



“Suzlon Energy Limited
Q2 FY '24 Earnings Conference Call”
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MODERATOR: **MR. ASHWANI SHARMA – ICICI SECURITIES LTD.**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '24 Earnings Conference Call of Suzlon Energy Limited, hosted by ICICI Securities. During this call, the company management may make certain statements which reflect their outlook for the future or which could be construed as forward-looking statements. These statements are based on the management's current expectations and are 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 risks that the company faces. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwani Sharma from ICICI Securities. Thank you and over to you, sir.

Ashwani Sharma: Good evening, everyone. On behalf of ICICI Securities, we welcome you to the Q2 FY '24 Earnings Call of Suzlon Energy Limited. Today we have with us the top management of the company being represented by Mr. JP Chalasani, Group CEO, and Mr. Himanshu Mody, Group CFO. I now hand over the call to the management for their opening remarks, post which we will open the conference call for Q&A. Thank you and over to you, sir.

JP Chalasani: Thank you, Ashwani. Chalasani here. Good evening and thank you for joining us on Q2 FY '24 Earnings Call. I hope you had an opportunity to review our results and Investor presentation. I will first start sharing with you an overview of the industry and then we'll walk you through our Q2 performance. We will then take your questions.

With good policy initiatives from the government, the wind energy sector has got much-needed impetus. There are policies to strengthen the sector, driving India's green transition, like the concrete guidelines and policies of RPO obligations under Energy Conservation Act, with specific RPO for wind turbines commissioned post 1st April 2024, and the policy on – policy on implementation of pool tariff mechanism, which will, I think, go in a significant way of accelerating the wind growth.

The 2030 GOI target of 500 gigawatts of non-fossil fuel based capacity includes a healthy mix of wind and solar capacities. The idea is to have both solar and wind to coexist and not compete with each other. This helps in diversity of generation sources and is also healthy from the perspective of grid health. The fact that wind is available during the late evening and night, when the power demand in India peaks, helps balance the power generation profile and also supports the grid.

Initiatives like discontinuation of irreversible bidding for wind will help in growth of wind sector. The good part is that under the new bidding regime, wind capacity will come up in all eight windy states, significantly opening up the availability of land and evacuation infrastructure. The procedure for determination of uniform RE tariff is also announced, as I mentioned earlier,

recently, which will help in reducing the average cost of procurement of power through pooling of tariff.

The leading renewable energy states of the country, like Gujarat, Maharashtra, Rajasthan, and Telangana, have also introduced the proactive RE policies to further their state energy transition journeys. We expect even others other windy states to follow the same. We have an order book of 1,613 megawatts as of 30th September 2023. This is a well-diversified and healthy order book.

In addition to this, we also have a very strong order pipeline, and recently, we announced an order from Juniper of 50.4 megawatts. Our priority going forward is to pursue quality orders with higher value and better margins. The process for RLMM listing for 3 megawatt turbine has been completed from our side, and we expect this to be listed as early as next week.

We have started the commercial supplies of 3 megawatt turbines. We have also installed the first prototype of this turbine with 160 meters hub height, which is a second prototype, actually, but the first one with 160 meters hub height in Gujarat, which will further reduce the LCOE. Our focus for H2 remains on executing and building our order book.

Our OMS business continues to do well with 14.3 gigawatts capacity in India. The growth of wind sector will also help SE Forge as a major revenue comes from the supply of wind components. With the strong fundamentals and social and sectoral tailwinds, Suzlon is now ready to leverage the market opportunity arising from the energy transition.

With this, now I will ask Himanshu to take you through the financial performance before we open up for questions. Thank you.

Himanshu Mody:

Thank you, JP, sir, and good evening to ladies and gentlemen. I will be using slide numbers 18 to 24 of our investor presentation as a reference point during this discussion. Our IR presentation has been uploaded on the website and also sent to the stock exchanges.

So for the Q2 FY '24, we've done deliveries of 132 megawatts, totalling up to a total of 267 megawatts in the first half of this financial year. The company has also posted a very consistent and robust performance across all business segments with improved KPIs in the H1 of FY '24 on a year-on-year basis. Q2 FY '24 has seen a registered consistent improvement in all our key parameters.

More importantly, our balance sheet has now become even more stronger, and the fundamentals have strengthened due to the bottom – as a result of a strong bottom line. We're pleased to report that the company has ended 30th September 2023 with a strong consolidated net worth of INR3,409 crores. Post the QIP, there is no residual debt in the company except a very nominal debt of rupees INR120 crores in one of the subsidiaries of the company, which is SE Forge.

This leaves the company with a net debt of about close to INR600 crores, meaning a gross cash balance of about INR720 crores with the company. The company has been able to turn around

this balance sheet significantly from March 2020, at which point our debt was overall INR13,000 crores to a net debt of INR600 crores today.

Pursuant to the debt reduction – net cash, sorry – pursuant to debt reduction, we have achieved a substantial reduction of 61% in our finance cost in Q2 FY '24 of INR36 crores vis-à-vis Q2 FY '23 of INR92 crores. The full benefit of debt reduction in terms of finance costs will be visible from the next quarter, which is Q3 FY '24, as the QIP this year got concluded in August, through which we were able to reduce our debt.

Our consolidated PAT before exceptional items for Q2 stood at INR136 crores and for H1 stood at INR230 crores. This is, of course, against Q2 FY '23 PAT of INR53 crores. So, the economy and the industry is on a very strong footing and the sectoral tailwinds that we are facing are fairly strong, which puts us, Suzlon, with the very strong balance sheet and performance parameters to well capture the market opportunity.

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

Moderator: Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Thank you, sir. Thanks for the opportunity and congrats on a good set of numbers. So, in H1 we have executed somewhere around 270 megawatt and we are still below the H1 FY 23 level. So, are we in a good position to give guidance as to what our execution will be in FY '24?

