



“Suzlon Energy Limited
Q3 FY’24 Earnings Conference Call”
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MODERATOR: **MR. SUDHANSHU BANSAL – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Suzlon Energy Limited Q3 FY '24 Earnings Conference Call hosted by JM Financial. As a reminder all participant's line 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 touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudhanshu Bansal from JM Financial. Thank you. And over to you, sir.

Sudhanshu Bansal: Thank you, Sagar. Good evening, everybody. On behalf of JM Financial, I welcome you all to the conference call of Suzlon Energy Limited to discuss the third quarter FY '24 results. We have with us the leadership team of Suzlon comprising of Mr. J.P. Chalasani, Group CEO; Mr. Himanshu Mody, Group CFO. Thank you so much, sirs, for giving JM Financial the opportunity to host the call.

With this, I would like to hand over the call to Mr. Chalasani for opening remarks and taking the call forward. Over to you, sir.

Jayarama Chalasani: Thank you, Sudhanshu. Good evening, and thank you for joining us on our Q3 FY '24 earnings call. I hope you had an opportunity to review our results and investor presentation. We will now share with you an overview of the industry, and we will walk you through our Q3 FY '24 performance. We will then take your questions.

India has witnessed a renewed optimism backed by good policy initiatives from the government with a clearly laid road map for grid connectivity with an approach for accelerating the deployment of wind turbine installations. The 2030 target of nonfossil fuel-based capacity includes a healthy mix of wind and solar capacities. As for the optimal cost generation mix outlook for 2030, the wind capacity in India is required to reach 100 GW as a base case scenario.

On top of this target, there is a sizable demand from C&I segment, which further boost up the demand outlook for wind. In line with the new market scenario, wind capacity additions are now happening across all eight windy states. This can be seen in the order book state mix in the latest investor presentation. There will also be pooling of tariffs, which will reduce the average cost of procurement of power for consumers and, at the same time, will improve economic feasibility of new wind projects across different sites in India.

With respect to order book, our cumulative orders of 3,157 MW include the order book as on December 31, which is 2,290 MW, plus orders announced subsequently of 867 MW from Everrenew and Evren. This is a well-diversified and healthy order book from marquee customers. Our endeavor going forward is to pursue quality orders with higher value and better margins.

Our prime focus remains on executing and building our order book. The order from Evren, a Brookfield entity, of 642 MW is the single-largest order won by Suzlon in India. This shows scaling up of project sizes in India and confidence in Indian market.

Our OMS business continues to do well with around 14.5 GW of capacity in wind. The growth of the wind sector will also help SE Forge as their major source of revenue comes from the supply of wind components. With strong fundamentals and strong sectoral tailwinds, Suzlon is now well equipped to leverage the market opportunity arising from the energy transition.

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

Himanshu Mody:

Thank you, J.P., sir, and good evening, ladies and gentlemen. I will be using Slide #17 to 24 of our investor presentation, which has now been uploaded on our website as the reference point for my discussion during this presentation.

Q3 FY '24 has seen us register robust improvement in all our key parameters and fundamentals and strengthened with a focus on the bottom line. We have made deliveries of 170 MW in Q3 FY '24. On the P&L front, our renewed focus on bottom line has resulted in substantial reduction in quarterly net finance costs by over 94% on a YoY basis. So we stand at about INR5 crores in Q3 FY '24 versus INR80 crores in Q3 FY '23. Depreciation of INR38 crores in this quarter is comparatively lower on account of lower amortization of moulds for our S120, which is the 2.1 MW models.

Consolidated PAT before exceptional items for Q3 FY '24 stands at INR203 crores versus Q3 FY '23 of INR78 crores, registering a growth of 2.6x in our PAT. Talking of 9-month performance, consolidated PAT before exceptional items, it has gone up to INR433 crores in 9M FY '24 versus INR98 crores for 9M FY23, registering a 4.4x year-on-year growth on our PAT numbers.

We are pleased to report a very strong and healthy balance sheet as of December '23, which demonstrates a very strong position of strength, where our net worth stands at INR3,626 crores and our net cash position stands at INR719 crores as of December 2023 vis-a-vis a net debt of INR1,180 crores as of March '23. So this was a swing of over INR2,000 crores in a matter of 9 months.

The economy, of course, is on a very strong footing, as said by J.P. Sir. And the sectoral tailwinds that we are witnessing continue to be very strong with a renewed focus on the renewable energy sector. And all of this augurs very well for Suzlon.

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

Moderator:

Thank you. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar:

It's very heartening to see a strong accretion order book. Sir, my first question is, of course, the very strong order book. But the execution especially in the Q3 has been only 170 MW while we are having an order book of 3.2 GW. Can we see a higher execution in Q4? And can you give some tentative timeline of execution of this entire order book of 3.2 GW?

Mohit Kumar:

Sir, should I repeat my question.

