



“Suzlon Energy Limited H1 FY19 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day. And Welcome to Suzlon Energy Limited Q2 FY19 Earnings Conference Call. This conference call may contain forward-looking statement about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tulsi Tanti. Thank you and over to you, sir.

Tulsi Tanti: Thank you very much. So, a very good morning and thank you for all for joining us for H1 FY19 earnings call. Suzlon team takes this opportunity to wish you a Happy Diwali and prosperous new year. Present with me during this call are Mr. J. P. Chalasani – our Group CEO; Mr. Kirti Vagadia – our Group CFO; and our Investor Relations team. I hope you had an opportunity to review our results and investor presentation.

I will share with you an overview of the industry, and my team will walk through our H1 FY19 performance. We will then take your questions.

The transition, there is now a clear growth visibility for the next three to five years. The 10 gigawatt of the bidding has concluded till date and another 10 gigawatt of bidding is already announced by Government up to March. So, H2 FY19 will see a more ordering of the turbines to OEMs and huge execution activities during FY20 onwards.

Opening volume for FY20 will be nearly 18 gigawatts for the industries, which is a very good pipeline for the next 18 months. So it gives a very strong visibility of the business for the next 18 months by the end of this year. The Government is encouraging the industries to achieve the 60 gigawatt targets for the wind by 2022. So it's quite ambitious but it is achievable.

India is positioned to witness another 33 gigawatts, which is almost the last 20 years which India has done is 34 gigawatts. We see that 10 to 12 gigawatts of wind bidding in the FY20 and FY21 and onwards. Giving the strong long-term volume visibility through the wind sector, it is a great opportunity for the sector to grow in long-term sustainable growth. The tariff continues to slowly inch upwards because it is now stabilized, and going forward it will continue to go upwards.

In the current year, we can see the auction of the wind solar hybrid and offshore wind project will be concluded. Out of the 5 gigawatt plan of the offshore, first gigawatt offshore has been a huge interest from the around 30 investors. Additionally, we will see the India's the first wind solar hybrid auctions of 1.2 gigawatt in H2 FY19. Apart from auctions, the country has a very

active market for the retail, captive and PSU segment that continues to grow every year. There is a huge new opportunity for re-powering the market for the next two to three years.

So now I invite my team to take through our H1 FY19 performance.

J. P. Chalasani:

Thank you, Tulsibhai. Good morning to each one of you, I am Chalasani here. As mentioned by Tulsibhai, India is at the cusp of high-growth phase. We now see the industry poised to leapfrog next level of growth. With this, FY20 is likely to see a new high of 8-gigawatt in terms of capacity addition, even if we consider just the bidding happened till date. The project execution, service and technology will continue to be our key competitive differentiator. Suzlon's strong presence across the entire value chain and customer segment, positions us to capitalize on this opportunity.

We continue to maintain our technology leadership in India, through India-focused solutions such as raising need for bigger, larger turbines for higher yield, but without any cost increase. However, we need to be mindful of infrastructure constraints for logistics, thus requiring specifically India-focused R&D efforts and solutions, which is what Suzlon is known for.

In the last quarter we introduced India's tallest 140 meter hybrid concrete tubular tower on our 120 rotor dia turbine. This structure offers greater stability, cost efficiency and simpler logistics compared to all other steel towers to harnesses better availability of wind at the higher altitudes with lower costs.

Now coming to our H1 FY19 performance, it has been impacted due to delays in forming up guidelines and getting approvals, and most importantly, a low auction volume in H1 of last financial year, i.e. FY18. If you all remember in H1, including 2017, there was only 1.5 gigawatt of bids were completed, which has now actually come for execution. Most of the bidding happened post H1, where the time lines will be after the current period. H2 of FY19, therefore, is expected to be significantly better.

I am happy to announce that despite all these challenges, Suzlon is the first one to complete the entire project awarded under SECI-1 as per the original timeline, also six months ahead of the revised times to be on this. We are the only player to have met all the intermittent milestones for this project. This is a great feat, reiterating our superior execution capabilities.