JP Chalasani: I think our guidance always remains the same, is that H1 to H2 there is always a difference, not just for us, for the wind sector as a whole. Normally, it's expected that it will be anywhere close to the double of what is in H1. Even if you look at as a country, we did about 1.5 gigawatts in H1 and then now we're all talking about doing about 4.5 to 5 gigawatts. Obviously, that it doubles three gigawatts in H2, that's when we reach 4.5 gigawatts in India. Normally, that's the thumb rule. I'm not giving you guidance, but this is what normally it works as a principle.

Nikhil Abhyankar: Okay, so and in Q2, we reported an EBIT loss from the WTG segment. So, what any specific reason for it?

Himanshu Mody: Sorry, can you come again? Which segment?

Nikhil Abhyankar: WTG segment reported EBIT loss in Q2 of around INR7 crores?

Himanshu Mody: So, it is in the segmental reporting is largely, of course, due to the depreciation, all of it sits in the WTG segment. And as you know, O&M business and SE Forge would be light on depreciation. So, it's largely as a result of the depreciation, most of the 50 crores, it's in the WTG segment.

Nikhil Abhyankar: Sir but in the last quarter, we had made a profit. So, from that point of view, I was asking.

Himanshu Mody: Yes, if you look at the last quarter, EBITDA for WTG segment would have been in the ballpark region. This quarter is about INR30 crores. Q1 last time in FY '24 would have been about INR35 crores. So, there's not marked a difference. So, with similar volumes, EBITDA number is broadly the same for the WTG segment.

Nikhil Abhyankar: Okay. And so, any views on the offshore tender that is expected in Q4? And how are we placed to participate in this opportunity?

JP Chalasani: Let see offshore, there is, as you know, that they've issued the intention to come up with a tender that came in. As you know that they're talking about three models of bidding. One is the, they say that they will bid about 500 megawatts in Tamil Nadu, 500 in Gujarat, based on VGF.

Then the model B, they're talking about is that they will ask for the lease rights for the area based on the bidding. And then they will be given X amount of time to go ahead and develop, but without any off-take guarantee. So, and the third model is that you can go and develop your own seabed and then they will do a bidding and you have a right of first refusal, almost like a Swiss challenge.

Right now, they're talking about the model B, when it comes, let's see that we are getting prepared ourselves for participation. See, as you know, that whenever the bidding comes, we don't participate ourselves directly. We actually have a pre-bid tie-up with somebody who is going to actually participate.

So, the same work we will do, because we are not the bidders for this, but we will be working with people who are bidding for the projects, for an equipment supplier in the project, which we are working on.

Moderator: Thank you so much. The next question is from the line of Dhyey from Niveshaay Investment Advisors. Please go ahead.

Dhyey: Thank you for the opportunity, sir. I just wanted to get the clarity on the industry, the usual industry perspective, which we have, that is a 30-70 distribution between H1 and H2. So, I just wanted to ask, are we in line with the performance in that particular metric?

JP Chalasani: This again leads to the guidance, but as I said sometime back, H1 and H2 is anywhere between one-third and two-third versus 60:40, 70:30, whatever number you're taking it as. It'll be in that line, and obviously, we are part of the sector, and our performance also would be in the similar line.

Dhyey: Also, for the 3-megawatt turbine, are the realizations per megawatt or the EBITDA margins per megawatt slightly higher than the two-megawatt series, or how are we placed there?

JP Chalasani: Let's – we don't give the model-wise guidance on what's happening, because it's an overall portfolio, what we sell, because we don't fix that way. It depends upon who is the customer, and whatever the contract we take, is it an equipment supply, is it equipment++, or an EPC? There

are a number of other factors, so therefore, it's not specific to saying that this is a model, this is what EBITDA will have.

Himanshu Mody: Realization, like I'm talking just about the supply, and realization per megawatt remains the same, or how is it different from the two-megawatt series?

JP Chalasani: Yes, you can assume it will remain the same.

Dhyey Okay, and one more thing – Yes sorry?

JP Chalasani: For the time being, because as we keep moving ahead, the cost what happens, then things will be different, but initially, yes, you can take the same.

Dhyey: Sure, and on the EPC, non-EPC side, we – in our order book, we currently have 47% to 53% kind of a make, so what was the number before, and how are we looking to go ahead in the future?

JP Chalasani: See, this is also a sector issue. What's happening in the sector, if you look at it, is that the EPC players are completely vanished from the scene, except us. The largest people who talk about, they just only supply the components, not even the full turbine, so there are turbines getting supplied, but the corresponding capacity to build the BOP to take it to the commissioning is lacking today in the country.

And in our view, that as we also look at in the future, we see a significant risk of turbines supplied lying on the ground, but not getting commissioned. So because of this, also the people earlier who worked with us, and based on equipment supply, are coming back to us, and asking for EPC role. So that's why we are seeing now the 43%, 47%, what you see is an increase compared to what it was earlier. Earlier, when I say is that last couple of years, I don't take it – FY '17 and before, that time we used to go almost full EPC.

Now, the more-and-more players are coming back and asking us to provide an EPC service, so we expect that segment to keep growing as we get more and more orders. But that's a concern for the sector as a whole, because today you have more suppliers and less of the people who can do -- bridge the gap between the supply to commissioning.

Analyst: Correct. Understood. Thanks a lot for the answers. All the best for the future.

JP Chalasani: Thank you.

Moderator: Thank you so much. The next question is from the line of Raj Rishi from DCPL. Please go ahead.

Raj Rishi: I just want to find out what is the possibility of Suzlon maintaining its market share in a much bigger market, like whatever market share you have presently, because others are also going to take part, right? And supposedly, a lot of countries have overcapacity also. So, can you throw some light on this?

