



“Suzlon Energy Limited Q1FY19 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Suzlon Energy Limited Q1FY19 Earning Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tulsi Tanti. Thank you and over to you sir.

**Tulsi Tanti:** Thank you very much. So, very good morning to all and thank you for joining us on our Q1 FY'19 Earning Announcement. Present with me during this call are J.P. Chalasani – our Group CEO; Kirti Vagadia – our Group CFO and our Investor Relations Team.

I hope you had an opportunity to review our result and investor presentations. I will share with you our overview of the industries and my team will walk through our Q1 FY19 performance, we will then take your questions.

The bidding regulations continue to evolve addressing all initial teething issue it faces. This will enable to streamline the future auctions as well as its execution. As you know, central government has already completed the successful bidding of 7,500 MW, this is also resulting into elongation of the transition period, impacting FY19 volume which might shift to the FY20. I wish to reiterate that the government thrust on renewable energy and wind specifically remain intact. The government has very ambitious plan and currently our whole future energy portfolio is dependent on renewables only. This will also reflect in the revised renewable energy target; 227 GW by 2022 from the earlier 175 GW. It shows very clearly the government is more interested to continue in more and more renewable because the gestation period is very low, extremely cost-competitive energy bringing energy securities and mitigating the climate risk. So, in all aspects government is really seriously looking for. But unfortunately, on execution side, and the new systems which is established by the central government, it is taking some more time to stabilize and synchronize with all the stakeholders. But the good news is that by last month most of the connectivity issues and everything, I think the government has resolved and now the streamlining is happening but still it is on a ground, some challenges still remain between state and central. So, going forward it will be also stabilized. Further, government has also announced the target of 30 GW of offshore. Good interest in traction has started based on first one GW announcement almost 30 investors has participated in that investment opportunity and the non-compliance for the offshore is 30 GW will give the good visibility to establish this amount of infrastructure and manufacturing capacity in the country.

We are also seeing a positive policy action in other emerging areas like wind-solar hybrid and the repowering and wind-solar hybrid almost more than 4,500, the bids are in the pipeline, so there is a clear action has started. That is the more future for the country to stabilize the grid

systems, wind and solar will come more and more projects. Wind-solar hybrid is gaining traction here, around 5 GW of bids are already in the pipeline. Till now the 7,500 MW bids are already executed and additionally almost by current financial year is 14,000 MW bids are in the pipeline only for the wind and some of the bids are wind-solar, the hybrid. So, by this financial year, the total backlog of the order pipeline of the country will be not less than 20 GW and so we strongly believe because of that, next 2-4 years after FY'19 the 20 GW will be the clear execution pipeline. Top of that, there is another market is there but this central bidding systems will bring the 20 GW business for the next two years.

Suzlon is one of the few players having demonstrated turnkey capabilities of the both wind and solar giving us the competitive edge and as you know we are end-to-end solution provider last 22-years, so we have a very good competitive edge to capture this growth and opportunity on execution side. Under the new bidding regime, the long-term outlook for India wind sector is extremely positive with the exceptional volume growth expected in the next two to three years.

Apart from the auctions, the country has a very active market for the captive and PSU segment that continue to grow every year. Top of that, repowering market for the next two to three years is not less than 5,000 MW. The Suzlon has a very strong presence in this segment and are the best positions to capitalize on this opportunity as well. Thus, there are a lot of growth opportunity available in Indian market and Suzlon being the market leader, will be obviously the beneficiary.

On the technology side, we will continue our R&D effort to focus on developing products with higher energy yield. As you know, we have already achieved +40% PLF performance on the ground and continuously reducing levelized cost of energy and to maintaining our cost competitiveness so that we remain the competitive in the bidding process and to maintain our margin and the profitability.

So, I now invite my team to take through our Q1 FY'19 performance. JPC.

**J P Chalasani:**

Thank you, Tulsi bhai. Good morning to each one of you. In Q1 of this fiscal year, it is typically the low volume quarter; we delivered 155 MW in volume and commissioned 99 MW. Last year bulk of the auctions and order book build up happened in the second half. The first half of this year was anyway expected to be subdued. Our FY'19 revenue guidance comprised of predominantly auction-based orders, few state PPA-based orders and captive and PSU segment orders. Delay in connectivity approvals for the auction project, mainly the central auction projects, have elongated the execution schedule. Thus, some of the volumes that were budgeted to be delivered in this financial year would get delivered in the next fiscal year. Volumes from state PPA-based orders will depend upon timely regulatory approval. If the approvals are received on time, large parts of the orders will be executed in the current year itself and we will still be able to achieve our guidance, else part of these volumes will also be shifted next year. Volumes from captive and PSU segment which is one of our key areas, continues to remain on track. In light of the above uncertainties, we have decided to withdraw our operational guidance while we maintain our guidance we give out to the debt reduction.

