# "Suzlon Energy Limited
# Q4 FY'23 Earnings Conference Call"
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**MODERATOR:** **MR. ABHINEET ANAND – EMKAY GLOBAL FINANCIAL SERVICES**

**Moderator:** Ladies and Gentlemen, Welcome to the Q4 and FY '23 Earnings Conference Call of Suzlon Energy Limited hosted by Emkay Global Financial 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 at the end of today's presentation. Should you need assistance during the conference, please signal the operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

During this call, the company's management may make certain statements which reflect the outlook for the future, or which could be construed as forward-looking statement. These statements are based on management expectation and associated with uncertainties and risks as fully detailed in the company's annual report, which may cause the actual results to differ. Hence, these statements must be reviewed in conjunction with the risk that the company faces.

Thank you. I would now like to hand the conference over to Mr. Abhineet Anand from Emkay Global Financial Services. Thank you, and over to you.

**Abhineet Anand:** Thanks, Ryan. Good afternoon, everyone. I'd first like to thank the management for giving us this opportunity to host the call. Today, we have with us the top management of Suzlon Energy Limited, being represented by Mr. J. P. Chalasani, Group CEO; and Mr. Himanshu Mody, Group CFO. I will now hand over to the management. Over to you, sir.

**J. P. Chalasani:** Thank you, Abhineet, and good evening to each one of you, and thank you for joining us on our FY -- quarter 4 FY '23 Earnings Call. At the beginning, let me apologize to you for any inconvenience in the call because both me and Himanshu having sore throat so might hear some coughing, okay? So, it's not because there was a hard question. It's because we were not feeling well.

So, I hope I'm sure you had an opportunity to review our results and investor presentation. We will share with you an overview of the industry, and we will walk you through our quarter 4 FY '23 and full year FY '23 performance. We will then take your questions. As all of us know, that with good policy initiatives from the government of India as well as few state governments, the wind energy sector has got much needed impetus, providing momentum for industries to kick-start the journey to net zero.

The 2030 GOI target of 500 gigawatts of non-fossil fuel-based capacity, which, again, substantiated by the recent CEA report of the generation mix for 2030 demand meeting envisages that 100 gigawatts of wind capacity to be set up. So, with the current capacity of around 43 gigawatts, so we will need wind installations of about roughly 8 gigawatt per annum over the next 7 years.

The current -- recent important announcements of discontinuation of E-reverse bidding and resorting to close bidding, coupled with the state-specific bidding for all 8 states with the Pooled tariff. I think we feel that would actually make us get back to the pre-FY '17 level of capacity additions. FY '24 wind bid plan 2.5 gigawatt each by SECI, NTPC, NHPC and SJVN that is making it to 10 gigawatts. And as you are aware that the first 2.5 gigawatts, the NIT has come out a couple of days back from SECI, which is in line with the – not eight states, but five states it has come out. The initiatives like ISTS waiver, the extension for COD of projects until June 25, will again boost the C&I segment mainly. Wind repowering potential of 25 gigawatts and the Green Hydrogen mission targets, the concepts like RPO and RGO obligations which further boost RE sector in a big way.

We have also responded to the market requirement of our larger wind turbine through our -- the S144 3-megawatt series. Our cumulative orders of 1,542 megawatts are the highest since 2019. These include the order book as on March 31, 2023, of 652 megawatt plus orders secured subsequently of 890 megawatts.

Out of this, what is more gratifying for us to say is that 780-megawatt is new 3-megawatt series, which clearly demonstrates the immense trust that our clients have on Suzlon's expertise and product technology. Our priority going forward is to pursue quality orders with a higher value and better margins. Our focus remains on execution and building our order book. Our OMS business continues to do well. It has over 16 gigawatts of renewable capacity under maintenance globally, out of which close to 14 gigawatt is in India. With a positive sectoral outlook and strong fundamentals, we at Suzlon are now well equipped to leverage the market opportunity arising from energy transition.

I would now like to invite Himanshu to take you through our financial performance.

**Himanshu Mody:** Thank you, J. P. C. sir and good evening, ladies and gentlemen. I will be using slide number 18 to 22 of our investor presentation, which has been uploaded on our website as the reference point for my discussion during this discussion. FY '23 has been a historical year for Suzlon since the company has seen significant improvement in all key financial parameters. Our balance sheet is stronger as a result of a significant debt reduction post the rights issue. Our fundamentals have strengthened with a consistent focus on our bottom line.

We are pleased to report that our consolidated net worth has turned positive after 10 years, and it is at INR1,099 crores for FY '23. Net debt has reduced from INR13,000 crores on 31st March 2020 to INR1,180 crores as of 31st March 2023. This is a reduction of more than 90%.

Our consolidated FY '23 PAT before any exceptional items has turned positive after the period of 6 years and is at INR167 crores for FY '23 on a consolidated basis. This is as compared to FY '22 PAT of negative INR249 crores last year.

With the continuous focus on deleveraging our balance sheet, we have achieved substantial reduction in our net finance costs as well. For FY '23, our net finance cost stands at INR401 crores, which was at INR712 crores for FY '22, yielding into a reduction of close to INR311 crores, which is a reduction of 44% in the finance costs.

Hence, there is a marked improvement on all our financial parameters, like net debt to EBITDA pre-foreign exchange is at 1.4x for FY '23 vis-a-vis 7x for FY '22. And our net interest coverage ratio for FY '23 is 2.1x versus 0.9x for FY '22. Inflation for us is under control as an economy and commodity prices have also stabilized, showing great resilience going forward.

With that, I'd like to conclude my presentation, and we can open the floor for any question and answers that the callers may have. Thank you.