- Management:** Yes please, as we heard only partly. Please go ahead.
- Mohit Kumar:** Sir, my question was the execution for the Q3 was only 170 MW, but you're carrying an order book of 3.2 GW. How do you see the execution in Q4? And how one can expect this 3.2 GW to flow into our revenues for the next -- some tentative timelines, yes?
- Jayarama Chalasani:** The order book that we have, 3.2 GW now that you're seeing, is partly small capacity is this year, significant portion is for the next year, that is by FY '25 and also for FY '26. As you know, about the orders are becoming long term, anywhere between 18 to 24 months is what the supply completion is happening from the order date. So that's how the orders are. So therefore, this is a split between a small portion this year, a significant portion next year and the following year, FY '26.
- As far as this year is concerned, yes, we delivered 170 MW this quarter. Obviously, the question is with so much large order book, why only 170? Well, two factors for that. One is that we deliver as per the requirement of the project sites. As you know, that significant portion of our order book is also non-EPC, depending upon the sites we deliver.
- That's one. There are some clients who rescheduled their requirements because of the likely delay in their evacuation system, the CTU connected system, or some places with the land. Also, we had a little slow progress internally because of the delay in the time of the working capital, which has come in, you know, significant portion has come in December. So I think this together is what we just created, the volumes. But now we expect it to continue to grow because as far as we are concerned, now the working capital is there and the orders are there.
- Mohit Kumar:** Understood, sir. Are we maintaining the execution guidance of 800 MW for this fiscal?
- Jayarama Chalasani:** I don't think we ever gave a guidance. This is the expectation of the market. So I will neither say Yes nor say No.
- Mohit Kumar:** Understood, sir. My second question is on the -- given that we have seen a very high pending activity from the PSU side, especially NTPC, SJVN and NLC. And I think there is a tender out from GAIL for 300 MW. This sizable opportunity, are you participating? Are you participating in these tenders?
- Jayarama Chalasani:** No, we don't because we are an O&M and an EPC player. We don't participate in the bids directly. We support anybody's participation in the bids. Pre-bid tie-up or the post-bid, they come to us for a link to bid on this. But we don't directly participate in this because we are not an IPP.
- But you are right, there is a significant amount of bids done till now and as well as being announced. In fact, as we speak, I think there's roughly about 15 GW of bids open today. And then we expect, depending upon the different types of models, about 15 GW of bids would be there in that. And then for us, it's an opportunity, not as a participant.
- Mohit Kumar:** Sir, I was referring to the OEM tenders, which NTPC has 1,000 MW...

Jayarama Chalasani: We are looking at them, but right now we have not yet started participating in the PSU tenders because of some of the requirements of qualification criteria with respect to networth. The previous ones, so therefore once we get qualified, we bid for that.

As our balance sheet is getting strengthened and we get qualified for that, then we participate. We used to participate earlier, but in between because of our balance sheet going negative networth, we don't fulfil the qualification criteria. So moving ahead, now we will qualify.

Then we'll start participating. Sorry, I took it as we are talking about tenders, not EPC tenders. I took it otherwise. But the EPC tenders, we would participate in the future, but right now we are not participating.

Mohit Kumar: Okay. My last question is on the EPC order book, I think, has -- is 25%, if I'm not wrong, that we thought the EPC order book will see a slightly higher accretion. Is there something to -- if you can just please comment on that, why the EPC order book is sat on the lower side?

Jayarama Chalasani: Okay. In fact, if you look at including what we announced yesterday, it's about 28% is our EPC order book. But having said that EPC, when we say it is actually the end-to-end, but otherwise the rest of the portion is an essay. It looks like we do a part. There are three categories. We do EPC, we do equipment supply, erection, and then we do the equipment supply.

So there are different categories. So it depends upon what the market wants. So if the people want EPC, then we offer the EPC services. People want the supply of equipment and do the erection, we do that. If the people want supply, erection, and foundations, we do that. It's a question of -- we provide a a carte services. It's for them to choose. So what is in the market, we can meet end-to-end requirements. And in fact, we are the only OEM. I repeat, we are the only large OEM in India today which offers end-to-end EPC services.

Moderator: The next question is from line of Rahul Kothari from Grit Equities.

Rahul Kothari: First of all, very congratulations for the amazing results and also for winning such a large single order of 642 MW. Congratulations for that. And sir, can you help me understand more on the ecosystem regarding the EPC or we can say BoP system in place?

Considering the significant increase in the green sector, so how is this industry getting up to cope up with the requirement of the OEM manufacturers? I would like to understand it on three fronts: How Suzlon itself is gearing up for the execution? How IPP players, if they are looking to execute on their own? And is there any significant players available to take up this execution plans?

Jayarama Chalasani: I will talk about Suzlon and I'll talk about the sector. Obviously, how IPP is stepping up, I'm not the right person to answer the question. As I was answering the previous question as far as we, Suzlon, is concerned, if anyone wants an EPC scope, we are there to provide EPC scope. And if anyone wants the part of it, then we are there to provide the part of it. We are -- as I said earlier also that we are the only OEM who provides EPC. Other OEMs today are not providing EPC services.

So therefore, what's happening is that the -- for post-equipment supply, the balance work to be done in terms of BoP work and things like that, we need to depend upon the other players who are coming up in the market today. But those, in our view, still don't have enough capacity built up in that, which is what we're really seeing in terms of capacity addition.