JP Chalasani: Yes. First of all, this over capacity is part of a myth, okay? So, what actual capacity, what is the manufacturing capacity, what is the assembling capacity is completely different. So, I'm not getting into the details of that. As far as the market share for us is concerned, we define it differently. Not in the market share. We say that if my capability -- our capability to deliver is x, whatever the market, we should be in a position to deliver x. Take an example that I can deliver 2 gigawatts. Don't hold me to the number. I'm giving an example.

I can deliver 2 gigawatts. If the market is 5 gigawatts, then my market share is different. And if the market is 7 gigawatts, my market share is different. Instead of looking at the market share, what we are concentrating is in what is our capability and enhance our capability to deliver, and irrespective of whatever the market can be, compete, and then deliver to our full capacity. I think that's how we'll deal with the market share.

Because if I do a 2 gigawatt, if the market does only 4 gigawatts, then it looks like a 50% market share. But then if the market does 8 gigawatts, then it becomes a 25% market share. But I'm still doing 2 gigawatts. Okay. So, therefore, I think market share varies from the point of capacity overall, but we should be able to deliver to our full capacity. We should get orders, and then we deliver that. That is what is more important for us.

Raj Rishi: Okay. And one of the global majors was Siemens Gamesa is having some issues. So, is that expected to benefit Suzlon because one competitor being slightly out of the picture or something?

JP Chalasani: I, see, I don't think that the today's in the market, there is enough play for everybody to do that. As I said that sometime back, if I have a capacity, whatever is there today, we can actually get the orders. I don't see in the next, at least for the next two years to three years, guaranteed for two years, FY '25 and FY '26, and also presumably for FY '27, whatever is our capacity, we can go and get the orders. Competition is not an issue.

But what is important for us is to learn from what the issues they're facing and see that, learn from them, and then doesn't get repeated for us. That's what is more important than looking at somebody's got a problem. So, they put advantage to us. That's not the way we're looking at it. We're looking at from the angle of what happened there and how do we ensure that it doesn't happen to us.

Moderator: Thank you so much. The next question is from the line of CA Kanwaljit Singh from Balaji Finvestment. Please go ahead.

Kanwaljit Singh: Good evening and congratulations on a good set of numbers. I have two questions. First, whether Suzlon is storing any opportunities in solar power sector also, as we are dealing with only wind power? Second, what will be the future run rate of the orders? Will the current run rate continue or we will be going into a higher trajectory?

JP Chalasani: Come again. The second question, whether the present run rate continues or – sorry?

Kanwaljit Singh: Or we will go into a higher trajectory of orders?

JP Chalasani: Okay. On the solar, obviously, our strength is in wind because we manufacture wind turbines. In solar, we don't manufacture anything. Having said that, we will -- if there is a need be, we will get into solar where it is a hybrid project. Somebody wants us to take the full responsibility for the entire project, we don't mind doing that. But otherwise, we will stick to our strength of wind. So, not really, solar-specific projects, we will not take up. So, unless if somebody says that if you are doing wind, we also want you to do solar as part of hybrid, then we will look at that opportunity. Not otherwise. On the -- sorry.

Kanwaljit Singh: So, are you currently bidding for such hybrid projects as such?

JP Chalasani: No, we are not bidders. As I said some time back, we are never bidders either in wind or in the solar. The bidders are IPPs or other people and we only supply to those bidders who are successful in the bidding. Some of them have a pre-bid tie-up, some of them come after winning the bid. But we are never a bidder in any of the projects. We did once long, long back in solar in which we sold off all those projects. That's once upon a time, like in 2015- '16 type of time. Otherwise, we don't bid. We are not bidders.

And as far as the order book is concerned, it's growing, it's robust, and we expect the orders will keep growing. I don't need to -- I don't want to put a number to what rate it will grow. But as I said in my opening comments, we are looking at the orders which are quality orders and the quality counterparty where we think that projects would go ahead, not to take an order and projects get stuck. And then we get the decent good margins. That's our criteria. But there are enough -- there is enough potential in the market.

Interest-wise for Suzlon turbines, there is -- I can only tell you is that there is a huge interest in terms of placing orders in Suzlon turbines.

Kanwaljit Singh: Okay. Sir, another question. We usually see and you get large orders. So, what value should we assign to a one order of a 3-megawatt turbine? A ballpark number?

Management: So, our average realization is, give or take INR6 crores per megawatt. So, whether it's a 2-megawatt turbine or 3-megawatt turbine, I think, you should continue with the same economics or unit economics.

Kanwaljit Singh: Thank you.

JP Chalasani: For the scope of equipment supply.

Kanwaljit Singh: Okay.

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

Jeevan: Hi. Good evening. I'm Jeevan from Tamil Nadu. First of all, I would like to congratulate your team for the excellent comeback for the last three to four years. And you have made the company as debt-free company. And only one question is -- it's not a question. Just from an investor's angle, I'm asking this. Being your share, like face value, it is having INR2. For a very long time, it was looked at like a penny stock in the market. So, it was around INR4 to INR10. So, now,

you have come back above INR30. And is there any possibility to make it as a INR10 paid-up share and still you can boost up the market value of the stock?

Himanshu Mody: So, we'll take that suggestion into consideration. I mean, there is right now no active plans to reverse split the stock. Obviously, we'll have to see what are the overall implications from a legal, tax, companies act, NCLT, various law enforcement agencies perspective. So, while there's no current thought, but we'll, of course, consider the idea at the appropriate time.

Jeevan: Yes. Thank you very much, sir.

Moderator: Thank you so much. The next question is from the line of Rahul Kothari from Grit Equities. Please go ahead.

Rahul Kothari: Hi, sir. I have a question. This is with regards to understanding our preference towards taking an order, whether it's more towards the turnkey projects or towards WTG equipment supply? And with regards to the estimate that is understood that 10 gigawatts of orders are expected from PSUs, how are we looking to pre-requisite into it or supply our products and services to that segment?