**Moderator:** Thank you. We will now begin the question-and-answer session. Our first question comes from Mohit Kumar with ICICI Securities.

**Mohit Kumar:** Congratulations on a very, very strong order book. First question is, sir, how do you see the execution in FY '24 in megawatt terms? You did mention that it can reach 1.6 gigawatt, I think, which we did in 2017. Is it possible to reach that number in FY '24 based on the order book? Or do you think this number can be achieved in FY '25? That is the first question.

**J. P. Chalasani:** Yes. Obviously, we've given you our order book position as of today. So, 50% to 60%, maybe almost 60% of that is for the current year and we will book more orders. But as far as whether we will reach 1.6 -- in fact, we did 1780 megawatt in FY '17. But I think I would only say that instead of taking a guess on me, take a guess on the country, and we will maintain 25% to 30% of whatever country adds, our market share will be to that extent. So therefore, I will leave it to you for assuming what number will be ours.

**Mohit Kumar:** But projecting a market share decline in FY '23? Is it right, sir?

**J. P. Chalasani:** That is primarily because more than 50% capacity of what we are supposed to add was not full scope of EPC with us, where we only supply the turbine sent to the commissioning -- erection and commissioning and the rest of BOPs with the clients. So, their turbine supplied even in quarter 2, a significant amount of it has not got commissioned in March 31. We have limited control over that. If we had that, obviously our market share would have been much higher.

**Mohit Kumar:** Understood, sir. My second question is what are the challenges required to get back to this high level of activity in terms of capital expenditure and working capital funding.

**Himanshu Mody:** So, from a working capital perspective, we have made a good start in securing working capital facilities for some of the orders that is currently available with us. Of course, this will keep getting built up for to match with the delivery schedules of the orders. So, we don't see any significant challenges on being able to have the working capital ramp up or done in time to be able to deliver on those orders.

**Mohit Kumar:** Any capex expenditure we need to do, sir?

**Himanshu Mody:** So capital expenditure, we would not need to do certainly for FY '24 other than the normal maintenance capex that we do, which is close to about INR100 crores. But for FY '25, we may need to start placing certain advances and orders in FY '24. So that may be a delta of another INR100 crores to INR150 crores over and above our maintenance capex that we may need to do to augment certain capacities for FY '25.

**J. P. Chalasani:** That's mainly for our 3-megawatt platform augmentation.

**Moderator:** Our next question comes from the line of Gautam C Jain with GCJ Financial Advisors.

**Gautam C Jain:** Yes, congratulations for very good set of numbers. My first question pertains to your turbine segment. They're still not making money if I look at your EBIT. So, can you guide us where we are -- we will be able to make money in this line, turbine business?

**Himanshu Mody:** On the EBIT, you would be right. But at the EBITDA level for FY '23 in the WTG business, we have reported INR96 crores of EBITDA for the full year. Of course, at the EBITDA level, because we have a depreciation of close to INR250 crores, which gets reduced between the EBITDA and EBIT still continues to be negative. But on the EBITDA level also for the WTG business, despite lower volumes in FY '23 as compared to FY '22, we've been able to deliver a healthy EBITDA margin.

**Gautam C Jain:** So, what maximum margin we can achieve in this in terms of EBIT margin?

**Himanshu Mody:** So, well, EBIT margin, again, I won't comment on. I will stick to my answer on EBITDA margins. EBITDA margins in this business certainly can go upto single high digits in percentage terms.

**Gautam C Jain:** Okay. Around 8% to 9%, right?

**Himanshu Mody:** Single high digits. Yes, I would say.

**J. P. Chalasani:** 8% to 9% in those categories.

**Gautam C Jain:** And the second question pertains to your execution capability. You have written in the presentation that you have capacity to, I think, execute more than 2,000 megawatts, right?

**J. P. Chalasani:** Yes, that's what we established earlier in FY '17, the...

**Gautam C Jain:** You also said that 8 to 10 gigawatts orders need to be placed by different companies in wind energy, wind power energy. So how much do we expect to get from those orders in the next 3 years or 4 years? Can you guide us on that?

**J. P. Chalasani:** It's like -- as we said that our aim is always to be #1 and #2 in the country in terms of market share. And more important than that is that we will be plus 25% let's say, around 30% is the market share, what we're aiming. So, this is -- you can't really take the 10-gigawatt bidding because they'll get bid at different times and COD is coming in different years. So, the year of bidding is not the indication of when the actual COD would happen.

**Gautam C Jain:** Okay. So, we'll try to maintain 30% market share? Okay. And my last question is, so we will have a good amount of cash generation in 2024 as well. So can further reduction in net debt will be seen in 2024?

**Himanshu Mody:** So certainly, there will be a reduction in the net debt in 2024. It may not be at the same pace as what the company has seen in the last few years. But I think through whatever cash flow generation as per the amortization schedule of our loan, yes, we will continue to see the debt reduction.

**Gautam C Jain:** Okay. Any guidance on your AMC business. So, growth in the future, because that's also stagnant for the last 6, 7 years.

**J. P. Chalasani:** See, OMS is -- there are 2 ways of business growth. One is the turbine business what we do. Obviously, as our -- the turbine sales keep increasing in 2 years, to the extent the growth would happen. Obviously, you know that -- as a country itself, there's a subdued numbers in the last 5 years.

Post FY '17, if you see last 5 years, as a country we did anywhere between 1,800 megawatts minimum levels to maximum of 2,200 megawatts. Okay -- it's not just us, as a country we have not been growing, whatever the reason. So, whatever has been share, that growth has been there. So therefore, it is not something different in the sector.