Even in the first 9 months, we're still struggling at 2.1 GW of capacity addition, when we had much bigger targets for this year. So that is one going to be a constraint moving ahead, amidst the capacity building and execution of BoP. And definitely still, there is a consultation of projects in places like Karnataka and things like that. So there are issues with respect to land acquisitions that are delaying it.

It's a fact. The land availability is delaying, plus the exhibition capabilities. So therefore, we are continuing to struggle and we will continue to struggle for some more time in terms of overall capacity addition in the country.

Rahul Kothari:

Okay. And sir, also regarding like this 3 MW wind turbine, I understand there will be different height and different set of cranes requirement for this. So considering that an earlier time, there was like 2 MW turbines, so crane requirements were different. So is there still -- like the industry with regards to crane availability still there, is coping up with respect to the growth in the wind industry?

Jayarama Chalasani:

Yes. Answer is yes because the crane supplier companies are also tracking the sector in a big way. And then they know that what is coming up much in advance. Even when we start announcing a new model and putting up the prototype, they know that Suzlon is sending out this model. They sit with us. They understand what are the requirements of the cranes and they get those cranes in time.

In fact, right today we are tied up already for the cranes what we need for the next year. So there are adequate cranes available as long as you know you're talking to these people in advance and then looking them up. And because we are constantly in this business, we do have a relationship with each of the crane suppliers.

So we don't see in our case, obviously I can't comment on others, but we don't see that as a concern, including for 160 meter up height turbines that we're going to do now.

Rahul Kothari:

Okay. And sir, last question, regarding this hybrid project, I understand lots of projects are also coming in the hybrid in nature with solar and wind together or solar and battery, wind plus battery, etcetera. So how Suzlon like participates or provides its products to the other players in such kind of order segment?

Jayarama Chalasani:

Yes. So if you look at 15 GW of order, outstanding today. 9.5 GW is what you call this FDRE bids, Fixed Dispatch Renewable Energy bids. That would include the solar, wind, and storage system. And then the about 2.6 GW is the pure wind bids. So you don't find the pure solar anywhere, but significantly the bids, 15 GW, measure capacities for FDRE and pure wind bids. In the 15 GW bids, equivalently 15 GW is required if you want to meet different types of, 15 GW of wind is required.

So when the IPP, let's say, is doing an FDRE or doing a hybrid, the wind portion, they approach us, then obviously we'll develop the wind project for them. No one has come to us till now with the coming features. If there is a hybrid to coordinate the whole thing, we're willing to coordinate. But otherwise, we will provide the pure wind portion of it.

Moderator: The next question is from the line of Rajrishi from DCPL.

Rajrishi: Just wanted to understand your perspective on this supply side. Like demand side, the government is talking about a certain level of capacity addition for the next 5, 7 years. C&I is talking about a certain level. Green hydrogen is there and repowering, etcetera, is there. So that's the demand side, which seems to be very robust. Now as far as the supply is concerned, do you foresee any chance of oversupply in the domestic market in India? Or that's -- I hope, I would just would like to hear you out on this?

Jayarama Chalasani: I think the demand obviously is expected to be there because of the opportunity itself. Obviously, the whole demand is not being today subscribed to. If you look at the -- roughly about 13 GW or something, including the green show option bid out recently, but that portion is only about 7 GW.

What would decide is not the supply of equipment. The capacity addition would purely depend upon how much can we convert the supply turbines into commission capacity. That's where the concern we're facing today in the country. So as I said, that is what is going to decide as a country how much we are going to add the capacity.

If that keeps getting slowed down and not ramping up significantly, then obviously you will have a backward impact on how much will be the supply required. So basically, the commission capacity would actually decide the demand on the supply of equipment, but not the demand of the -- the greater demand of the C&I customers. That's our clear view.

Moderator: The next question is from the line of Nikhil Abhyankar from ICICI Securities.

Nikhil Abhyankar: Congrats on a good set of numbers. Sir, my first question is regarding the profitability of WTG segment. Sir it has been low in the first 9 months. So what exactly is the reason for this, sir? And how will be the trend be going forward?

Himanshu Mody: So Himanshu here. So in terms of WTG segment, we've always maintained that our break-even points are close to about 600 MW. So long as we're able to deliver 600 MW in any given year, the WTG business, manufacturing business on its own, will break even at the EBITDA level after meeting the fixed costs. So we continue to maintain that.

In the 9 months so far, we've done about 437 MW of deliveries. So a large part of the fixed costs have already been absorbed through the deliveries that have happened over the 9 months. And of course, based on the deliveries that we do in Q4 of this financial year, I think the WTG segment is well on its way to have a reasonably decent operating profit on a stand-alone basis.

Nikhil Abhyankar: Okay. So as and when the volumes increase towards the next year, the margins are expected to go up?