On the bright side, the connectivity issues relating to the auction projects is now resolved, this was one of the major bottlenecks delaying the projects. CERC have released a detail process for granting connectivity and streamline the process. We are happy to announce that all the four auctions have now been cleared for connectivity. This will pave the way for a smooth execution for auctions as such. There is a very visibility in the bidding volumes as mentioned by Tulsi bhai in the industry and industry is poised for a strong growth potential. Around 21 GW of auction is expected to be completed by FY'19, and as announced by the government from time-to-time, of this 7.5 GW is already concluded in the last year while more than 10 GW is announced with deadline. Assuming full 18 months for execution, these capacities has to be commissioned before FY'21. Apart from this, there will be state bids, captive and PSU segment. While due to longer execution scheduled, FY'19 we see lower volumes but we expect there will be a clear ramp up in FY'20 and FY'21.

We are happy to note that we continue to maintain our leadership in auction regime in garnering maximum orders win share. Of the 7.5 GW auction till date, we bagged orders of 1.4 GW; however, still around 20% of the 7.5 GW capacity is open in the market, for which we are also under discussions with the clients. While we are having the largest volume share in the bidding, our focus is more on the quality of the order book rather than market share numbers as we mentioned earlier as well. Of 1.4 GW orders won by us, all are from top quality customers including large domestic and international utilities. Substantially, all of the orders are a result of strong pre-bid tie up and on a full turnkey basis which is our key strength. We are not only ahead in taking orders, but also ahead in execution.

We are happy to note that we have made significant progress under SECI-1 and have started executing SECI-2 projects. Our operational and maintenance business continues to grow in a size with around 15 GW of renewable capacity under maintenance, including 12 GW from India alone. We are the second largest O&M company and will continue to be so in the Indian power sector, next only to NTPC. We have a strong order backlog of 1135 MW plus the framework orders of 700 MW plus. Debt reduction, cost optimization and working capital optimization will remain our top priority like in FY'18 and FY'19 as well.

I would now like to invite Kirti to take you through the detail aspects of our financial performance before we get onto the Q&A. Kirti?

**Kirti Vagadia:**

Thank you, J P C, and good morning to all of you. During Q1 of FY'19, we delivered about 155 MW of wind capacity contributing to overall revenue of Rs.1,272 crores. Q1 FY'19 is neither comparable with Q1 FY'18, which was an exceptional due to execution of last leg of FIT orders, so it was a high-volume quarter nor with Q4 of FY'18 which is generally high-volume quarter. So, once you compare QoQ or YoY, both way Q1 FY'19 might not be equally comparable because in both the places there are different things. Our EBITDA margin pre-FOREX is at 6.1% was impacted primarily due to low operating leverage. You may notice that we continue to keep tighter control over our fixed cost. Operation and maintenance revenues continue to remain stable at Rs.457 crores in this quarter. Our financial performance was impacted by Rs.254 crores

FOREX loss which is purely translational in nature and non-cash. This is primarily due to impact of steep depreciation of Indian rupee against the dollar. As you know that our FCCB and SBLC backed loan both are denominated in dollar. While our net working capital is further reduced to Rs.2,401 crores, it continues to remain high due to ongoing transition phase. We firmly believe that the working capital in the auction regime will be significantly optimized, likewise for our working capital debt also. Our term debt excluding FCCB stand at Rs.7,136 crores, higher by Rs.169 crores vis-à-vis last quarter despite the fact that we have actually repaid debt worth Rs.150 crores, the increase is purely due to currency impact. Our repayment schedule is back-ended with only 35% of gross term debt payable over the next four years while 65% is payable in FY'23 and beyond, allowing the required headroom for the operations to grow. In FY'19, we continue to remain committed to our target of reducing debt by 30-40% through combination of asset monetization and operational cash flow. Thank you, all. We open floor for questions please.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** First of all, if you can help me understand what is the progress on the O&M business, the revenue has not grown as much as you would have thought, some insights on this would be helpful?

**J.P. Chalasani:** Our O&M business is completely about the turbines what we have commissioned. So, whatever the turbines we have commissioned last year, to that extent it keeps growing the business. As we said that we are at around 12 GW in India and 15 GW in the overall area wise earlier. Our margins in the O&M business is like an annuity business, would remain at the same level or slightly increasing, based on the efficiencies what it is bringing in on in terms of percentages. I think we will continue to do that. In fact, the first quarter the performance has been significantly good.

**Puneet Gulati:** Revenue is flat YoY. Is it not?

**Kirti Vagadia:** In Q1 last year, one international subsidiary revenue was added, and you are aware that we discontinued operations in one of our subsidiaries and that is why those revenue is not getting reflected in Q1 FY'19. So, that is the primary difference and that is why it is not comparable.

**Puneet Gulati:** Which is why probably the EBIT is higher, but revenues have not grown?

**Kirti Vagadia:** Correct.

**Puneet Gulati:** Secondly, just a bit on the gross margin side. While there is no solar revenue being recognized in this quarter, yet the gross margin is actually lower on YoY basis. Any insights on that? ASP also if I will just divide, your wind turbine revenue by what is delivered 155, I get Rs.5 crores per MW number which is lower than the earlier quarters, so some insights on these would be helpful?