We have been growing as per the sector. In the future as we keep growing, that will grow. And obviously, we would also look at growing by the multi-brand in the turbines.

**Moderator:** Our next question comes from the line of Vivek Ganguly with Nine Rivers Capital.

**Vivek Ganguly:** I have two questions. One, regarding you recently won a 300-megawatt supply order, like Torrent. Now would it be fair to assume that it is a multiyear contract -- and if that is the case, then how do you all manage the raw material volatility risk associated with such projects?

**J. P. Chalasani:** Some of the basic things is we are hedging in the contract as the commodity pricing with the steel and maybe even foreign exchange. So that is one way of hedging in the contract as first one. Second way is that we do have long-term relationship with our suppliers. So therefore, we give them an upfront indication of what we want, and we are locking the price evenly. So, these are 2 ways we try to see that we don't go beyond our estimates.

**Vivek Ganguly:** Okay. My second question is regarding the performance of the Chinese companies in the domestic market. So, there are -- Goldwind is a very large company. We don't -- I don't know whether they are in India, but envision it currently is -- so if -- how are they performing? And are there any regulatory steps being taken by the government? Or are they free to operate in the industry? If you can give some shed some light on that, then that would be very helpful.

**J. P. Chalasani:** Obviously, we are hands full with our own affairs. So therefore, I don't want to get into whether they have a regulatory hurdle. But only thing I want to say is that the market is going to be what we're envisaging i.e., a 10 GW bidding every year, I think there is a pie for everyone. So, I don't think that will be an issue. Whether they will have the hurdles or not, I don't think it's right for us to comment upon.

**Vivek Ganguly:** Great. And what is their market share right now?

**J. P. Chalasani:** Their market share?

**Vivek Ganguly:** Yes. In the domestic -- in the Indian scenario.

**J. P. Chalasani:** It's not right for me to comment about others market share, Vivek, but we can talk only about our market share.

**Moderator:** Our next question comes from the line of Rohit Bahirwani, an Investor.

**Rohit Bahirwani:** I had a couple of questions. My first question is how much are the carry forward losses at consolidated level? And related to it, what is the expected tax rate for FY '24?

**Himanshu Mody:** So, for FY '24, I can confirm that the consolidated level, there will be no tax outgo because we would be utilizing our carry forward losses. And the total carry forward losses -- on the balance sheet as of today is exceeding INR 2,000 crores.

**Rohit Bahirwani:** Okay. My next question is realization has gone up if we see on quarter-on-quarter basis in wind turbine business, it is around INR6.10 crores per MW. So, can we expect this to continue in this financial year?

**Himanshu Mody:** So I think the margins that we've been able to report in H2 of FY '23, we should be able to maintain those margins going forward for this financial year.

**Rohit Bahirwani:** If we look at quarter 3, the per megawatt realization was Rs 5.65 Cr. And in this quarter, it has come around 6.10. So, you are saying we will maintain the margins of H2, which will be around 5.8 to 6 Cr per megawatts. Is that right?

**Himanshu Mody:** So, at the contribution level, we should be able to maintain our margins at mid-teens as we go along. So, I don't want to comment on specific crores, but mid-teens are what we would be able to do.

**Moderator:** Our next question comes from the line of Himaanshu Kansal with Vijit Global Securities Private Limited.

**Himaanshu Kansal:** Yes. Congratulations for the good set of numbers. I just wanted to understand that as far as the offshore installations are concerned, you can correct me if I'm wrong. It is the bigger turbines that are needed, and they are visible so it's like 15-megawatt kind of turbines. I just wanted to understand that government has also started pushing for the offshore in the recent few months. So how ready we are for taking on the offshore project?

**J. P. Chalasani:** We are aware of that, and we are aware of the program when the offshore turbines requirement is coming to India and we are getting prepared to be ready by the time that demand is there in India. We would be ready, matching the demand schedule.

**Himaanshu Kansal:** Okay. Just one more question. In terms of reduction from the interest cost, if you can just give us some idea as to how much more interest cost can go down this year?

**Himanshu Mody:** So, this year, of course, difficult for me to give you a number, but -- as I said earlier, compared between FY '22 to FY '23, the interest cost reduction is about 44%. It certainly won't be to that extent because there may be working capital facilities, which is by way of nonfund-based limits, which we will be ramping up for execution of these orders.

So, whilst our term loan from gross debt of INR1,900 crores will keep reducing based on the cash flows, but at the same time, our LC and bank guarantee commissions that we need to incur for working capital will also be comprising a part of the interest cost. So yes, whilst there may be a reduction on the INR401 crores, but certainly not as high reduction as we've seen in the last few years.

**Moderator:** Our next question comes from the line of Eshan Bhargava with Emkay Global Financial Service.

**Eshan Bhargava:** So, you mentioned that there are no current challenges on the working capital, but just checking on another aspect. Last quarter, you mentioned that we were in advanced discussions with 4 to 5 institutions for working capital. So how have those discussions progressed? Could you give a flavor of that?

**Himanshu Mody:** So, without giving names or specific institutions, I can confirm to you that as we speak today, we are sitting on close to INR1,000 crores of sanctioned working capital limits available with the company from those institutions. And we are, of course, constantly in discussions with the same institutions to ramp up the working capital or the project-specific funding to deliver on those orders. So certainly, it's a marked improvement over the last quarter, and we see this continuing from quarter-to-quarter.

**Moderator:** Our next question comes from the line of Ritesh Poladia with Girik Capital.

**Ritesh Poladia:** Sir, just to continue on the previous question on working capital. Sir, yesterday, there is an announcement of enabling resolution for working capital conversion into equity. So, will you have not significant challenges and why did you pass such a resolution? And what's the quantum of this retention?