We are also moving smoothly to achieve our SECI-2 delivery and commissioning timelines, despite various procedural and regulatory challenges. Work on our SECI 3 and SECI 4 projects are also progressing as per schedule. Suzlon has demonstrated its dominance even in auction bidding with the largest volume share in auctions. Our current order book of 1.1 gigawatt includes 950 megawatts auction projects, and 100 megawatts from captive, PSU and retail segment where we have a very strong presence. Incrementally, we have 700 plus megawatt of frame agreement and we also signed letter of intent for 484 megawatt; part of it also includes the auctioned capacity. Of the 10 gigawatt of auctions already completed, as we speak,

ordering for 30% is not closed by the IPPs. We are in active discussion with customers and shall be able to conclude over the next two to three months some more orders.

Service continues to be our biggest strength. Our operation and maintenance business continue to grow in size with around 15 gigawatts of the renewable capacity under maintenance. 12 gigawatts are from India alone. We are the second largest O&M company in the Indian power sector, including conventional power, next only to NTPC. Consistently serviced all our customers and got renewals for more than twenty years.

Our record of very single turbine sold by us in India is within our service fold. Today we are proud to say that with 12 gigawatt of fleet running in India and many of them are 20 plus years old, our overall fleet machine availability is 97% plus, in the first seven months of this year as well.

During the quarter, Suzlon successfully sold the 12 gigawatts in India. Successful in retaining 35% market leadership based on its cumulative installations in India. As we said, we achieved 97% plus fleet availability, and we did our total installations as we reached 18 gigawatts. In Q2 of FY19 we have sold 49% stake in our Maharashtra solar project to CLP. With this, we have sold minority stake in all our solar projects and shall sell the balance 51% before the end of this financial year.

With our experience in solar execution, we are now well positioned in the upcoming wind solar hybrid auctions.

Debt reduction, cost optimization and working capital optimization will remain our top priorities for the balance period of this financial year.

I would now invite Kirti to take you through the detailed assets of our financial performance. Kirti, over to you.

Kirti Vagadia: Thank you, J.P.C. And good morning to all of you. The industry continued to experience transition period as we fully migrate to auction regime. We delivered 281 megawatts of wind capacity during H1 of FY19, which is 47% lower YoY basis, as we executed some FIT order in last year H1.

In H1 FY19 we started the delivery of our SECI-2 project, coupled with 100 megawatts of captive orders, thus translating into revenue of Rs. 2,467 crores. Due to lower operating leverage, our H1 FY19 pre-FX EBITDA margin came in lower at 7.8%. You may notice that we continue to maintain a very very tight control over our fixed cost.

Our operation and maintenance revenues grew by 6.5% on YoY basis to Rs. 866 crores in H1 FY19 over Rs. 813 crores H1 FY18. Our financial performance was impacted by Rs. 601 crores of forex loss, which is purely translation and non-cash in nature. This is primarily due to

impact of steep depreciation of rupee against US dollar on our FCCB and SBLC backed loans, which are denominated in dollar.

While our net working capital is further reduced to Rs. 1,999 crores, roughly Rs. 2000 crores, we firmly believe that our working capital in the auction regime will be significantly optimized, likewise, our working capital debt. Our gross term debt, excluding the FCCB stands at Rs. 7,343 crores, higher by Rs. 376 crores over FY18, which is after repayment of Rs. 176 crores which we made during H1. This increase is purely due to currency impact, so there is no additional borrowing by the company, in fact, we repaid Rs. 176 crores in this H1.

Our repayment schedule on all the loans is back ended, with only 33% of gross debt is payable over 3.5 years, while 56% is payable in FY23 and beyond, allowing the required headroom for our operations to grow.

In FY19 we continue to remain committed to our target of reducing our debt by 30% to 40% through the strategic initiative and operational cash flow. Our short-term liabilities increased in this quarter due to reclassification of FCCB as it is maturing in next 12 months. Thank you.

And now we open the floor for questions.

Moderator: Thank you very much, sir. Ladies & gentlemen, we will now begin the question-and-answer session. Our first question comes from the line of Dhavan Shah of K. R. Choksey. Please go ahead.

Dhavan Shah: I have two questions, firstly about the Skeiron Renewable Energy. So, as far as media reports, enterprise value of the stake sell is around Rs. 3,500 crores and the equity payout could be around Rs. 750 crores. Also, there are few private equity investors like Olympus Capital and Asia Climate Partners. So, can you please share more thoughts on that valuation, because it comes around Rs. 9 crores per megawatt? And what is the use of that proceeds, I mean, there has also been revocation of pledge, so I also want to understand more about that.