**Kirti Vagadia:** Let me take the second question first that, 155 MW whatever we have delivered, the revenue has two parts; one is turbine supply, and another is BoP. So, BoP, the execution part has been lower, and that is why you see the difference. So, the simple division of revenue by this megawatt may not clearly reflect the selling price, that is what I just wanted to highlight. So, far as margin is concerned, margin on WTG is intact as compared to what we have guided, so there is no change. Solar revenue is not there, and some margin is not there due to solar. But on overall basis, we believe that margin on wind turbine business continue to be in line with what we have guided.

**Puneet Gulati:** So, while you have withdrawn your operational guidance, in terms of gross margin perspective, that would not have changed at all?

**Kirti Vagadia:** That is correct.

**Puneet Gulati:** Any thoughts on why not give a revised guidance, maybe lower in the light of industry's transition, why withdraw it altogether?

**J.P. Chalasani:** That is because at the stage where we are in while we are talking today on the 6<sup>th</sup> of August, there are still certain issues which are getting crystallized. As you know that in the July beginning, just after the SECI-5 bids have called in, in fact the next two days, with the connectivity for the entire 4,000 MW SECI have been granted. Now as you are aware, wherever the connectivity is granted, power grid also has to enhance the capacity in some places. Those schedules are being worked out. So, therefore the clients will try to match with their schedule with respect to the power grid connectivity because as an EPC contractor, we do not take any risk towards the delay in power grid substation, they are ascertaining that. So, therefore once they complete and ascertain for SECI-3 and SECI-4 while the connectivity is granted, when does the capacity would get ready, I mean, how the Power Grid capacity would get ready, they will finalize the exact schedule for us. So, that is when we would know. Part 2, which is also we mentioned is that in case of Andhra Pradesh, there we have significant capacity. There were some regulatory developments during this quarter from last time when we spoke to now. We have been asked to submit application on the Sec.62 for respective tariff fixation which we had done now. The regulator has said that he will give an order and we will hence go by the CERC regulation which order has come just the two weeks back. So, therefore, now he will look at our applications and he has to give approval under Sec.62 for project specific tariff. Obviously, our assumption is that when we talk next time, we would have more clarity on exactly by the time it has come or it is likely to come the regulatory approval, would decide how much capacity we will do because there are a couple of issues are still under resolving, so therefore we thought there is no point in giving guidance again and keep revising it. That is the basic reason.

**Puneet Gulati:** But I guess all these issues were still there around May when you gave that guidance, so I am wondering what has really changed in 2-3-months' time?

**J.P. Chalasani:** Two things happened. When we discussed in the last quarter, we gave this guidance, it was expected that the power grid connectivity become much faster than what it came finally around July 10th. Secondly, wherever given the connectivity, which they gave 220 kV level, there is

some capacity enhancement required. We do not take the risk with respect to Power Grid and clients would like to ascertain completely exactly when it is coming, they will give it, that was not there last time. A.P. regulatory commission orders which I mentioned was the developments post what we gave our guidance. These are basically the subsequent developments happened and which are there today.

**Kirti Vagadia:** I just wanted to add one thing that whatever we have estimated as a revenue, nothing is getting lost. Due to execution delays, part of the revenue, might shift from FY'19 to FY'20.

**Puneet Gulati:** So, basically FY'19 could still be weak which essentially means your free cash flows would be lesser, but you maintain your debt reduction target, so is there any progress on the asset monetization program here?

**Kirti Vagadia:** Asset monetization program is on track and we are committed to deliver that in this financial year and we are making significant progress on whatever we have planned in each of the assets.

**Puneet Gulati:** Can you just refresh the plan again?

**Kirti Vagadia:** I think we have not given the details of the plan due to commercial sensitivity, that is why I am sorry, but I will not be able to elaborate the details of that

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

**Mohit Kumar:** Sir, my questions pertain to given the fact is transmission evacuation constraints keeps coming up, does it mean SECI-5, 6, 7 and 8 will essentially be delayed? Also, the various auction which you were saying like solar hybrid and all those is also delayed means that FY19 is 3GW as per your new projection in FY'20 could again be the lower estimate? I understand the 7.5 GW has been auctioned but out of 7.5 GW another 500 MW I think Maharashtra has not been awarded besides Gujarat, new bid has been canceled and SECI-5 has been canceled. So, how do you see going forward the auction pipeline materialize over the next 8-9-months?