JP Chalasani: See, equipment supply and EPC, we always tend to balance because in EPC, at the end of the day, we need to look at what is our project execution capability, how much can we deliver projects in terms of the land to the connectivity, including the evacuation system. Whereas equipment supply is that we know that we have a definite capacity we can supply. So, we always look at saying that how much we should take equipment supply, how much is EPC.

And also, EPC depends upon which state it is where we think the equation of land is easier versus cumbersome process. So, we keep evaluating. We don't have a target per se, but we keep evaluating these factors, saying that, okay, if you reach a certain level of EPC, then we think that for this year, we significantly enlarged our project delivery capacity through this. Then we will limit there and get on to the equipment supply. So, both will be there, a mixed size. So, it depends upon which state, which project, and what capacity is and when.

And as far as the 10 gigawatts is concerned, then obviously, I just explained some time back, we don't bid, but we support the bidders for those projects. If someone wants to have a pre-bid tie-up, like earlier also we saw a pre-bid tie-up, or post winning the bid, they come to us saying that they won the bid and we want to work with you for developing a project, then we'll work with them. So, more bids get awarded, that much as the universe keeps increasing for us for the order intake.

Rahul Kothari: Sir, just one more on the understanding front. With regards to because on the wind front, there is generally a landmark with regards to the wind speed and all, and identification is done. So, as a Suzlon, considering the large order coming in place in the future, so execution would be a challenge. So, do we have some, or do we explore the land acquisitions earlier, or will it depend on the customer to procure the lands and everything?

JP Chalasani: See, for us, when we talk about, we can do EPC, our strength is basically the wind data, because we have the largest number of masts and then the largest wind data available to us. So, therefore, we clearly know in each state, when I say that all those eight windy states, which site is good, which site is what sort of a condition it is. That's the knowledge what we bring in.

So, we can potentially, when somebody wants to ask for EPC, we say that this is the site with the wind data, we will develop for you, because we may or may not have a land at that point of time, then we work with them, enter into a contract, and we acquire along with them.

Moving ahead, the process, we used to do earlier, but in between, we stopped because of various things that we don't acquire the land bank, but in case we're certain we have a very good site and which can get into a contract, let's say in the next eight months to 12 months, not locking up the capital, then we would also look at investing in the land, but provided we're absolutely sure that we can convert that into a contract in a short period of time. But not creating a land bank which are available for the next five years or eight years. No.

Rahul Kothari: Okay, that's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Dhyey from Niveshaay Investment Advisors. Please go ahead.

Dhyey: Thank you for taking my questions once again. I just had this doubt that if we are not bidding directly and we are working with IPPs in the offshore projects, then how are we actually taking it forward? Because as I understand, we don't have capacity which are required for offshore turbines. So I just wanted to get clarity on that?

JP Chalasani: No, no. The offshore turbine is not required today because whenever even somebody is winning the bid today, the wind turbine would be required, let's say, three years to four years down the line. Offshore is completely different ballgame. It's going to take a long time to come in.

While we do have another technology under development, various turbines, so in case we are going ahead with offshore, not one-off project, but we think that offshore in India is going to pick-up, then obviously we will accelerate and get the first wind turbine out for the first project to come in. So therefore, the partners, when they talk to us, they look at our time cycle versus the project time cycle, and that's how they go ahead and bid based on our turbine. You don't need a turbine today for offshore.

Dhyey: Okay. Thanks a lot, sir.

Moderator: Thank you so much. The next question is from the line of Sriram Rajan, who is an individual investor. Please go ahead.

Sriram Rajan: Hey, thank you. Congratulations on great numbers. And just two questions. I was reading that Adani has already got a 5-megawatt turbine empanelled in MNRE. Would that pose a competition, given that they can generate more power with less land?

JP Chalasani: It is not the question of more generation with less land. At the end of the day, for anybody, you know that you are an individual investor, you would know that what matters is the cost per kilowatt hour. Okay. Which model gives you the lowest cost per kilowatt hour? For the larger turbines in India today, the cost per kilowatt hour is higher. Okay. On the current site, it all depends upon the wind. The current wind availability, the sites what are available. Today, the 2-megawatt, 3 megawatt would give you a lower cost per kilowatt hour than a 5-megawatt turbine.

So therefore, in our opinion, that is not a constraint at all. So what we need to look at is that if that comes into market, our product can give better cost per kilowatt hour than that. And we do feel that our 3 megawatt and 2 megawatt can give lower cost per kilowatt hour compared to a 5-megawatt turbine in the current sites.

Sriram Rajan: Okay. Fine. That's good. I didn't know this. Okay. Thank you. The other question was, let's assume we transition over a period of time from 2 megawatts to 3 megawatts completely. What would be the amount of gigawatts of turbines we can supply in a year, basically the capacity that we have?

JP Chalasani: Okay. Our manufacturing capacity is anywhere between 3 gigawatts to 4 gigawatts, because let's see what the capacity means. Mostly our natural capacity is for 4 gigawatts, you know. Our is always -- there are three components, nacelle tower and your blades. The tower is we do ourselves, plus you can outsource. So therefore, there is no capacity constraint in terms of tower, as long as in advance you book the fabrication capacity.

So therefore, your capacity depends upon the blade manufacturing. For the blade manufacturing, number of moulds what you put in your plants. So we assume that the capacities we will be able to sell is x, and then we put the moulds. But if we see that FY '26 we can sell more, then we'll quickly go ahead and put the moulds in some of our existing plants and increase our capacity. So capacity won't be a constraint if there are going to be an order. Orders on a consistent basis.