- Himanshu Mody:** That's correct, yes.
- Nikhil Abhyankar:** Okay. And sir, the second thing was regarding -- it is an industry-specific question. So recently, pure wind tenders have seen -- like if the tender is for, say, 100 MW, the bidding is done only for 20, 30, 40 MW. So what exactly is the reason for this? What are the problems that IPPs are facing?
- Jayarama Chalasani:** I think it is not specific to wind. As I said, sometimes that overall 13 GW bidding done, about 7 GW is subscribed. Even if you see the latest hybrid of UVNL, which is including wind was 1000 MW, which was the latest bid that happened in the end of January, only 200 MW got subscribed. So that is not specific to wind. It is generally what's happening is that compared to the bids that are coming in, the subscription level is becoming a little low.
- That could be because everybody has got already beat out earlier bid and then acquired capacity. And second also is also because there could be a potential diversion of concentration towards the C&I segment and the bid [PPS]. So that could also be another reason. We assume that there is an under subscription. But that is not specific to wind.
- Nikhil Abhyankar:** So what exactly happens to this unallocated capacity, will there be tender?
- Jayarama Chalasani:** They're coming up, like I said, that now as we speak, there is only 7 GW subscribed. The next 15 GW of this, they're already in the market, which I said to the gentleman before, the FDRE end up at 2.6 GW of pure wind `base. This FDRE NTPC or NHPC they are out there already in the market. Then government will continue to come out with bids. So if they are undersubscribed, fine, the next bid will come again.
- Moderator:** Next question is from the line of Deepesh Agarwal from UTI Asset Management Company.
- Deepesh Agarwal:** Good evening gentlemen. My first question is of the current order book, how much is your Equipment supply that is without erection?
- Jayarama Chalasani:** See, EPC is about 28%, 30%, 70% is the non-EPC. In that we will have a -- let's say, almost like 50%-50%, which is equipment supply versus some portion of other erection or some other portions roughly.
- Deepesh Agarwal:** Okay. So would there be a possibility of delays in projects where only equipment supply is there because the customer erection is dependent on customer?
- Jayarama Chalasani:** Yes, yes. Yes, Yes. So, there are delays. Not just the delays. In fact, we are also seeing some of our equipment which got supplied, let's say, three, four quarters back are still getting commissioned. So, there are obviously delays. That's the point which I was making earlier.
- As a sector, we are facing headwinds in terms of capacity to capacity buildup for doing the BOP work, on-ground work. So, not the supply consumed, but more so on the project execution side because there are hardly any large players in the project execution. As I said, we are the only large OEM which is doing the project execution, but others don't do it. We only just supply the equipment, and that's how the job is over.

- Deepesh Agarwal:** Sure. Sir, in terms of your delivery commitment to the clients, how much of this 3,157 MW would be for next year?
- Jayarama Chalasani:** I can't say that because that would actually give you guidance indirectly. As I said, sometimes back in this 3.2 GW of order book or whatever we said till yesterday. Today, a significant portion of that is for FY '25, also some portion of that is for FY '26. But specifically to say when it is, it's difficult for two reasons. One is that what schedule we agreed today is different and also when the projects start getting executed, then what would become the actual delivery schedule depending upon the client's site and everything would be different.
- So unless we get closer, so we won't be able to firm up what is likely scheduled for the reasons what we discussed sometime back on the site readiness and project readiness and execution capabilities.
- Deepesh Agarwal:** Sure, sure. And sir, last time when we met, you mentioned that despite having 4,500 MW, there will be a gradual increase in the capacity. Basically, you'll have to invest in some of the capacity on supply chain, etcetera. So can you help us understand the ramp-up in both erection name capacity and the product supply capacity, how that is happening now?
- Jayarama Chalasani:** See, erection capacity, there is nothing that's called the capex, which is required. So what is required is your organization bandwidth increases. For each project you open up, then you get a set of leadership and the workforce required there. But we keep expanding from time-to-time, depending upon what capacity we're executing on it. There is no significant capex required in terms of project execution. As far as the supply is concerned, currently whatever capex is required, we already committed on it. Himanshu?
- Himanshu Mody:** Yes, yes. So I mean, on the capex side, there is a sustainance capex of about INR100 crores, which historically the company has been incurring. But particularly for the ramp-up that we are seeing to invest in the 3 MW molds, we may be looking at a delta capex of about INR250 crores a year, so which we are quite comfortable with meeting from our own internal accruals.
- Deepesh Agarwal:** Okay. So practically, if the orders are available, we can even go to 4,000, 4,500 MW execution in a year?
- Jayarama Chalasani:** It's not so simple to say the capacity. Manufacturing capacity versus the supply capacity are two completely different parameters. I might -- we might have a 4 GW of supply capacity, but that is when you run this like a flat-out machine, okay? But it doesn't happen that way. If a couple of your supplies are made ready but not taken, not dispatched, then no, you don't have a place to manufacture the next one.
- So therefore, there will be -- therefore, one is creating how much of the manufacturing capacity. They're not like a mass production, just produce and send it out. It also depends upon offtake of capacity. Again, come back to the same thing, everything gets decided based on what is the offtake at project sites. That would decide our manufacturing capacity, that would decide our supply capacity. Yes, if everything is idling, if whatever we produce is taken out in time, what you say is right.