**J.P. Chalasani:** On the transmission which you said, I will slightly modify your statement while I agree transmission is the one which is delayed recently. It is not the lack of evacuation facility, I feel it is a lack of coordination between the bidding and making the transmission capacity available on this. Initial few biddings when it happened you are seeing that the SECI was going ahead with the bidding and there was not much of coordination between SECI and the Power Grid, also because there were no clear guidelines with respect to the connectivity, etc., If you have seen it now from the SECI-5 onwards, the SECI started giving guidance with respect to the capacity available at various substations. Though that is the guidance, there could be more substations coming on this but there is a guidance. Now the coordination between the SECI and the Power Grid has started. At least in my prior discussions with the Power Grid and the Ministry of Power in other places, it is very clear that there is capacity, there are substations but you need an augmentational substation capacity, they are very clear with the current schedule of 21 months

from the LoA, they can easily set up this capacity provided they are told upfront and earlier that was not happening because the connectivity process was not there, now we know that. So, therefore, I think it is more of a lack of the coordination than the lack of the transmission capacity which has actually caused this problem. As Tulsi bhai mentioned in his opening comments, those things are now behind us, there is better coordination between SECI and Power Grid. I expect that these things would happen now that we will do on this. If you see the SECI-5 bidding happen to be just a day before the connectivity were granted, I think SECI-5 had happened post those two days of connectivity where all the four rounds of SECI have been granted connectivities, I think that would have been different. Now SECI-5 is from that angle canceled but if you take SECI-6 was there, they renamed SECI-5 and then put it as 1200 MW and the bid is due on 24<sup>th</sup> of August. These are the teething troubles what we are going through and it is good that we are facing these issues upfront and getting resolved. So, therefore, we think, that the Indian power sector issues keep cropping up as seen for the last 3.5-decades, I think we will also resolve that. So, therefore that from angle, with the current situation, we reasonably believe there could be some delays but not the capacity going away anyway of what we are talking about.

**Mohit Kumar:**

Sir, you have not guided for FY19 numbers given the fact that you have only 1.1 GW of order as it stands today and if out of 1.1 GW I think if you can execute maximum 500, 600 MW in this financial year and you will need another 400-500 MW to breakeven. So, the issue of debt repayment which may come up in FY' 19, can you please elaborate on that?

**J.P. Chalasani:**

As we said, 1135 MW is an unexecuted order after what we executed in Q1. So, therefore that 155 MW is not included in the 1135 MW. Second, this does not include the 760 MW where the PPA has been approved, it is waiting for the Sec.62 the tariff fixation by the regulatory commission. So, effectively, if you add these two, there is 1900 MW which is available in hand which is what we also thought of the execution this year and next year which is definitely there. On top of it, as I mentioned in my comments, in the 7.5 GW what is already awarded, 20% of that capacity, the clients are still to decide who is the EPC service provider which is roughly about 1400, 1500 MW. We are in advanced discussions with some of the clients and we do expect some success to happen there. Therefore, we are expected to increase our volumes in the already awarded projects, that will get added to this 1900 MW, 2000 MW what we have in hand. Part-2 which normally happens gradually over the year, it does not happen right in the beginning, in fact, last year we booked 250 MW of captive but that captive orders keep happening till December for execution by March. So, while we keep moving, the captive orders would keep coming in significantly. Third, if you look at whatever the orders bidding announced as on date with the clear timeline, even some of them moved a few weeks here and there and once those orders get finalized, till now our track record has seen as we said that the leader is bagging the EPC from this auction bid. So, therefore, we are reasonably confident based on the track record that whatever capacity gets awarded, while we are expecting that the bidding is substantial this year. So, I think we will close with the good order backlog this year and the current year is what we already guided you.

**Tulsi Tanti:**

Plus, we can add, Gujarat bid will come in this month.



- J.P. Chalasani:** Yes, in the states, at least, Gujarat is likely to happen as per our information, they are already with the regulatory commission for revised bidding guidelines approval.
- Mohit Kumar:** Sir, is there any timeline looking for asset demonetization. Maybe can we expect in the next quarter or is it likely to happen by end of FY' 19?
- Kirti Vagadia:** I think part would happen in Q3.
- Moderator:** Thank you. We will take the next question from the line of Dhavan Shah from KR Choksey. Please go ahead.
- Dhavan Shah:** I have a few questions; firstly, about the guidance. What you highlighted around 3,000 MW commissioning for the entire industry, so assuming that the market share will remain at the same level, so is it fair to assume will we commission around 800-1000 MW this fiscal because I think the order backlog is the main concern and we also discussed in last quarter about A.P., that ratification is still pending, so what is the status over there and how can we improve the order backlog, because there is a concern in terms of the order backlog, so even though I think we can commission around 800-1000 MW based on the market share what we are having but since it is based on the current backlog, maybe we can end up the execution or commissioning number as we did in FY18 that it implies. So, can you please elaborate more on this?
- J.P. Chalasani:** On the commissioning side, our commissioning capacity would have been substantially higher than the 99 MW what we gave because 250 MW of the SECI-1 order which we are executing in Tamil Nadu is ready for commissioning. Only thing which is pending there is the power grid substation connectivity. Because the approval for that came only in July, thereafter the process starts for timing your bay agreement and connectivity agreement, then you get the interconnectivity equipment drawing approvals, then we place the order, get that equipment and then do the connectivity. In fact, here we took an advance action of talking to Power Grid pending the connectivity, we took that risk and went on and placed the order for interconnectivity equipment, which is our responsibility, but now the drawing approach is happening, thereafter the power grid inspection and various things. So, therefore, that capacity would definitely get commissioned in September and October, 250 MW which is not part of this 1135 MW, which is the pending delivery order on this, plus there are some SIA orders which we supplied already, they are at site, waiting for the leveling and the foundations to be done by the clients, so, that capacity will also get added. Plus this 155 MW what is supplied in this Q1 would also get commissioned. So, therefore, commissioning wise you cannot look at what is balance order book because there is substantial amount of what happened at site and ready for commissioning. So, the commissioning one would be higher. As far as the A.P. is concerned, as Kirti has clearly mentioned, what we are talking about and whatever we said will happen in this financial year, these are based on our clear order, it is not that our guidance you are getting changed because we could not get the orders, these are all firm orders including the A.P., but because of some of these reasons for connectivity or the regulatory approvals, currently, we are not able to envisage what is the timeline, so therefore they are moving from FY19 to FY20, but there is no reduction