Kirti Vagadia: First of all, I think Suzlon has not sold any wind power asset, wind projects, so there is nothing on the Suzlon side so far as that kind of project is concerned. That's number one. Number two, promoter has repaid certain of their personal loans and got few shares released. So that is a statutory reporting done by promoter.

Dhavan Shah: So that loan repayment is for the Suzlon side, right?

Kirti Vagadia: No, no. It is their personal loan which he have paid, and there was some share got released from the pledge by promoter, which promoter intimated to the company and company statutorily intimated to stock exchange.

Dhavan Shah: Debt repayment was from the Skeiron balance sheet, right?

Kirti Vagadia: I don't know. That is not relating to Suzlon Energy, so let's not focus on that.

Dhavan Shah: Okay. And secondly about your O&M divestment. So, what is the time line for that?

Kirti Vagadia: We stay committed to FY19 as we stated earlier. And we are reasonably placed on that.

J. P. Chalasani: We stay committed to the strategic initiative. We never said that a specific of OMS divestment. So, therefore we stand corrected, we said that we are looking at various strategic initiatives and we will concluded them in this financial year, we stand by that.

Dhavan Shah: So by Q4, I mean, we can see some proceeds from that?

J. P. Chalasani: Yes, you are right.

Dhavan Shah: And is there any idea about valuation, if you can share more thoughts on that? Because I think earlier, there was some deal and that was EBITDA of 10x, 12x. So is it safe to assume that Rs. 5,000 crores – Rs. 6,000 crores could be the valuation?

J. P. Chalasani: We never said any of these things earlier, we also never talked about any specific divestment. Because as I said some time back, we are looking at few options. And these options obviously, it is because of the counter-party confidentiality also it remains confidential. At appropriate time we will obviously inform.

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

Nikhil Vaishnav: My first question is related to foreign exchange loss. In H1 FY19 our EBITDA margins affected due to exchange loss. So, any hedging policy are we adopting?

Kirti Vagadia: We do have hedging policy in place, but unfortunately, this kind of long dated repayment loan, hedging is not economically viable. And if I add even the exchange loss which is due to volatility, even today the rate is quite different. So, if you add even the exchange loss, actual interest cost savings made by the company is also offsetting it.

J. P. Chalasani: If you remember, what Kirti mentioned in his opening comments, most of our debt repayment is back ended, so we are not paying anything. So therefore these exchange losses is more of a translational basis. And normally, you are aware that when repayments are getting matured after a long period of time, then hedging may not be the right strategy at this stage.

Nikhil Vaishnav: And just wanted your outlook, any strategy you will be adopting, like in an industry there is strong commissioning of 21 gigawatts in FY21 just wanted your outlook and any strategy you will be adopting and in terms of revenue growth how do we see the next few years, any target we have seen?

J. P. Chalasani: See, as we mentioned, we are also seeing clearly the external reports of CRISIL in September, and you are seeing ICRA report which came out day before. And also if you see the reality, as we speak today, there is close to 10 gigawatts, to be precise, 9,850 megawatts of auctions between SECI and states have already happened. And they have been awarded to various IPPs. This is the capacity which is available for execution. Our estimate is that even in this capacity, what is already awarded, which is supposed to be commissioned partly this year and most of it is for next year, because SECI 3, SECI 4 are supposed to be commissioned in FY20 and then in fact SECI-5 and NTPC partly in FY20 and balance in FY21. This year we expect the capacity to be commissioned would be not more than 2 to 2.5 gigawatts. That leaves us with even existing bid capacity, we are not talking about any new bid, itself opening order book of 7.5 gigawatts which is available for execution next year. On top of it, there is a momentum picked up, if you see in H1 then 4.5 gigawatts bidding has already happened and they are talking about close to 10 gigawatts, including, hybrid and there is other things to be bid out in the balance period of this year. So therefore, as Mr. Tanti mentioned in his opening comments, you expect that after taking out whatever is going to be executed this year, availability of almost 18 gigawatts of capacity for the sector. How much of it would be executed next year, again, our expectation of it is about let's say 8 gigawatts and something with FY21. So therefore, we firmly see volumes coming up in FY20 and FY21 without much of a hurdle. There is firmness in the volumes now

Nikhil Vaishnav: And any revenue growth target we are seeing for next two years?