- Moderator:** The next question is from the line of Aadesh Mehta from Motilal Oswal.
- Aadesh Mehta:** Congratulations on a good set of order inflows. I just wanted to understand, since January is already over, would it be possible to know what is our execution run rate for January?
- Jayarama Chalasani:** We don't provide it. Unfortunately, we don't provide the guidance. So we've not been providing it as well.
- Aadesh Mehta:** Okay. No worries, sir. And sir, in terms of when we are seeing the new tenders, right, we are seeing that the delays have been -- especially the SECI and the NTPC tender, the delays have been slightly more than what would have initially expected. And even then, there is some delay in the bidding as well. Sir, can you, as an industry participant, articulate that why the recent FDRE contracts are running in some delays? And even in terms of bidding, not the entire amount has been bid for.
- Jayarama Chalasani:** It's question of not appraising the sector today for absorbing the bids. So that's what we were discussing sometime back. Obviously, there is an under subscription on an overall basis with respect of what type of a bid it is. That could be one.
- Because the players are currently a bit saturated, are also looking at risk of execution. So therefore, they don't want to take the risk beyond the x amount of capacity, which is already bid and taken. And one of the reasons also mainly could be because we have these people who are concentrating on C&I segment, which doesn't come to the bidding route. It is outside.
- In fact, even if you look at our current order book, what we have, 50% is C&I. In fact, that is more. But for the large order, what we announced yesterday, otherwise, our C&I segment is seeing even more. So that could also be causing people absorbing less in terms of bid PPS, which is an increase in PPS.
- Aadesh Mehta:** Got it, sir. Sir, while there is a saturation at the developer level, there could be some transition bottlenecks, right? Sir, would delays continue? What is your outlook on how long can these delays continue?
- Jayarama Chalasani:** I wish I had an answer -- exact answer for that. The -- see, let's look at this year. This year, it's 2.1 GW done in the 9 months. So our estimate is anywhere between 3.2 to 3.5 GW is what we'll achieve this year, okay?
- Aadesh Mehta:** And when you're saying this year, so in next -- so basically in 3 months, another 1 GW of execution should happen on ground?
- Jayarama Chalasani:** ~1 GW of commissioning will happen on the ground, not execution. Outer limit, like 2.1, could move to 3.1, 3.2. That's the best case scenario of what could happen. Compared to what we were facing as a country, we will cross the FY '17 figure of 5.5 GW. But therefore, again what would happen in FY '25, our estimates are as a country, if we resolve some of this capacity building issues in terms of BoP, we could do 5 to 6 GW next year.
- Aadesh Mehta:** So FY '25, 5 to 6...

- Jayarama Chalasani:** More than the transmission constraints, that would be there. But more than that, execution constraints, what we're facing in terms of capacity as well as availability of land, etcetera.
- Aadesh Mehta:** Got it, sir. So next year, 5 to 6 GW would be doable, right?
- Jayarama Chalasani:** That's our estimate at this stage. It's our view that at least government would be needing more. So even this year, we always maintain it will be sub-4. That's the guidance, what we've been saying sectorally. I think that's what would happen, it could be max 3.5 this year.
- Moderator:** The next question is from the line of Avishek Datta from Anand Rathi Shares and Stockbrokers Limited.
- Avishek Datta:** Sir, can you just update, like given the favorable economic standings you have got because of economies of scale, how big is the threat for imports when the demand scenario improves?
- Jayarama Chalasani:** You mean the wind turbine imports?
- Avishek Datta:** Yes, sir.
- Jayarama Chalasani:** Wind turbines cannot get imported because of the size of plates and size of the things. What people can do is that they can import the raw material. That's what the -- some of the large players today in the market are doing. Because the -- first of all, it is supplied only provided you have got a listing in RLMM. RLMM also provides for either you manufacture or you assemble in India. So therefore, once they get listed in RLMM, they can get -- import the raw material.
- And that is what some of the players are doing today, importing the raw material but converting them into turbines here. For example, the blades are there, the entire raw material from those, which is a major cost of it, and converting into blade to fitting the moulds here. And you get all your knockdown conditions if you maintain and you assemble them -- and send it. So that's what can happen. And tower is basically anybody can do with steel manufacturing here. Imports of components is happening but not import of turbines per se.
- Avishek Datta:** Okay. But we can do the assembly, like any player who is registered in the directory can actually import from China at a lower cost and assemble in India and participate in the bids?
- Jayarama Chalasani:** Yes. Right now, there is -- as long as your turbine is prototype test done in India prototype test and certified and got listed in RLMM, Yes, you can import together, there is no specific restriction of how much component -- how much portion of your wind turbine has to be domestic, how much has to be imported. And that restriction doesn't exist today. Theoretically, you can import 90%, 95% of your materials from outside and convert them, assemble them or convert them into place and then supply them.
- Avishek Datta:** Okay. And secondly, sir, like when you say the non-EPC part is 70%, what do you exactly mean, like it will be like parts of the wind turbines, blades? Or how do you define that?
- Jayarama Chalasani:** No, no, no. When I said the EPC scope means it includes the land -- including the land, developing the land, doing the foundation, improving the erection, doing the system, doing the pooling substation and integrating the whole thing. That's an EPC, okay? So whereas the other

portion is that one extreme is -- the other extreme end is that we just supply the equipment and we supervise the erection and commissioning. We only supervise. We supply the equipment. We deliver the equipment with those protocols.