in the guidance whatever we gave it on this, may be whatever is supposed to be in Q4 is actually moving to Q1 of the next year.

**Dhavan Shah:** So, is it fair to assume that may be FY20 we can execute or commission between 2500 to 2800 MW worth of contracts?

**J.P. Chalasani:** I would not like to comment, but I would only like to comment that we are maintaining our market leadership in terms of the commission capacity and like whole of last year was 35%, and even in the Q1 we maintained our leadership and we will continue to maintain leadership on this. As we talked, we talked about what the country is likely to do, so therefore if the market is going to be so much then being a market leader, it is obviously you can easily assume that what numbers we would be doing.

**Dhavan Shah:** One more question is about the WTG EBITDA performance. So, based on the commentary because of the poor execution, the EBITDA was in loss. So, if I look at the EBITDA loss even excluding the FOREX impact, so it is around Rs.75 crores for Q1 FY'19 vis-à-vis if I look at Q2 FY'18 numbers, the execution was around 100 MW but still EBITDA loss excluding FOREX was around Rs.12 crores. So, why the EBITDA loss has increased for WTG segment?

**Kirti Vagadia:** Q2 last year was definitely some of the PPA-based order we have executed and that is why there was exceptionally high number, but basically this business is something where if you try to compare on a quarter-to-quarter basis, there will be always some exception on quarterly basis. This quarter, I would simply explain that if you take the fixed cost and compare with the volume of even Q1 of last year, the delta due to negative operating leverage you are getting is 11%. Had my volume been higher and comparable to Q1 of last year probably you might be seeing EBITDA of 17%, 18%-odd.

**J.P. Chalasani:** I think it is completely out of the fixed cost, the operating expenses what is coming, if you just normalize for that, the EBITDA levels are whether you compare on year-on-year basis or quarter-on-quarter basis, they are at the same level or slightly better.

**Dhavan Shah:** One more question is about the debt repayment. So, the FCF is negative because of poor operating leverage and we are on the track in terms of the asset monetization and FCCB is going to mature also in the next year. So, what is our plan – are we going to repay our borrowing in terms of the FOREX debt or how are we going to repay the overall leverage in the coming years?

**Kirti Vagadia:** FCCB is part of our plan for debt repayment, that is number 1. Number2, so far as overall debt reduction is concerned, the sharing pattern is always decided by the lender that in the ratio of their exposure, so there will be some part payment of rupee debt and some part payment of FOREX debt.

**Dhavan Shah:** Because I think FCCB are unsecured ones. So, is there any possibility that the secured creditors will demand to repay their money first?

**Kirti Vagadia:** We are confident that in the overall interest of all the stakeholders, bankers will take a practical view.

**Moderator:** Thank you. We take the next question from the line of Harshit Kapadia from Elara Capital. Please go ahead.

**Harshit Kapadia:** Just to delve more on this EBITDA number, would you be able to say that you will still be able to make double digit margin for the full year despite you may be executing lower than what you had estimated because of the connectivity issues and the state regulatory approvals delay has happened?

**J.P. Chalasani:** I think fundamentally we did not revise our guidance at this stage, so therefore you are asking the same question. Kirti, please go ahead.

**Kirti Vagadia:** Basically it is our intent to maintain double-digit, but as JPC said that we do not want to give any revised guidance at this stage, basically let us wait and watch, but we are confident that we will be able to cross double-digit.

**Harshit Kapadia:** So, you mentioned that around 3 GW of execution you are looking for industry. If you can just break up from your side, in SECI-1, 2 and will SECI-3 also be part of this year execution somewhere and how much would you be able to do from captive side?