**Himanshu Mody:** So, this was a CP of one of the working capital lenders without taking the name. That in case that there is a default on the working capital facilities that have been sanctioned by them and as and when we draw down those working capital, in case there is a default, then the lender has a right to convert the outstanding loan into equity shares of the company. This is a fairly standard enabling resolutions for the most kind of indebtedness that companies take.

So even when we refinanced our facilities last year, a similar enabling resolution under what's called 62(3) of the Company's Act was obtained. So, it is in line with that -- so it is -- while of course, this resolution has been passed by the Board and it will be tabled before the shareholders, but it is more a CP compliance than in actual -- the chances of it being implemented in actuality, given our current financial status is very remote.

**Ritesh Poladia:** So, this enabling resolution come into effect only in the case of default and not otherwise? Is that understanding, right?

**Himanshu Mody:** That's right. So, the lender needs the comfort that in case of a default, the shareholders have approved a resolution so that there are no hurdles for them to convert the outstanding loan into equity shares should the situation arise.

**Ritesh Poladia:** And sir, what's the interest rate currently going on -- for the working capital for you?

**Himanshu Mody:** So, working capital, in our case, is all non-fund-based facilities -- so we typically pay a LC or a bank guarantee commission or a letter of comfort commission, which we take from NBFCs. So that range is anywhere between 2% to 3% of the LC or BG commission that we get issued from them. So, it's not a term loan facility where we pay sort of close to 10% on our existing borrowings, it's a little different construct.

**Ritesh Poladia:** Sure. And any advance available for -- from this PSU or the government companies? And is there an interest component in it?

**Himanshu Mody:** So, we don't get advances. Of course, when we issue bank guarantees to our customers, who we have taken orders from, so what we give as an advanced bank guarantee and against the advanced bank guarantees when our customers release the advance to us against the orders. So, to that extent, it is cash neutral, and which is by all our working capital is non-fund based and not fund based.

**Moderator:** Our next question comes from CA Arun Maruti with Shubhlabh Research.

**CA Arun Maruti:** Congratulations for a good result for this time. Sir, my question is with regard to the facility of other -- some inactive players whose O&M activity is not being done by them. So, are we envisaging any opportunity in that particular activity?

**J. P. Chalasani:** As I said some time back on the service business, looking from our turbines. We're also looking at the growth in terms of multi-brand turbines, that means which are not our turbines. So therefore, we would keep exploring the opportunities. Then we need to be sure that we'll be able to deliver the same level of service what we provide to our turbines because we have set standard with our clients.

There's a set of expectations when it is Suzlon turbines and the moment we are confident we can provide that service and making the reasonable margins and we are in the market. We keep doing it. Already we had done some turbines, and we will continue to keep doing that.

**CA Arun Maruti:** Okay, sir. And on the casting and forging activities, would you like to say something on that, that will be helpful.

**J. P. Chalasani:** See, the way the demand for wind turbines is increasing, so then obviously, the demand for the components is increasing. So therefore, the -- our foundry division is seeing a significant order inputs. And they're also working towards the improvement in productivity by doing some debottlenecks so that we can increase our capacity for this year and next year and subsequent years. And even in Forging, we are finding the order intake increase this year. So, we are seeing a growth there along with the parent company.

So -- and also there, they just don't do with Suzlon, they do non-Suzlon as well. In fact, with non-Suzlon customers, they are all our competitors, okay, that every single competitor of ours in the wind sector are the customers or the clients for SE forge. So everybody goes to them. Therefore, in fact their non-Suzlon business is, let's say this, Suzlon business is 30-40% and non-Suzlon business is 60-70%. And also, they have an export business, and we see a good growth potential there.

**CA Arun Maruti:** So, can you share to any ballpark number for the guidance that will be helpful; what kind of growth we are looking in that particular business?

**J. P. Chalasani:** It is such a growth, what happened in the wind sector is what you can expect the growth there.

**Moderator:** Our next question comes from the line of Faisal Hawa with HG Hawa.

**Faisal Hawa:** With the massive shift to renewable energy in the future, would it be -- like too optimistic to believe that we could have -- at more like a INR100,000 crores order book with something very similar to what happened to us in the early 2,000 where we were like continuously over booked with orders. Do you see that kind of a situation coming back any time soon. As most of the players who are very much adapted, recognizing this oncoming slew of orders are not as well prepared as they used to be?

**J. P. Chalasani:** Obviously, I don't want to put a number to it, but I can say, yes as the policy is talking about. And I'd say there are two growth that are happening now in the wind sector. Earlier, we use to mainly depend upon the utility sector where in backed by PPAs used to be significant and retail segment used to be small.

But now with the C&I segment growing significantly, so there is order book coming from there as well. We don't need to depend just upon the bid. What I can only say is that we will be pick and choose now on the orders of which would give us, one is good margins. And the second thing is easy to execute and the third is who is the client, so that we can have a long-term relationship in terms of OMS.

So, I don't -- in my opinion, the order -- at least for the next few quarters, orders would not be a constraint. It's a question of how much can we pick up in terms of our ability to execute and also the good quality order as well as quality clients. That's what I would put it as. But directionally, you are right, there will be more orders in the sector.

**Faisal Hawa:** And sir, can you just tell us of 2 or 3 shop floor improvement that we have made to really cut down on the order execution time and to increase margins for our company?