Not that we do one year peak and then subsequently it comes down. If you look at the two years to three years, this is going to be the capacity, then obviously the manufacturing capacity would be ramped up quickly, only the blade capacity, and then to meet that.

Moderator: Hello? Mr. Tyagi, do you have any more questions?

Tyagi: My question is on the EPC plan. You mentioned that the company is now expecting more complete EPC orders instead of just turbine supply. What is the main driver for that? And do you also see an improvement in O&M business? As in recent years we've seen more players going to specialized O&M service providers instead of the turbine suppliers?

JP Chalasani: On the EPC front, I clarified earlier, is that more is coming in because of the demand from the market. It's not that we want to do more EPC, but there's a demand from the market. Because as I said sometime back, there is no OEM left in the country other than us who does EPC. Even the largest competition in the market are just supplying the components. They don't even supply the turbine, they just supply the tower, they just supply the nacelle, and even the blades, somebody

wants they can buy directly. But someone else has to bridge the gap between the turbine supply to, commissioning, BOP, and everything.

We do have limited capabilities in the country for who can do that sort of a service. And some people went ahead, experimented that, and there were some bad experiences, some good experiences. So people who have bad experiences want to get back into the EPC concept. That's the reason I said that there is more demand for EPC, because we are the only people who provide E-P-and-C services. Though we don't give up only EPC, we provide EPC services.

On the OMS front, today every single contract what we sign for WTG supply, we only sign if there is an OMS contract followed by the supply of turbines. If there is no OMS contract, we don't sign the supply contract as well. So till now, that has been our principle. So every WTG we sell, we also have an OMS contract for that. So therefore, our OMS business will continue to grow to the extent we keep selling our WTGs, that magnitude.

On the other front desk, there are some small ISPs which are coming, and there are also some large IPPs looking at their own -- trying to do their own OMS. Our turbine, none of our turbines have gone away till now. In fact, we recently acquired 80 megawatts of Siemens Gamesa turbine for operations by us, given to us by O2 Power. In fact, we are getting multi-make models to us. But having said that, we continue to improve our standard of service, and more importantly, continue to develop value-added products so that benefits our customers in terms of improving energy output or improving the reliability and various aspects. That's the reason, that's how we want to retain our customers.

Sriram Rajan: All right. Sir, just one more question. What would be the likely capacity addition in FY '24 and FY '25, overall sector level?

JP Chalasani: See, we gave our estimate earlier, also we gave it that we expect anywhere midpoint is 4.5, 4 minimum and 5 max this year is what our expectation is. And even if you look at the H1 is 1.5, if you do double up that in H2, let's say, it's 4.5. So that's what is our guidance. We continue to believe that one.

And in FY '25, our expectation is to go up to 6 gigawatts to 7 gigawatts.

Sriram Rajan: All right. Thank you so much.

Moderator: Thank you. The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Thank you, sir. Thanks for the opportunity again. Sir, what is the quantum of order pipeline that we're looking at until March end, March '24?

JP Chalasani: March end. Right, today we have more than 1.6 gigawatts of order. And there is a significant order book, obviously, because of the confidentiality with clients to the orders, this we can't say how much it is, but there's a significant order pipeline, which we're negotiating today. And that's

when we can put the order, then we come out and then basically announce. So I don't want to put a number to it. But there is this strong order pipeline, which we're negotiating today.

Nikhil Abhyankar: Understood. And also, there are around four FDRE bids also open right now. And so are we also working with the IPPs to bid for these projects? And what kind of wind proportion can we see in this bid process?

JP Chalasani: See, it all depends. Sometimes the wind proportion can be significantly higher, which is this FDRE bids. I don't have the number right away with me for the current FDRE estimates. But what I remember the overall number is that in the 13 gigawatts of outstanding bids today, which are open, the wind capacity is about 11 gigawatts. In some cases, the wind capacity is more than the bid capacity.

Because, for example, that somebody wants to offer a sort of an RTC power sort of a thing, and some people are saying that instead of getting into hybrid anything, I can actually -- let's say you want 400 megawatts of the PPA you have and go ahead and set up 650 megawatts of wind.

And on an annual basis, you meet the requirement of what is required, the PLF size. So therefore, wind capacity is going up. That's why I said that I don't have a bid size, but total overall bid size in 13 gigawatts, more than 11 gigawatts is wind.

Nikhil Abhyankar: Okay. And are we working with IPPs on FDRE bids as well?

JP Chalasani: Yes, we work. Yes, obviously, the bidders remain the same, whichever the type of bid. The universe of bidders, the companies remain the same. Whoever -- we have a relationship; we keep working on this. Like earlier, we had a pre-bid tie up with Apraava, we had pre-bid tie up with Torrent, we had pre-bid tie up with Sembcorp, we had pre-bid tie up with Hero, you name it, we had. So sometimes they have pre-bid, sometimes they go ahead and then, bid, and come back to us.

So there is no need for pre-bid these days, because everybody knows the market, what are the prices and things like that. It was different when initially when the bids came up in the FY '18, the initial year of bidding, then obviously people, everybody had a pre-bid tie up. But now, it's not necessary. Not even 50% of the bidders have a pre-bid tie up.

Nikhil Abhyankar: Okay, sir. And the final question on Siemens Gamesa. So are we looking to acquire any of the wind projects that they are currently managing, going ahead, whichever are coming for expiry?

JP Chalasani: We all, we do a multi-make. We are also working in a small way on the multi-make. We are in initial stages, we don't have significant capacity, we have more than, little more than, close to about 200 megawatts. Another 150 megawatt is what we acquired this year. As I said some time back, 80 megawatts of Siemens Gamesa, which O2 Power had, wanted us to develop, do the OMS, which we are doing it.

