concerned.

Jay Balaji: One more thing and do correct me if I am wrong, in solar you need battery to store the energy. In wind when we produce power you have to transmit the same through Power Grid Corporation? Please give your views on the same.

Management: Irrespective of the fact whether energy is produced from wind or solar, the storage technologies have not evolved to that extent that you can have industrial level usage of storage in the grid. That technical evolution has not happened as of today. Also, irrespective of how you create electricity, i.e. wind, solar, thermal, hydro etc, you would still need a transmission line to take the power produced from x point to y point.

Jay Balaji: So what we are seeing Lithium iron battery, Tesla company is also launching.

Management: That technology is in very exploratory stages test products are. Large scale commercial application of this product is not yet happened. For very limited home usage.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Puneet Garg for closing comments. Thank you and over to you, sir.

Puneet Garg: On behalf of Axis Capital we would like to thank the management of Inox Wind to give us the opportunity to host the call. And also all the participants to join in. Before we close I would like to handover the call to Mr. Devansh and Mr. Asher for any closing comments.

Deepak Asher: Thanks all for your participation.

Devansh Jain: Thank you for your participation. As we had expected Q1 is a period of a temporary downturn in the Indian market. We expect this to last over the next one more quarter and we expect ordering to pick up over Q3 in a significant manner with execution getting a boost from Q4 onwards. We are very gung-ho about the fact that there is a SECI-2 auction already in the public domain and the fact that Gujarat and Tamil Nadu have come out with their respective auctions.

While H1FY18 is a period of uncertainty we believe from H2 onwards it is only going to get brighter for the sector. With a lot of the inbuilt problems of this sector including elongated working capital cycle, PPA risks, lopsided working capital due to majority execution happening in Q3, Q4 being taken away going forward this is a win-win not only for us but also

for IPPs as well as banks and we really look forward to FY19 being a year of tremendous growth. Thank you for your time and thank you for having invested in our company.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.