**J. P. Chalasani:** Earlier what used to happen, as I said, sometime back, if you look at even let' say, the highest we did in FY '17. The entire 1,800 megawatt was done by us on EPC basis, mostly completed on a turnkey basis end-to-end by us, okay?

That stretches us in terms of acquisition of land and the number of cranes and our people, ability and project management but now what is happening is that because we're having a mix of orders, where some part of it is EPC, some part of it, we call it as SIC, which is Supply, Installation and Commissioning where the clients are doing and some people, in fact, just taking the turbines. They are doing erection under our supervision. So, with that, our capability to execute more orders in terms of execution part of it is increasing because there are supplementary efforts from the clients as well, compared to what we did in FY '17. So actually speaking, our ability to execute projects today on the capacity wise is much higher than FY '17 because we have supplemented by clients as well.

**Faisal Hawa:** And sir, how are we viewing the whole offshore wind power? Will it finally come into any kind of a majority or it's still time to go?

**J. P. Chalasani:** I'm sure that you know more than me because you people keep tracking the sector much more than us. The offshore is aspiration of the country. Obviously, that we need to build the ability, there is an aspiration there at specific level. So, we need to build that ability and how long it takes for the ability to build and when the first project comes it is anybody's guess work. But what we are doing internally is that we don't miss the bus. We are preparing ourselves as and when that opportunity arises, we will be there in the market.

**Faisal Hawa:** And any orders coming from overseas to us or are we not even looking at that?

**J. P. Chalasani:** Right now, no. There's enough in India for us. So, we don't want to take our eye out of India.

**Moderator:** Our next question comes from the line of Himaanshu Kansal with Vijit Global Securities Private Limited.

**Himaanshu Kansal:** Just wanted to understand how much can we expect from the sale of the noncore assets this year?

**Himanshu Mody:** So again, we don't want to quantify a number here. But certainly, this financial year as in FY '24, we would see sale of one of our substantial noncore assets, but difficult for me to give you a number on any indications on the same.

**Moderator:** Our next question comes from the line of Uttam Kumar Srimal with Axis Securities Limited.

**Uttam Kumar Srimal:** Sir, what would be our revenue guidance and EBITDA margin guidance for FY '24?

**Himanshu Mody:** So, as I said, EBITDA margin guidance remains the same that we saw in the H2 of FY '23, which would be similar for the group. Revenue guidance -- would let you draw your own conclusion. We said that we have close to 1,500 megawatts of confirmed order book, of which close to more than 50%, about 55% of that is for FY '24. And in FY '23, we did 664 megawatts, you know the revenue was close to INR6,000 crores for the same -- so if we draw even 60% of 1,500 megawatts in order book, that's close to about 850 to 900 megawatts in orders for FY '24 on hand. So that is on hand, which is close to a 30% plus increase in order book. So, you can extrapolate the revenue increase from that.

**Moderator:** Our next question comes from the line of Rohit Bahirwani an Investor.

**Rohit Bahirwani:** Yes, just one final question. As per my understanding, 3-megawatt series have higher margins as compared to traditional wind projects. So, can you provide some sense as to how much variation is there between the two?

**J. P. Chalasani:** It's not really the higher margins for the turbine, but basically, when you go to the higher capacity of the turbines, the BoP cost comes down, the balance of plant cost, okay? So overall margins for the clients would increase at the project level. The margins at the turbine level would more or less remain the same. And second thing is the margins also will keep improving as we keep supplying more and more.

There is a cost out and you establish your product cycle and things like that. But the -- but fundamentally, you increase the size of the turbine, it is the project level cost comes down. I hope it clarified it.

**Moderator:** Our next question comes from the line of Ritesh Poladia with Girik Capital. Ritesh, your line is unmuted, please ask your question.

**Ritesh Poladia:** On 3-megawatt series, how economically it is different from this 2 megawatts, if you can give us some idea because I believe -- definitely, our efficiency is much higher, but so is the cost. So, what's the net gain or is it the economical gain?

**J. P. Chalasani:** No. I think the previous question I answered with respect to the turbines. When you keep increasing the size, so it's not necessarily the cost per megawatt of turbine comes down, but cost per megawatt of the project comes down because if you say that we are doing a 300-megawatt project, we are putting 2-megawatt turbine, you need 150 footprints which are spread in much more area.

One is land cost increases, the second thing is your entire BoP cost or evacuation cost, everything goes up. But the moment you make that a 3-megawatt, only 100 footprints. So, your BoP cost comes down. The cost of the project comes down but not the cost of the turbine.

**Ritesh Poladia:** So, the economics like the IRR for the developer goes up?

**J. P. Chalasani:** Yes. More than that is, I think I look at higher capacity even though all the work is done because you keep increasing the capacity when we want to go from 40-gigawatt to 100-gigawatt, your availability of land keeps coming down, okay? So therefore, the 2 things would happen with this. The requirement of land comes down significantly.

And the second issue is that in wind projects, major issue is that keep getting issue of pathways i.e., your right of ways (ROW) not just during the period of execution, even during the period of operations because they are in open area. Those troubles keep coming down in addition to the project level cost coming down.

But significant thing is the main reason for the turbines size going up is that your land area required and your constraints in terms of operating comes down in addition to, to some extent, the BoP cost comes down.

**Ritesh Poladia:** Sure, sir. That explains. And sir, what's the replacement demand scenario looks like for next 2 years?

**J. P. Chalasani:** It is like in the repowering?

**Ritesh Poladia:** Yes, because those which are like 20, 25 years old need replacement. So, what the scenario looks like in next 2, 3 years? What kind of additional demand in wind turbine?