That's the other extreme. In between the two, there could be different variations saying that we can supply plus the erection or we can do supply, some erection plus foundation but don't do the line portion or don't do the particular system. That depends on different models. That scope can be varied and we cater to the any type of scope, what we do, we supply thali as well as ala-carte

Moderator: The next question is from the line of Dhruv Muchhal from HDFC Asset Management.

Dhruv Muchhal: Sir, the question was that the execution probably, as you mentioned, is probably the big thing to monitor and see. So sir, next year, you mentioned probably the industry can do probably 5, 6 GW. But sir, say, next three, five years, do you see the ecosystem and the setup moving towards greater than 6 GW or probably 8 GW? Because it seems the demand is there, whatever multiple factors as has been mentioned earlier. Can the execution exceed 6, 8 GW per annum? Is that -- I mean, is the sight visible there? And do you think the ecosystem is moving in that direction?

Jayarama Chalasani: Obviously, there is going to be an improvement from year-on-year. Like for example, we have been struggling in the last five years to do anywhere between 1.5 to 2.1 GW, whereas in this year, the first nine months, we did 2.1 GW. So there is an improvement. There is a wish in the complete industry, including government, that we should hit 8 GW a year. Whether that will happen in FY -- definitely not in FY25. It will happen in FY26 and FY27 is what we will wait and see.

But the capacity building is happening. There are more and more players coming in terms of providing BoP services. But then how much -- how quickly and how fast they can do plus the issues like, as I said, one is the capacity, second is a land-related issue are continuing to grow. But that problem is reduced once we do the multi-state bidding. But then the concentration of projects won't happen. Today, Karnataka is at peak. If you go to Karnataka, then you see how people are really struggling to get even one footprint.

With the new bidding coming up and the bidding for MP, they are bidding for other places, now slowly Andhra Pradesh is opening up. And if you see our -- the metrics order, but number of states what we're getting the orders is diversifying it. If that happens, obviously, your land problems also would come down. So therefore, we slowly reach towards a 8 MW. But then we won't be able to get this stage, maybe by FY27.

Dhruv Muchhal: Got it. And sir, you mentioned that concentration away from land, I mean, multiple states will help. But is that a constraint for developers? Because, say, for example, if you move to MP, the cost of generation increase. Is that a factor? I'm just trying to understand. Is that the reason they're not moving -- I mean, themselves moving there? What's holding them back? I mean, if the issue is...

Jayarama Chalasani: No, no. This move to MP, developers, there will be land available. To solve the problem of tariffs going up in the states where the wind potential relatively is slow is why we came up with this pooling tariff concept.

- Dhruv Muchhal:** Pooling tariff. Okay, got it, got it.
- Jayarama Chalasani:** So we have announced the impact. Therefore, the bidding there has been operating agency and the whole notification has come up as well as the date from which it gets in applicable. In fact, this pooling tariff system, it's not just for the wind alone, we're seeing it for every type of model, pure wind, pure solar, pure hybrid, put together is the thing.
- And based on each capacity coming into the pool, there will be a revision in the overall tariff and which is what we are doing from time to time. The bidders would continue to get the tariff, what they quoted. But this tariff for the discoms would keep changing based on the pool.
- Dhruv Muchhal:** Got it. Yes. No, I understand. That's helpful sir. Sir, the second question was...
- Jayarama Chalasani:** What happens is the diversification of the states happen. And then the land availability will happen. Our second option is that we do a proactive development. Like today, we are trying to do a proactive development in the states of AP and Rajasthan with the government cooperation of identifying X amount of land, saying that's okay, this is the area you get rights to develop. So therefore, we are going ahead in that model. And working with the different clients saying that let's do the joint development, we'll first secure the land. So that it will be fixed to those projects. Even that model, we have started right now in AP as well as in Rajasthan.
- Dhruv Muchhal:** Got it. And sir, the second question was on the hybrid projects. I think earlier, you mentioned - - some of the comments, you mentioned that you're okay -- I mean, you're also looking at doing both wind for a hybrid project, the solar portion also. So what component are we looking at doing -- I mean, the whole ecosystem of solar or just the EPC?
- Jayarama Chalasani:** Yes. We are not -- we don't volunteer to do solar, let me be clear, we don't volunteer to do solar because that is not our forte. Because we need buy everything in unit. And the EPC margin is hardly anything. But if someone says that, "We don't want to bifurcate and use two different parties. Would you want to take up hybrid," we will look at that option as a whole. Basically, there has to be a large portion of wind and smaller portion of solar.
- But until now nobody has come up. Because obviously, everybody implements the projects to their strengths. In solar, most of the people procure their own modules and thus get the players to do implementation. They are giving the wind portion to us. That requirement has not come. I only said if there's a scenario arising, we will definitely consider. But that is not our preferred option.
- Moderator:** The next question is from the line of Dhyey from Niveshaay Investment Advisors.
- Dhyey:** Sir, I had a question related to the crane availability. It is more sort of from an industry point of view. I just wanted to understand, so I understand that the company has good contracts and good relations with the crane rental companies. But I wanted to understand from an industry perspective that, is the availability of high-tonnage Crane, is there a shortage in them?
- Jayarama Chalasani:** Infrastructure constraints at initial stages will happen. It all depends upon what is the ramp-up rate. Let's say that this year, we do 3.5 GW. Next year, we want to do 8 GW. Then obviously,

do we have a required infrastructure, then such is available or not could become an issue. But if we are moving 3.5 to 5, 5 to 7, it's a different situation. Not just the cranes, cranes is only one part of it, your entire transportation ecosystem. Because these are the large-diameter cranes are coming up now.