Obviously, any such opportunity comes in, we will definitely open to do a multi-make, whether it's Siemens Gamesa, or if not, any make, we will do open. Today, we operate Enercon, we

operate Inox, we operate Siemens Gamesa machines. Capacity may be small, but all these people we do it. And but that is one of our business models in the OMS. While we continue to do our own, but we'll also look at opportunities to expand into multi-make.

Nikhil Abhyankar: Okay, sir. Thank you. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Neil Ostwal, from Bajaj FinServ Asset Management. Please go ahead.

Neil Ostwal: Yes. Hi, sir. Thank you for the opportunity. Can you give some color on the opportunity size of the C&I segment?

JP Chalasani: See today, if you look at our order book, the two-thirds is C&I, so including retail. So, one-third is actually the bid capacity. So, that's the rate what we're having today. So, a significant portion is C&I, actually.

Neil Ostwal: Okay. All right. Thank you.

Moderator: Thank you. The next question is from the line of Pawan Gulati, from Investor. Please go ahead.

Pawan Gulati: Hello, sir. Congratulations for the great set of numbers. I have couple of questions on slide 20. So, basically, first one, it mentions the installations in H1, that's half a gigawatt. And for Q1, the number was 0.3 gigawatt. So, can you give the numbers in megawatt for both orders? That's one.

And the second question is that we have a capacity of greater than 3 gigawatts till our installations have been almost – the run rate has been lesser than 1 gigawatt in the air. So, what's our path forward to increased capacity utilization?

JP Chalasani: So, you're talking about supply?

Pawan Gulati: No.

Himanshu Mody: So, on slide 20, I'm answering your question. So, installations by Suzlon in the first half have been about half a gigawatt, close to about 500 megawatts. And across the country, about 1.6 gigawatts of installation has happened in the first half of this financial year. So, approximately, again, if we take the market share dynamics just for the first half, this is installations where we are about 33%. The other metrics is for the H1, we've done 267 megawatts.

That's in terms of deliveries. So, in the H1, there have been deliveries of 267 megawatts of turbines, while installations have been 500 megawatts. I mean, difficult for us to give you a market share number of the deliveries because we're not aware of what the competitors are doing. We can report our numbers, but MNRE reports the new wind capacity that have got added. So, that's how we're coming to the 33%.

JP Chalasani: Also, on the commissioning, you'll notice that the whole of last year, we did about 524 megawatts. So, that's what we actually reached in the H1.

Pawan Gulati: Correct. But my question was that, really we have a higher capacity of three gigawatts a year, and we have the open model as well. So, basically, what will be our part to higher installations on a quarterly basis?

JP Chalasani: Yes. Obviously, we can't give that guidance, but I can say that the order book is one thing, and the delivery schedule is different because each project is unique. If it is an equipment supply, they will have their own schedule in terms of when they want the turbine. One is looking at their site readiness, and even where we have an EPC, sort of a thing where we are responsible for everything, still people, some of them, will ask for rescheduling the supplies because the evacuation system is getting delayed.

The substation from which their project gets evacuated is getting delayed. So, this is now a dynamic situation. So, depending upon the need of the project and also the evacuation capacity is happening, the schedule will keep changing. So, we may have an order, and also order may have been booked for this year, but still the client can come back and say that my evacuation is not happening or I'm getting delayed in terms of my land acquisition, so, therefore, please postpone. So, that's what keeps happening, which is why we keep working with every client independently on each project. That's what would decide the, how much we can supply. We can supply, but provided the projects are not ready to take that much capacity, then obviously, what do we do with that? They won't even pay us. They won't even take the budget and pay.

Pawan Gulati: Right, sir. Thank you.

Moderator: Thank you. The next question is from the line of Amit Nigam from Invesco Mutual Funds. Please go ahead.

Amit Nigam: Hi, good evening. I have two questions. When I look at the finance cost line of the P&L, sequentially, would the trajectory be a sharp drop or a more gradual drop? That's one. And second is, when I look at your cash flows on a consol basis for the first six months, I see a significant deployment in the working capital lines. So, does that give us some visibility to a better execution coming up in the second half? Thanks.

Himanshu Mody: So, Amit, I'll answer both your questions. So, on the first one with regards to interest costs, as I said in my opening comments, certainly you will see a sharp drop in the finance cost in Q3. Up to now, for the six months of the H1, our finance cost has been about close to INR90 crores for the first six months. And that's largely been because of the debt that we had on the balance sheet, which has got repaid around the end of August.

So, for a large part of the Q2 also, until the QIP proceeds were realized and repaid to the lenders, that interest cost line is figuring in the quarter two. So, Q3 will see a sharp decline in the interest cost for sure. To answer the second question, working capital is, I would say, is an issue in the business. We are working as a company to further optimize that.

And yes, you are right that if you see the cash flow, there is significant working capital deployment currently as we speak. So, and whilst we have the 1.6 gigawatts in confirmed orders,

so certainly we are very, very focused on executing those orders in the quickest and most profitable manner possible.

Amit Nigam: And so, would it be prudent to conclude that March 31, in 2024, the balance sheet, especially on the working capital line items will be much lighter from where we are today?

Himanshu Mody: May not be lighter from where we are today. Again, I would like to review working capital always as a percentage of overall sales, either trailing or forecasted because whenever we end March '24, net working capital term, that could be representative of the investments that we have made for deliveries to be done in March '25.

So, I do not think in absolute rupee crore terms, it may be a lighter number, but in percentage terms for the business that the company would deliver going forward, it would certainly be lighter in that proportion.

Amit Nigam: So, essentially you are saying it will be more efficient, right?

Himanshu Mody: Yes, certainly.

Amit Nigam: Thank you, Himanshu.

Himanshu Mody: Thank you.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Asset Management Company. Please go ahead.

Deepesh Agarwal: Yes, good evening, gentlemen. Sir, my first question is, is it fair to say entire order book of 1,613 megawatts will be executed by March '25?