**J. P. Chalasani:** Wherever we are reaching to that stage, the – because the turbines quality appears to be pretty good. So, most of our clients, these are mainly the retail clients at that point of time. We are talking about 20-25 years back; we didn't have the big IPPs, or utility customers were not there at that point of time. So, what they're saying is that, okay, fine, we want to a life extension of this turbine. So, they offer us a onetime price for refurbishing the turbines and then keep running it. So, it's a win-win for both. So, they continue to get the revenue from that turbine and for us it is good that our OMS revenue will continue.

That's what is happening in most of the cases where the turbine has reached that age. The repowering or replacing is not picked up at -- but that's an area which we all have been talking for, I think, 5-7 years, but it's still to pick up. It might pick up in the future. But right now, most of the contracts for us are happening that way.

**Ritesh Poladia:** In terms of the O&M business, we did about INR1,900 crores. So -- and it's almost like flat for the year. So, what kind of growth one can expect on that?

**J. P. Chalasani:** As I said, sometimes that growth would also depend upon the number of turbines we keep adding each year, okay? Especially the -- we say it's flat because though we added last year and this year the significant number of turbines compared to what we have been doing. But because in FY '20 and FY '21, our capacity addition was low.

Those things have come now in the commercial operation. So, it is just not 2 years or 3 years we offer a free OMS period along with our turbine contract. So, they come into commercial OMS after 2 years.

So, what you're seeing right now is that what has been commissioned in FY '20 and FY '21. So those are very small numbers if you see our capacity addition. That's why you're not seeing the growth. So, the last year and this year turbines what we added. So obviously, will come into commercial operations gradually next year and the following year.

So, there's always a lag of 2 years or 3 years, mostly 2 years. Most of our contracts are 2 years for some turbine addition to the commercial operation. So that's way we are seeing bit of a low growth. But second point is as it is, as sector as a whole, the turbine addition has not happened much. But mainly for us is that those 2 years' big.

**Moderator:** Our next question comes from Nikhil Abhyankar with ICICI Securities.

**Nikhil Abhyankar:** I wanted to have -- I just want you to brief us on how are the current policy measures that are announced different from the earlier ones? How tangible is the policy measure? How tangible are the results? Are you already seeing any shift in the government's tendering activities?

**J. P. Chalasani:** I think a significant change -- let's understand make it into 2 parts of it. One is pre-FY '17 and the second is post FY '17 after the competitive bidding has come-in. In FY '17, as the country, we did about 5.5 gigawatts and thereafter, we have not even touched 2.5 gigawatts, forget about 5.5 gigawatts. We not even reached 50% of it. The reason for before FY '17 was that every state was bringing a capacity addition and there were feed in tariffs. This also had GBI and everything. But once the competitive bidding came in, because the tariff was the main criteria, everybody went to the states where, it was not states specific everybody went to the states where there is a high wind.

So therefore, you went to us to Gujarat and Tamil Nadu initially, all the bids.

So, once you get concentrated in that area, so then your capacity addition comes down because land issues, your evacuation issues and various issues. Plus, the experience of reverse auction, we're also seeing that the tariffs have significantly fallen below the actual level of what you see. Cost effective tariffs was not there. So that's the reason some of the projects, in fact, if you compare the big megawatts versus the actual megawatts, there is a huge difference.

These are the 2 reasons why fundamentally things were not moving. Those 2 have been corrected now. Because the one is they changed from E-reverse auction to closed bidding. So therefore, this -- the criteria of gambling and getting into lower tariffs in the competition because we are seeing that if you reduce INR0.05 paisa you will get it, INR0.02 paisa you will get it, you know you get into that mood, that will go away, it is a one-time closed bid. So therefore, we will see that -- we expect that there will be stability of the tariffs.

Second most important factor is that they said that they will do the bidding of all 8 windy states, it will be state specific bidding. Even if they're doing 2.5 gigawatts on one bid or 10 gigawatts in a year, it will be state specific, and the maximum in a state would be 2 gigawatts. But when they go for the state specific, because some states because of the wind profile being low, the tariffs will be higher, and there could be potentially a problem of PPAs not getting signed for that. So, they came up with a solution that we will do a simultaneous state-specific bidding, and we will pool all that power and then sell at a pooled tariff. So therefore -- so that's the second aspect.

One is your bidding and the second aspect is your multi-states, so would increase the volume because these 2 were the main hurdles in the last 5 years as we look at it from the utility point of view. Simultaneously what has happened is that C&I segment which was hardly there is not significantly picked up because when you look at the metal industry or the cement or the refinery to everybody.

If you need to do an export, you want to get a net ZERO because your exports will get impacted in respect to whether you are green steel or not. Everybody is converting now into a renewable power as a captive consumer . So significant uptick has happened in the C&I. So that's, in fact, the -- if you look at our order book, almost close to 50% we're getting from that segment, C&I segment.

So, these are the 2 reasons. I think one is changing the bidding term. Second is because you got into a different area called C&I segment, we see a great amount of potential, in spite of the fact that last 5 years we did not do it.

**Nikhil Abhyankar:** Understood, sir. Of the current order book, so how much of it is EPC and how much of it is the only supplier?

**J. P. Chalasani:** I think roughly about 50-50 would be that. 50% would be EPC, 50% would be -- in EPC, again, we have 2 parts of it, one is we do along with power evacuation, some we do without power evacuation. So, the 50% is both. The balance 50% would be like a pure turbine supply, turbine supply cum erection cum commissioning but BoP won't be there.

**Nikhil Abhyankar:** Understood. And whatever we commission after 1 to 2 years will be added into our OMS portfolio, right?