So all that becomes an important, which place the participation is there, the route survey, logistics. And that would also will become constraints, so you need to modify some bridges, strengthen the bridges. But that's likely -- I think what is the -- that will always be there for any power project to do whether you're doing a fossil fuel based project or wind projects these will be there.

But looking at the entrepreneurship in the crane companies, if there is a demand, I don't see them actually ramping that capacity. There could be a slight mismatch here and there, but I don't see that as an issue at all. Because there are a lot of cranes available globally for this capacity.

Dhyey Desai: All right, sir. And sir, are we seeing any increase in the rentals of these cranes, the high-term stream particularly?

Jayarama Chalasani: This depends time to time, it's all supply-demand situation. Once we have a contract and then we have a relationship with these people working for, lets say, 10 years, 15 years, then that relationship would be different. So I wouldn't be able to comment for the market as a whole. It depends a lot on your relationships, what are sort of the minimum guaranteed capacity with need with them, the number of factors which play a role in terms of your pricing.

Dhyey Desai: Got it, sir. I just had this question that we face a lot of the EPC players regularly face a lot of difficulties in the land acquisition process. So is there any relief from the government? Or are there any policies in the wind sector in the acquisition part?

Jayarama Chalasani: See, this is -- land is a state subject, okay? So each state you go, you need to work with the local authorities to see that how quick it happens. So even if there is a process implementation could become potentially an issue. This will continue. If it's a revenue land, we have it a little more easier. If it's a private land, it's more cumbersome. Some states where there more and more -- and state to state it differ. Maybe if you go to Rajasthan, it's much quicker. But today, Karnataka its difficult. So it varies.

But this is a problem which we need to live with where we are. Sometimes it's easier, sometimes it's tougher. And we need to continue. And this is not new to just the wind sector. Land acquisition has always been an issue for any infrastructure project. And more so for wind because you have multiple footprints and then also you need to have pathways. The cranes have to reach -- your blades have to reach the site. So these problems will be more. That is the reason why we're facing the more roadblocks in terms of execution.

Dhyey Desai: Correct, sir. Sir, I had this a company-specific question that as we have a very good non-EPC order book, so are we looking at higher execution from a point of deliverables in maybe a year or so, in FY'25 or '26?

Jayarama Chalasani: You mean higher delivery of equipment?

- Dhyey Desai:** Higher deliveries of WTG.
- Jayarama Chalasani:** Yes. So what happens is that when we are doing EPC, then it is our organised capability of how much is the land acquired and then how much the equipment supplied. So that, if we add to the clients who are doing their own acquisition of land, there is obviously multiple parties are working on this and that would definitely increase the capacity of offtake. So supplies would definitely would increase in that mix, 100% within EPC versus part EPC, part equipment supply, answer is yes. The supply for equipment would increase. Quantity of supply of equipment would increase.
- Dhyey Desai:** Correct, sir. That was really helpful. Thanks a lot and all the best for the future quarters.
- Jayarama Chalasani:** Thank you
- Moderator:** Thank you. The next question is from the line of Mr. Sudhanshu Bansal from JM Financial. Please go ahead.
- Sudhanshu Bansal:** Sir, how do you see the repowering opportunity, particularly in terms of availability of the land where we already have the land and transmission system?
- Jayarama Chalasani:** Repowering is a good subject and a good wish to call into that. But I don't think that's going to move a needle within the next couple of years. Repowering policy has come. But the repowering could have happened even without the policy. The repowering policy only helps a limited extent that we basically have a PPA. That PPA can get suspended for some many years and the PPA will continue later on based on the 3 years' previous average generation to the rest we'll let the PPA continues. So other than that, there is nothing significant in the policy, okay? So nothing more than that.
- The issue is that today, if somebody wants to do the repowering go there you remove the existing ones, put up the new ones. And most of the repowering options are available with these states grid connected, STU connected. So incremental capacity, if that state doesn't take it, then you need to take out somewhere, then you get into issues of the state grid, state to open access, state transmission charges, what really happens. There are plenty of issues.
- Like idea is good, generation from a given site can go up by doing repowering. But does it give a significant impact on the cost of generation? At this stage, the answer is still not there. So repowering would happen in my opinion but not like it's going to happen sometime in FY '25 significant capacity is going to come in, sorry, no. we have estimated 25 GW of repowering potential. But realization is going to take time in our view.
- Sudhanshu Bansal:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Depesh Kashyap from Invesco Mutual Funds. Please go ahead.
- Depesh Kashyap:** Thanks for taking my question. Sir, your contribution margin is lower quarter-on-quarter by like 2%-odd. Can you please explain the reasons for that?