JP Chalasani: Yes, right now the orders what we have is, that's right. The order book what we have is for FY '24 and FY '25. The order in the pipeline, what we are now negotiating, we are discussing are that there are some which will go into FY '25 and FY '26. But the current order book what is shown 1.6 gigawatts is for FY '24 and FY '25. Nothing is below or beyond.

Deepesh Agarwal: Okay. So, for FY'25 incremental orders, anything which we get in next one or two months can possibly go into FY'25, right?

JP Chalasani: No, what is now happening is that the orders what are coming in henceforth are, depends upon the size, okay. If we get 50 megawatt or the type of orders, that will be for FY'25. But let's say that if you get a large order for 200 or 300 megawatts, then it could be for FY'25 and FY'26, even if you get in the next two months.

Deepesh Agarwal: Okay. So, basically, if we take the formula which you gave earlier in the call, second half is typically 2x. So, assuming you do a 500, 550 megawatts in second half, we have 1100 available for execution in '25 plus any incremental order you get, which can be executed in '25, right?

JP Chalasani: Yes. Guidance, well, your numbers are right. I can't find fault with your arithmetic.

Deepesh Agarwal: Sir, the other question is if I look at your order book, almost half of your order book is in Karnataka. So, what is the status of the transmission connectivity out there? I guess there were some substations which were to be installed, which are getting delayed out there. Anything which impacts us out there?

JP Chalasani: Yes, it does. Like sometime back, I was saying, impacts in the sense that there could be some people, like, especially for this year supplies, okay? So, they can say slightly delayed because substation is getting delayed for the next year. So, you're right, there are a couple of substations which are delayed, which are expected to come, I think, end of this year and early next year.

So, there will be some readjustment of delivery schedule. That is what would be the impact on us. Otherwise, the connectivity and that is not our responsibility. That's the responsibility of the client. So, we would not have anything, only to the extent that if they know in advance that that's going to get delayed, then obviously, they would like to reschedule the supplies, move it by two months, move it by one month, move it by three months. That sort of things can happen. That would be the impact on us.

Deepesh Agarwal: But if any

JP Chalasani: Considering Karnataka is basically, the reason is that till now, as you know, that the -- all the bidding was happening on the site, state agnostic because you can put in anywhere. So, everybody would go towards where the higher wind, but that's the only way you can wind win the bid. So, initially, there is all products came up from Gujarat and Tamil Nadu. Then obviously, Gujarat had some concerns with respect to land, which they removed now. The only other option was the Karnataka. The option was available for MP, Rajasthan, AP anywhere, but people didn't put up there because there you will get less of PLFs compared to Karnataka. But now with the full tariff concept, those states are getting opened up. The concept is in Karnataka, that is the reason.

Deepesh Agarwal: Okay. So, if there is a delay in the transmission, it also differs our revenue, right?

JP Chalasani: Come again?

Deepesh Agarwal: If there is a delay in transmission line being set up, it also differs our revenue or we get our revenue with only the final commissioning that we get?

JP Chalasani: No, contractually, it doesn't differ. But then, if they are repeat clients, we have a relationship with them and they know in advance, let's say 10 months in advance, it's going to be delayed. They'll come and ask us saying that, can you please reschedule some of these supplies? So, we oblige. If you oblige that, then there could be some difference. Contractually, no. So, we have agreed to schedule when they need to take the turbines that way.

But then, when you work on a relationship with the repeat client, then obviously you would tend to agree with them on some revisions, if feasible. It's not necessary that it's always feasible to reschedule the supply. But if you reschedule, agree mutually, and reschedule, there would be an

impact on the topline. But then what will happen is that some other sites could be there. So, we will fill up that during that period of time.

It's crucial because we're doing multiple contracts. So, some cases we can advance because they would maybe ready. But earlier, we didn't agree to supply that time because we were to supply to this project. So, now we can, switch and supply to that project. That's how we plan when you have multiple contracts.

Deepesh Agarwal: Sir, lastly, what is the status on the capex which we were doing for the moulds for the three-megawatt turbine? Is it ready? And can we start shipping those turbines from 3Q or we'll have to wait for the 4Q for that?

JP Chalasani: We already started supplying commercially. Then about five or seven turbines got dispatched already. And then we are now doing commercial products. It will gradually pick up in Q3 and Q4. But significantly ramp up will happen next year, obviously. But then you will see a reasonable capacity going out in this year, especially in Q4.

Himanshu Mody: And the capex plan for mould is on track. So, whatever number of moulds we need, we already have three moulds in operation on transit. And the rest will be in play by end of this quarter or early Q4.

Deepesh Agarwal: Sure. Thank you. And all the best.

Himanshu Mody: Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Funds. Please go ahead.

Dhruv Muchhal: Thank you so much, sir. Sir, looking at the industry situation in terms of increasing demand and particularly and also your positioning in terms of the EPC service that you probably uniquely provide, very few players provide. Is there a possibility or probably some discussion that you're already having the scope for margin that you earn for your services plus the working capital cycle that we have in the business of improving versus what we were thinking in the last three months or six months or last one year? So some thoughts on this, please?

JP Chalasani: See, on the improvement of working capital from the client side, we have done significantly already in the last couple of years. So the change of payment terms, we said we would like to get payments on the component supply basis rather than the supply basis. We have done adequate work, but at the same time, there's always a scope for improvement, asking them to open everything and things like that. So that does exist in terms of the improvement of working capital cycle based on orders.

Dhruv Muchhal: Okay. And so on margins?

JP Chalasani: Margins, we gave a guidance on the margins. I think right now we stick to that margin rather than saying that, okay, demand. See, for the repeat customers, we really don't want to go and say

that the demand is higher. It's now a supplier's market. We want to improve our margin significantly. That's not the way to work with the repeat customers.