**J. P. Chalasani:** Minimum 2 years.

**Nikhil Abhyankar:** Minimum 2 years. Okay. And any plans on monetizing OMS business?

**Himanshu Mody:** So not yet because we keep looking at optimizing our capital structure from time to time, but there is nothing concrete to report. As and when the situation develops and everything develops, we will, of course, under the SEBI listing norms, whatever is required, public disclosure, we shall make.

**Moderator:** Our next question comes from Vikas Mukundan with Freelance Consultant.

**Vikas Mukundan:** I joined the call a little late. My question is regarding the ISTS waivers till June '25 commissioning of all projects by June '25. Is that going to spur captive projects in a big way and since you have land banks in major wind sites, would that help in getting more orders on that segment?

**J. P. Chalasani:** See, the ISTS waiver is obviously, it's for the projects which are coming currently in the power grid network, so not on the state network. So therefore, wherever we have a land bank, they are actually the evacuation is in the STU network, then this doesn't cover proper. But however, having said that ISTS waiver would actually -- because it is only there up till March '25, you will see the rush of people trying to complete the project before March '25.

That's also one reason why you will see that more and more orders coming in, everybody wants to complete by the March '25, pressure of that, especially for the C&I segment because at least for the big segment, if the substation is delayed, not for the reason, but could not be commissioned if the substation is delayed, so they will get an extension for the ISTS, but that facility is not there for the C&I segment.

So, there's big rush of C&I segment to complete the projects before -- but of course, wherever we have the land bank, that obviously is an advantage to us whether ISTS is there or ISTS is not there. So, either way, the advantage is always there because land is precious for doing wind projects.

**Vikas Mukundan:** Right. And one follow-up question to this itself is how much, since you said there is rush for such projects to be commissioned by March '25. How much of interest of this would Suzlon be getting?

**J. P. Chalasani:** No, we won't get under pressure of March '25. We have our manufacturing plans. We have our ability of which quarter, how much we'll put this what we can supply. And our schedules when we give it in the contract is that it will be according to that. So therefore, the -- obviously, there will be pressure for more people asking us to take orders for that period. But if it is beyond our manufacturing capacity or supply capacity, we don't take it.

**Moderator:** Our next question comes from Natraj Shankar, an Investor.

**Natraj Shankar:** I have two questions. One is you mentioned about working capital of about INR1,000 crores. And if I understand earlier you had about INR500 crores of working capital. Let's assume the INR1,500 crores are the working capital in it, what is the order book that you can actually take, that's one.

And secondly, what is the initial feedback that we're getting from the state electricity boards for wind power, which is going to be slightly more expensive than solar power, is there any initial feedbacks from them in terms of their perspective on whether it is sustainable?

**J. P. Chalasani:** Let me take the second question first, okay? The expensive-inexpensive is a wrong term to use by just looking at the absolute tariff number, okay? The expensive-inexpensive depends upon when are you generating in respect to the demand? So unfortunately, because we don't have the time on the day today, so we talk about somebody's giving a 2.60 and something is coming at 2.90. So therefore, it's not.

Today's current requirement, if you've seen the most important thing is that the -- for 2030, there's a detailed exercise done by CEA. In fact, that is split into five different nodes, as we know that East, West. South, North and the Northeast, node-wise they have done the analysis and they've identified what is the demand in 2030 (8760 hours). And then they also identified what would be the least cost option to meet that demand.

In that least cost option, it comes that -- at that point of time, there'll be 100 GW (actually 99,815 MW or something) i.e. 100 gigawatts of wind and the 300 GW of solar -- I think if I remember right, 300 gigawatts of solar is what they're talking about -- is the requirement out there. So therefore, even from the least cost option, you need both, if it can't be wind, it can be solar. Okay. I'm sorry, 300 gigawatts for solar and 100 gigawatts of wind is what they are seeing is the requirement.

So pure wind, pure solar, is not going to serve the purpose of meeting the demand. So therefore, this concept of which is cheaper is not going to work because you are seeing clearly, you are seeing stand-alone wind bids at the central or federal level, you are not seeing a stand-alone solar bid in the last few months, and you will not see also at that level. They're only talking about hybrid, RTC at the peak power or the pure wind power.

**Himanshu Mody:** Yes. To answer your first question. Assuming we have INR1,500 crores of working capital, which is fully fungible between LCs and bank guarantees. I mean that would be more than adequate for us to be able to service our FY '24 orders.

**Natraj Shankar:** Okay. That's about, let's say, 700 megawatts approximately, give or take.

**Himanshu Mody:** I don't want to -- but as I said, it will be more than adequate to service our FY '24 orders.

**Moderator:** Our next question comes from the line of Riken Ramesh Gopani with Capri Global.

**Riken Ramesh Gopani:** Sir, firstly, just a follow-up to the previous point that you mentioned about the RTC bid that are coming through over the last few months. So, across these RTC projects, is there any difference in terms of the IRR that somebody makes on a stand-alone wind project versus an RTC hybrid project?

**J. P. Chalasani:** No. The IRR depends upon what the tariffs. It doesn't depend upon what projects you're doing it. So, like -- if I want x percent returns from this project, I will bid my tariff accordingly, okay? So, the tariff determines your return. But if you want to compromise on your return and go to lower target it is a different issue.

But otherwise, we -- I'm sure that every investor or every IPP would have their own hurdle rate of return and they will get according to tariff, comes out whether it's RTC or pure wind or the pure solar. So that's the reason you will see that with the RTC, the cost is higher. So, you'll find tariff also going up. That means, obviously, everybody is keeping the return same, but if the cost is higher, higher tariff are coming.