- Himanshu Mody:** So Depesh, contribution margin, you're talking on a consol basis or for the particular business division?
- Depesh Kashyap:** The consol that you've given in the PPT.
- Himanshu Mody:** So console, Depesh, also is a factor of how much of the supplies are we doing in the WTG segment for the overall business. So I urge you to look at contribution margin from a business segment-wise. So our direction always has been that for the WTG manufacturing, contribution margin will be in the mid-teens.
- So currently, we are at about 17.5% contribution margin for the WTG manufacturing business, which is actually fairly in line with our plans. It was higher in Q1 at about 20%. But that we have -- when we hosted the call in Q1, we mentioned that, that is an aberration and cannot be taken as the standard going forward.
- So but I would say that somewhere around mid-teens would continue as the contribution margin for the manufacturing business. So far as the O&M business is concerned, our contribution margin will be roughly a little north of 60%, which continues to be the case. So of course, the blend on a consol basis will depend on what is the mix of the manufacturing numbers along with the O&M numbers.
- Depesh Kashyap:** Understood, sir. Secondly, if you can also highlight, what part of your order book is still for the 2 MW turbine? And secondly, also you mentioned in the call that you're not participating in that PSU orders, right? So just want to understand how will you maintain or increase your market share? So these are two questions.
- Jayarama Chalasani:** See, the 120 share today in the 3.1 GW is about, I'd say, roughly about 22% to 23% in 2 MW share. I don't know what you mean by the market share in what you put in order book. Or is it in supplies I don't know commissioning? In the commissioning, we're maintaining a 30% market share consistently as quarter-on-quarter basis. As I said that the option of NTPC's equipment tender is one of the options for us to increase the order book.
- At this stage, we are not having the pressure for not participating in that is reducing the impact. Because we are seeing a significant interest flowing in terms of order books for us. And we announced and then we do a number of potential orders, which we are discussing with various people. While we would love to participate in that tender, but I don't think that it is affecting -- in any manner affecting our order book share.
- Depesh Kashyap:** Sir, just to be clear, with the improved balance sheet, with the net worth and everything, are you now allowed to participate in that -- those orders or not?
- Jayarama Chalasani:** See, NTPC has a different type of calculation, right they are not because today if you look at them, there is a different formula, unless they see that impact. They see that we participate, obviously, because we are largest industry player. So do you want to answer that, Himanshu?
- Himanshu Mody:** So we do qualify, Depesh. I mean, it also depends how the user is saying on the qualification criteria. But once our March '24 audited numbers are out sometime in May, post that, there would

be clearly no doubts about our qualification because that would be the first sort of audited balance sheet with our positive net worth that we'll be issuing. So there would be no grey area. We certainly would qualify under all the parameters in those tenders.

Jayarama Chalasani: But then also, we will evaluate each of those bids in terms of alternate opportunity versus bidding because we have X amount of capacity. Because many of these tenders will come in very stringent conditions, stringent payment terms, okay, that only a payment terms and things like that. So obviously, even if we get qualified, it is not necessarily that we'll participate in the bid. We will evaluate the options, what will be the best option for us to book our entire capacity. So if that is -- that kind of play, obviously, we participate in it.

Depesh Kashyap: Got it, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Vikas Mukundan from Freelance Consultant. Please go ahead.

Vikas Mukundan: Fantastic numbers, sir. This question is for this opportunity to talk about it. Can you hear me?

Jayarama Chalasani: Yes. We can hear you. Go ahead please.

Vikas Mukundan: This question is from Mr. Modi. Sir, I saw your interview on NDTV Profit on January 4, when you mentioned that your order book as of that day was shy of 2 GW. But I see in today's presentation, end of December, your order book is about 2,290 MW. So does mean between those four days implementation or other deliveries of 2,290 MW?

Himanshu Mody: So yes, that would have been because of the RR numbers that we would not have made public at that point in time, the 170 MW. So the differential would be on account of that broadly.

Vikas Mukundan: Okay, okay, so -- and if you can just tell me what is the difference between installation and delivery?

Himanshu Mody: So there are two things you need to look at, which we track and we also disclose that in our investor presentation slides. So one is the RR, which is the revenue recognition, which means that the full turbine dispatched from our factory premises based on which we book the revenue for a particular turbine. So that, for the 9 months period, we've done about 437 MW in this financial year.

The other parameter is what we monitor is the commissioning of the turbines. So like that is, in all-India, the number about 2.1 GW that has been commissioned in 9 months ending December '23. And out of that 2.1 GW, Suzlon's share has been about 616 MW in the commissioning numbers. So commissioning has to be clearly differentiated from the delivery numbers or the revenue recognition numbers that we report.

Vikas Mukundan: And this commissioning is Suzlon turbines only or could be other company turbines as well?

Jayarama Chalasani: Because what we track is only Suzlon supplies. That's one things when we talk about our turbines, either we directly commission or we supervise the commissioning, where it's only equipment supply. These are our turbines.

Vikas Mukundan: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we would take that as the last question for today. On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Jayarama Chalasani: Thanks, Sudhanshu.