**J.P. Chalasani:** The SECI-3 commissioning schedule as per the PPA itself is somewhere in November. We are now talking about COD, commissioning, we are not talking about supply. So, therefore I believe that is what the question, because we are talking about 3,000 MW. SECI-3 would not come in here, our SECI-2 the PPA date is May, SECI-1 would happen, I really do not know if there are slippages or some other part, SECI-1 will definitely happen, some part of SECI-2 should happen and the state bidding whatever has already concluded, some of those things will happen and the captive segment is one which would happen. Also there are the carry forward things coming from the Q4 of the last year, supplies are made and the erections have started, those things commissioning also would happen now. So, that is how we gave our guidance of 3,000 MW, and we reduced from 4,500 MW to 3,000 MW because of some of these delays in the state bidding and the central bidding, especially with respect to the connectivity delay.

**Harshit Kapadia:** On the offshore wind, would you be able to give kind of the cost per megawatt that you are looking at, what is it right now coming for?

**J.P. Chalasani:** I think it is too early stage to talk about that right now, as you know that expression of interest has come in, and we have participated in that. Because these are offshore, so these are the projects specific costing would happen here and unlike onshore wind only because the location-specific marine costs are higher, those details once the government provides and then we with our partners will look at those details and that is when actually we should be able to comment about what is the likely cost of offshore in India, it is little premature at this stage.

**Moderator:** Thank you. We take the next question from the line of Nikhil Vaishnav from VD Investments. Please go ahead.

**Nikhil Vaishnav:** I would like to know what CAPEX do you see for FY'19?

**Kirti Vagadia:** Generally, we do not require any CAPEX for capacity addition per se, because we are having adequate manufacturing capacity. The CAPEX of company is primarily on two factors: One is maintenance CAPEX in mold and all those things, and the second is R&D CAPEX what we have and we believe that annually something around Rs.300 crores should be sufficient.

**Nikhil Vaishnav:** Secondly, PTC commission taken place, so when it has taken place and what revenue you will receive from this?

**J.P. Chalasani:** USA PTC, what we had done is we have done the safe harbor. It is likely warehousing of a small quantity of project capacity, if we do in FY17 which would give us 100% PTC, but the projects should be executed before 2020. So, therefore right now we are in the stage of developing the projects which will happen over the next couple of years, you will start seeing revenues from may be FY20 and FY21 for the safe harbor-I and we have also done the safe harbor for the year-two which has an 80% PTC which would have an year extra available for us to commission this one.

**Moderator:** Thank you. We take the next question from the line of Abhik Puran from POR Investment. Please go ahead.

**Abhik Puran:** So, if the industry volumes are 3 GW and 8 GW for '19 and '20, so that is total of 11 GW, how much do you think your company will get as a share of that 11 GW?

**J.P. Chalasani:** If you look at the last two years, we have been at 32% and 35% of the market share and that is our track record and right now in winning the orders we are maintaining the leadership, we are not giving guidance for the next two years, but it is reasonable to assume that sort of market share and these capacities what we will be able to do it.

**Abhik Puran:** In terms of the next few I guess a lot of moving parts on your order book, Andhra Pradesh, one and I guess the next few SECI-5 bid, let us say, when it happens an auction, when we you expect to kind of know either way on Andhra Pradesh execution -- will we know that in the next month or so?

**J.P. Chalasani:** On the first one on the 1135 MW what we have, 90% of that order book today is a confirmed order, and also for each of these orders, our counterparties are very strong as we mentioned, like they are international utility. Therefore, we do not see any risk of them not executing the project, it is only a question of talking about timelines moving because of connectivity. So, there is no moving part with respect to the 1,135 MW what we have in hand except for a bit of a timeline here and there. As far as the Andhra Pradesh is concerned, it was actually held up, because there was one order which we are supposed deliver the order, it is called OP-5, which is with regard

to the AP regulations, whether it is restricting the regulations, or those regulations will continue till August 2018 or whatever is the timeline was available. That order came just in the couple of weeks back where we said that these regulations do not exist, but I will go ahead and still approve the projects on the cost-plus basis based on the CERC regulation, that has now come. Also, as we said that, they asked us to formally file an application under Sec.62, because now we are filing Sec.62 considering the CERC regulations, not the APERC regulations, so we revised the application and filed for the entire 760 MW, Sec.62 petition and they will go through the normal process, but in the regulatory process as much as I am aware, you are aware, you really cannot fix exact timeline, but it is reasonable to expect that in the 60 to 90 days the order should come because we have already submitted the petition for clarification.

**Abhik Puran:** You mentioned that the connectivity approvals came one day after the SECI-5 bid happened. So, do you have a date on when the next round of auctions will happen?