But some customers, the C&I segment other things, we might improve the margins. But our guidance remains the same as whatever we said earlier, the margin-wise per megawatt. That we wouldn't -- We wouldn't like to change that guidance.

Dhruv Muchhal:

And so the second question is probably just to understand, it would be too early, but we are seeing some intensity by Chinese equipment suppliers increasing. We are hearing about Europe trying to impose some restrictions on Chinese. I'm not sure how relevant this is for India. And I was looking at some data. The cost for them seems to be very low versus probably globally, even for India versus India. So can that be a threat to the industry in India and also to you? Or the dynamics are very different in India and has no implication?

JP Chalasani:

Let me answer this from the industry perspective rather than looking at Suzlon. I don't want to get into that issue of what happens with Suzlon. Many of the suppliers, as I said sometime back, the issue is that with the component supplier rather than EPC suppliers.

When I said a component, not even WTG, they're willing to supply just the nacelle, not even tower, not even the blade. And some people think that that's the best way, then I can reduce my cost. But ultimately, how much capacity do we have capability building in the country in terms of bridging the gap between supplier versus commissioning is a major issue.

So which is a concern the government also is having now. In fact, they started monitoring a number of turbines on the ground uncommissioned, because which is going up now today in the country. Yes, they do have the advantage of the price because the many of them are actually assembling it here than the manufacturing here, even with whatever manufacturing they're making, so raw material completely import it from there.

Then they do have advantage there in terms of subsidies, in terms of power costs, various things. So their input cost is worse. So that's a known fact. But then the manufacturing component in India is much lesser. It's more of an assembling here exactly.

Dhruv Muchhal:

So the challenge for them will always be that you mentioned the combining it with service. So that execution challenge will always be a problem?

JP Chalasani:

Well, for the bidders, ultimately, why I said that we're getting more demand for EPC is that how many of these clients really can think of partnering with someone else because nobody does on their own. You need a partner to build your projects. So do we have really capability built up in the country for doing seven gigawatts to 10 gigawatts, what we're talking about in terms of BOP is what is a question one has to ask.

Supplies can happen. People can dump the turbines on the ground. But at the end of the day, as a country, what we need is not the turbines dumped on the ground, but turbines commissioned, connected to the grid. So that's as an industry, we're going to face that issue and which is now slowly is coming on the ground.

- Dhruv Muchhal:** All right. Sure, sir. Great. Thank you so much and all the best, sir.
- Moderator:** Thank you. The next question is from the line of Rahul Kothari from Grit Equities. Please go ahead.
- Rahul Kothari:** Hello. Just picking up the earlier question forward. So these imported and assembled parts, these kinds of orders are also applicable like in the PSU tenders also or it's more towards the C&I, IPP, private IPP domain? That's one thing.
- Second is just to further understand on the competitive landscape from domestic and international front. So I understand that in wind there are three domains, equipment, supplier, then the BOP, and then third is the OMS. So specifically on the OMS, for us, for our own supply, we don't see any competition, right? What we are looking for is the already OMS in place, which are where other players' products are supplied. So can you just elaborate on the front of the competition?
- And thirdly, just one more question to add in. Thirdly, regarding how do we look at the weightage of like two-gigawatt, two megawatt and three-megawatt proportion in our revenue book going forward in FY'25? If it's looking to?
- JP Chalasani:** Yes. On the first one, to my knowledge, there's no restriction on PSUs because it's basically RLMM-listed equipment is what people buy. Unfortunately, in RLMM listing, it talks about either you manufacture or you assemble. So you still get qualified for RLMM listing. So once you're listed in RLMM, I'm clear that I don't think there are any restrictions for PSUs to my knowledge. I'm not completely authentic on that, but that's what I feel. I think because they're listed in RLMM and they're listed there because assembly is also allowed in RLMM. So therefore, that's the question number one.
- And question number two, yes, you're right. There are two issues in OMS. One is our own fleet. Other one is the multi-make what we acquire from others. Even in our turbines, I don't think it's a right or a path to say that there is no worry because the people, there are ISPs which are there in the market. So they're setting up some sort of unsustainable benchmarks in terms of pricing, in terms of performance parameters, what they're guaranteeing, plus some of the large IIPs think that they can operate.
- So therefore, there is a pressure on us, even our own fleet, to ensure that our service remains high and then we keep providing value-added services, as I mentioned earlier. So that's a second most fact that we do recognize that even in our own turbine things, we need to be careful to protect ourselves. We love to have been able to do that, and we hope we'll continue to do that in the future. And as far as the third question was, you said international? Sorry, you asked too many questions, so I forgot your third question.
- Rahul Kothari:** Third question was regarding the proportion of revenue we need from coming from two megawatt and three megawatt turbines going forward in FY'25, '26. Are will it be more tilted towards three megawatts now going forward?

JP Chalasani: See, right now, obviously, when you look at our order book, the significant portion is for three megawatts today than the two megawatts. But having said that, it depends upon which site, some site, two megawatts competes better than three megawatts. So we are agnostic, and I think the most of the people, the clients, would be more for the cost per kilowatt hour, but there's a psychological feeling that, you know, a psychological preference for a three megawatt, being a larger turbine, maybe number of footprints should be less and things like that. But we expect that FY'25, we will continue to have both. Maybe in the ratio of two is to one, or a little different. That's share on that is what we can think that two megawatt and three megawatts in FY'25 will be.

Rahul Kothari: Okay, thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Sumakha, who's an individual investor. Please go ahead. Mr. Sumuka, your line is unmuted. You can please ask your question.

Himanshu Mody: Yes, let's go ahead. We can take the next question, if there are any. Otherwise, we can end the call.

Moderator: So well, as the current questioner has left the queue. We will take that as our last question. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

JP Chalasani: Thank you.

Himanshu Mody: Thank you.