**Riken Ramesh Gopani:** Right. But in your interaction with your clients, do you understand that compared to a stand-alone wind project, this is slightly better IRRs, or it actually is indifferent between a standalone, and also just in correlation -- in stand-alone wind project today and what is IRR during your assessment based on the current tariffs at which projects are going?

**J. P. Chalasani:** IRR depends on a number of factors. It is not just a who am I? what is going to be my cost of funding, okay? Many people do a different costing and then subsequently do refinancing. There are a number of factors which decide your IRR, one is which is your hurdle rate what you are putting. So, it's impossible to say that what would be an IRR for a particular given tariff, because there are a number of other variables which will decide your -- the returns.

But I'm assuming that the current tariffs, which are anywhere between 2.90 to 3.05/3.10 is what wind is settling down. I'm assuming that is the tariff range, what people are comfortable with hurdle rates. what they are expecting.

Obviously, whatever they did, they are finding pressure on their returns at that tariff level, that is the reason I just said sometime back, that the projects are not moving forward.

**Riken Ramesh Gopani:** Understood sir, that is clear. And sir, last question from my side is about the inflow that you expect. So, in this year, I mean, what is the kind of -- in terms of gigawatts or megawatts, what kind of order inflow do you expect at your company?

**Himanshu Mody:** At presentation, there is an order book of exactly what we expect -- so again, difficult for us to provide you a number. But as we've been saying, there is very active negotiations going on for a large order book size. So, we don't want to obviously put a number to that. But currently, given the traction in the market, both on the IPP and the C&I segment new order book as we secure whilst we deliver on the existing one, the new order book that we secure also quite -- could be quite significant.

**J. P. Chalasani:** The only point I want to make is that the order book is not an issue anymore. We have plenty of the opportunities available there. It's a question of two things will decide. One is that how much can we actually deliver, the turbines in the next year. We will take order only to that extent. And the second is that we'll cherrypick in terms of, earlier we were obviously constrained with respect to working capital and things like that, we were picking up every project which came across.

We will be cherrypicking up projects which will give us better margins. But as I say, I'm not -- looking at the market, it's not just here, everywhere it is happening. So is globally that orders are flowing. So, order I don't think is an issue.

**Riken Ramesh Gopani:** And you do not anticipate, You have not given a guidance on your order inflow but in terms of market share, you see yourself either strengthening or having steady state market share in terms of new order in the country, right?

**J. P. Chalasani:** Market shares, these two are two different things. Order intake is different. Market share in terms of COD is different. So, there's always a time gap between order intake versus COD. So, what we will be doing in COD today is, order we received earlier, what we will receive this year will be for the next year, the following year.

So therefore, market share when I talked about is what amount of commissioning we'll do in a year because then everybody counts that the commissioning capacity -- so our guidance whatever we gave in, this will continue to be 25% to 30% of the total capacity is in terms of the commissioned capacity.

**Moderator:** We take our next question from the line of Abhineet Anand: with Emkay Global Financial Services.

**Abhineet Anand:** Majority of the questions have been answered. Sir, just two questions. One on the competition, if you can throw some light, who are active players. We do read some on the, obviously, newspaper, but if you can just highlight top 3, 4 players. And second, when you had indicated the government and state pipelines of 8 to 10 gigawatt, this exclude the C&I segment, right? And what type of market is there for the C&I segment, if you can highlight that as well.

**J. P. Chalasani:** As I said, in the current order book, what we got is almost 50% is what the C&I segment. We expect moving ahead we will continue to have similar one. The C&I will further increase, let's say, in the coming years, when you're getting to a green hydrogen and ammonia, which is in the beginning stage today, okay?

Right now, what is happening on the C&I segment is really the current players who want to convert or add renewable energy capacity in terms of their production to become green production, whether it's steel, cement, refining these people. But the demand in terms of C&I for the green hydrogen would significantly come up in the next couple of years. So, there will be a constant flow of it.

In my opinion, frankly speaking, that the -- if you have 100, let's say, megawatts of a bid, at least 40-50 megawatts, if not more would be from C&I in that ratio.

**Abhineet Anand:** And on the competition side, sir?

**J. P. Chalasani:** Competition is -- everyone is aware. I think whether it is quite for competition or talk about players in the sector. So, you have an Envision, you have Siemens Gamesa, you have GE, the main players -- so these are the main players.

**Abhineet Anand:** Okay. Just one last. Sir, this O&M services, any large capacity that are exiting our PPA structure in the next few years?

**J. P. Chalasani:** Come again?

**Abhineet Anand:** So, see, we would be doing around 13 gigawatts of O&M right now, right, in our kitty as I understand. About 14 gigawatts -- so some of those we would have got in earlier years, maybe a decade back as well. So, I'm just trying to understand any large capacities in the next 2, 3 years that are exiting, are going to exit the O&M services?

**J. P. Chalasani:** No, this is what I answered. It's not that 10 years old. will not. But the question is that if something has crossed 20, 25 years is what it ends. That's why the previous question I answered is that still right now, whatever is that is happening, it's mostly happening in the retail sector because at that point of time, one of the retail sectors was there, they are actually most of them, if not all, most of them are what they're trying to do is that the refurbished the turbine. It's like whatever little bit needs to do are refurbishing and then operate this thing.

Even if they don't have a PPA because they think that they can sell in the market, to get those opportunities available. So, we have -- and as far for us, it's good that we get onetime fee of refurbishment and we get extension of OMS services, so win-win for both. And even if the PPAs not there, as people are saying I still do it because it's -- cost of generation is very low. It's an old turbine, depreciated plant, and I can sell it in exchange, and I will get money.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.