**J.P. Chalasani:** The SECI-6 which is now they are calling as SECI-5, which they have already announced that the 1,200 MW, in fact before that 1,200 MW bid of NTPC is due today as we speak 6th of August, and the next 1,200 MW which is SECI-5, they are calling it as SECI-6 to SECI-5, whichever way you call it as next round of SECI bidding, let me take it that way, having getting into 5 or 6 and things like that, the date has come as 24th of August, so that is the idea. One of the requests which industry players have been telling SECI is to keep at least certain time gap between the two rounds of bidding or at least till the reverse auction happens because you bid based on a site specific thing, so those sites get locked up till the order is finalized, so therefore you would not be able to offer that site in the next bidding. So, that is the reason I think NTPC is being 6<sup>th</sup>, they put this one on 24th, so before that, the NTPC reverse auction will happen, that is why you see the time gap between NTPC and the next SECI bidding.

**Abhik Puran:** So, for this NTPC auction, do you have pre-bid tie-ups in place?

**J.P. Chalasani:** I do not want to talk about NTPC per se because the bidding is happening today, all the orders of 1,400 MW in the bidding, 97% to 98% of that sale through pre-bid tie ups, we already had a bidding on this, only thing now is as I mentioned some time back, 7.5 GW what is ordered, there are people who have bid without any tie-up of EPC or they had some loose tie-up and they still work out post bid, they are out in the market, which is about 20% of about 1400 – 1500 MW, which is what we are trying to do it. Otherwise, as far as we are concerned, predominantly it is a pre-bid tie-up is what we have. I see that same thing would happen moving ahead.

**Abhik Puran:** Just to clarify, for the NTPC total kind of orders are up for auction, your share will be kind of similar to what you had historically?

**J.P. Chalasani:** It depends on who is going to win, we all know that they do not do a pre-bid tie-up and go and win and then post of this but yes, we are reasonably confident that even in this auction as well and also SECI-5 auction, we would have the leadership in terms of getting EPC order, we will be the #1 in both in terms of the share.

- Abhik Puran:** One request from our investors' point of view is that the order book is very useful to track your business and there are a lot of moving parts obviously. So, as and when you get new orders, can you just give a disclosure to the exchanges on what the order book looks like?
- J.P. Chalasani:** We do that regularly. Our definition of order is that once we sign the order and we get advance, we do it through stock exchange, we make it public.
- Abhik Puran:** For EBITDA margin, you said it should still be in double digits for FY'19. What is the kind of minimum supply of WTG that you have to do in order to get to double digit?
- Kirti Vagadia:** Basically, I would not prefer to go into a specific megawatt number at this stage since we have already withdrawn guidance, otherwise it would tantamount to giving you revised guidance.
- Moderator:** Thank you. We take the next question from the line of Vipul Shah from Ripplewave Equity. Please go ahead.
- Vipul Shah:** I just wanted to know in the light of the AGM shooting down and specifically non-public institutional shareholders voting against the fund raise both equity and debt, what is the plan for the company if at all it wants to again pursue the fund raise?
- Kirti Vagadia:** Basically, first of all I wanted to clarify that this were only enabling resolution and there was no specific plan for any dilution. So, it is not impacting something what we have planned from debt reduction point of view that is number 1. Number 2 is that in case there is a requirement for fund raising at appropriate price point then we are sure that we would be able to get shareholders support for a specific proposal.
- Moderator:** Thank you. We take the next question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Just if you can give some more color on why NTPC earlier auction was pushed and Gujarat got canceled and do you foresee a risk of any other auctions having the same fate?
- J.P. Chalasani:** NPTC got pushed back purely because of as you saw that what happened to SECI-5 and they knew that connectivity is an issue, that the connectivity issue gets resolved, so people will come in for bidding. That is the reason that NTPC got pushed back because now we said the connectivity issue is back. As far as Gujarat is concerned, our understanding is that there are some changes to the standard bidding guidelines. So, whenever there is a deviation from the standard bidding guidelines, it should be to the Ministry of Power, they need to go and get a pre-approval from the state regulators, understand they are going through the process. So, once they do that, they will announce the revised bid date.
- Puneet Gulati:** And then apart from the SECI auction do you see the traditional states coming back in this regime or are they shying away at this point of time?

- J.P. Chalasani:** Right now we are not seeing any traction with state bidding other than Gujarat, because the current bid condition is that in the SECI, anybody can buy power, any state including the windy states can buy power from the SECI bidding on this. So, right now we are seeing is that some of the states like Madhya Pradesh and Maharashtra are even contemplating buying it from SECI. So, at least we are not seeing any traction in the state bidding at this stage as we speak other than Gujarat.
- Puneet Gulati:** Just a couple of accounting related issues. You adopted IND AS-115 and you stated that your profit would have been higher. Can you help us understand the impact here?
- Kirti Vagadia:** Basically, what happens that whatever is liquidated damage or sales commission or those kind of performance guarantee related things, all those things are now getting deducted from revenue, so basically your revenue line is getting impacted, previously it used to be part of your expenses.
- Puneet Gulati:** At EBITDA level, things would not change?
- Kirti Vagadia:** In absolute number, EBITDA level things would not change, but your denominator sales line will get reduced, practically a regrouping, I would say.
- Puneet Gulati:** On the exchange loss, apart from the debt, what else is leading to this foreign exchange loss?
- Kirti Vagadia:** I think primarily it is debt, because you know that in previous accounting regime what used to happen is that even if there is a loss on a quarterly basis that got spread over maturity of a particular loan. But what happened is that we refinanced our SBLC in March 2018. So, it happened in a new accounting regime and hence the full impact whether positive or negative comes in a quarter itself. So, that is going to have impact in every quarter unfortunately positive or negative.
- Puneet Gulati:** You have to flow the debt change in every quarter and you cannot capitalize it?
- Kirti Vagadia:** You cannot put it in I would say spread over maturity period, yes.
- Puneet Gulati:** But I saw there were two elements of the FOREX loss in the P&L statement; one was related to the interest cost. So, other is for the debt part, is that understanding right or is that?
- Kirti Vagadia:** Yes, it is a combination of many things but primarily the major portion is on account of that. Whatever is the interest liability increase due to FX movement, that goes into interest directly.
- Puneet Gulati:** The debt related part is the other FOREX?
- Kirti Vagadia:** That is correct.
- Moderator:** Thank you. Ladies and gentlemen that seem to be the last question for today. I would like to hand the conference over to Mr. Tulsi Tanti for his closing comments.

**Tulsi Tanti:**

Thank you. We appreciate all the investors interest and participation and the concern of some of the dynamic situation of the sector. Just to give a more clarity on the sector point of view, there is a very clear visibility of the business, but on preliminary, some of teething problems between the stakeholders is happening and because of this some of the delay, like SECI-5 was cancelled because of 10<sup>th</sup>, bid was there and 11th and 12th all the SECI-1, SECI-2, SECI-3, SECI-4, the PGCIL approval was cleared. On 10th, there was no visibility of connectivity for all earlier bids and that is why low participation and that is why naturally a concern. Again, it will come in the August and it will continue the bidding process.

Secondly, NTPC is further delayed because most of the sites are used for its bidding. So, it required some distance between two bids so that whatever the sites has not qualified in the one earlier bid that will be reutilized for the second bid and that is why NTPC has delayed.

Third is Gujarat new bidding guidelines. They have to adopt in the bidding process. Not only that they are moving from 500 MW to 1000 MW planning. So, because of that there is change is coming and that bid will also come in the current month after the approval of GERC approval.

So, the momentum will be continuous. So, there is no big uncertainty of the volume, only the delay or deferment is happening and that will affect the one quarter performance, will move from current financial year to next financial year. By the way the same thing is bringing more stability of the systems which will give the good momentum to bring more and more bid faster and everything because all India basis quite good, demand is coming from the SECI, because most of the states need more and more energy and the supply is not that much enough is there. So, the demand side is good, investor participation is good and because of that once the system will stabilize, volume will stabilize, not only that price will further improve and stabilize also. That will give the good visibility for the next three years. It is a temporary phenomenon, it is disturbing because we are moving from one established 20-years system of FIT to the new systems of the bidding regime and it took almost 15-months till now, so may be another three months it may take and after that it will be stabilized, which is a good giving a big volume opportunity for the sectors. With the newly discovered tariff wind energy is the most competitive with respect of the all other source of energy and has emerged as a mainstream energy source.

Going forward, we are well positioned to capitalize on the market opportunity with our competitive business model, the project execution experience spanning over the two decades across the India, the state-of-the-art technology and very competitive value chain and supply chain within the Indian market, new generation turbine offering the higher PLF and cost competitive and lower LCOE, which is giving a competitive edge going forward. The presence across the entire value chain and more than 12,000 MW service asset portfolio and capability of the service and state-of-the art service.

We are fully vertical integrated. The operations giving us a very good competitive edge and faster execution capability because of that. The technology and innovation will remain to be the catalyst that will drive the growth in the renewable energy sector and as you know in the product and technology specific Indian market need of the technology, we are ahead on leadership on



bringing the right product and technology for the Indian market because we understand the geography very well and we have more than 1,000 measuring met mast information and statistics and data based on that and the ground profile information, what type of the right product and technology is required. So, it is a quite huge difference there. So, any turbine is required to become a competitive its need for the Indian specific, which we have a great experience in the last 20-years. With the government very high trust and focus and the country is experiencing the positive winds of the change in the energy sector and particularly in renewable, it will continue for the next five to ten-years. With that being said, I thank you all of you joining us on the call. We hope all your queries are answered. In case of any further questions, kindly get in touch with our IR team, we will be very happy to answer any questions or any query. Thanks a lot and we appreciate your time and presence with us. All the best wishes.

**Moderator:** Thank you very much, ladies and gentlemen on behalf of Suzlon Energy Limited. We conclude today's conference. Thank you all for joining us. You may now disconnect your lines now.