J. P. Chalasani: If you have seen, we have always been maintaining market share, in the commission capacity we have been maintaining market share of 35% or so, and we would expect that whatever gets commissioned will continue to maintain between 30% to 35% of commissioned capacity.

Nikhil Vaishnav: Okay. And for SECI 3 and SECI 4 what connectivity we will be using? Will we be using same connectivity or developing new?

J. P. Chalasani: The orders what we have announced in SECI 3 and SECI 4 is for 500 megawatts are for Torrent and 285 megawatts with Enel. Both these projects are getting connected through the Bhuj substation. And in fact, that is where we are also getting connected for the SECI 2. So therefore, we have more than 1,000 megawatts getting connected to one single substation there and for all these three projects, SECI 2, 3 and 4 we already have connectivity. And the required evacuation system for connecting to the PGCIL substation is in progress today. And the first project to be commissioned for this would be the SECI 2. And as you know, SECI 1, we are only people who have done in original time schedule. And I think probably we will be only one or two players who would actually achieve on schedule commissioning for the SECI 2 as well. So, we don't see evacuation for up to this as criticality. Already we are implementing it, we are following it up and I think it would be available before the commissioning date of March 2019 for SECI 2.

Nikhil Vaishnav: Okay, and how much CAPEX will you be doing for FY19 and FY20?

- J. P. Chalasani:** As I said, our guidance always is that we will do 30% to 35% of the total capacity addition in the country. Our guidance for the next year is that country should achieve anywhere about 8 gigawatts plus. Based on even the projects which are bid out already, because new bidding 21 months timeline would come for commissioning in FY21. And also one other factor is that, not only the bid projects, we also need to know there is a significant captive and group captive segment in the country, and we are market leaders there in both the segments. And that will add to our capacity from the auction regime.
- Nikhil Vaishnav:** And what is our per megawatt realization in this quarter?
- Kirti Vagadia:** I think per megawatts realization is something which we are not disclosing separately, but approximately you can take something between Rs. 6.5 crores to Rs. 7 crores.
- Moderator:** Thank you. We will take the next question from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** I have a couple of questions. On the revenue front, your revenue has grown by 4%. But when I look at your PBIT, it is negative at 426 compared to what was there in Q1. So, why was this such a high loss in the EBIT level, could you please explain?
- Kirti Vagadia:** Primary is FOREX loss, basically, which I have already covered in the opening remark which we have given, that primary reason is FX. Otherwise, operations are delivering healthy margins.
- Harshit Kapadia:** So it would not be correct to say that the execution of SECI 1 project margins were lower than SECI 2 execution margins?
- J. P. Chalasani:** No. As Kirti is mentioning, our margins are intact. In fact, the quarter-on-quarter margins are good. The only difference what you are seeing in EBIT is because of the foreign exchange losses what we booked, which is more of translational losses
- Kirti Vagadia:** If you see on our Slide #13, Q2 EBITDA margins before FOREX is 9.6% despite, we have done 126 megawatt only in this quarter.
- Harshit Kapadia:** Sir, if that is correct, you are guiding for a double-digit margin on a full year basis. So what can we expect for FY19 based on your execution and your margins that you look at?
- Kirti Vagadia:** Strictly speaking, I am not guiding any margins. You need to make your judgment all on the basis of indicators what we are giving right here.
- J. P. Chalasani:** We are not giving guidance specific to this. But you are aware that we always said that the sustainable EBITDA margins are around 14% - 15%. But this depends, as you know we are vertically integrated company, it would depend on the volumes for the year. Volumes are higher our costs are low, then we make good margins. And if the volumes are lower but our

fixed cost would remain indifferent. So therefore, it is volumes-based returns but individual projects wise our margins are strong.

Harshit Kapadia: Sir, second question is on the wind solar hybrid. It is probably going to come in second half of FY19 right now what is the status, is SECI looking at it or what has been the....

J. P. Chalasani: As we speak, this bid is now due for 20th November. 1200 megawatts of solar hybrid project so we are talking about few days from now.

Harshit Kapadia: And what about the offshore wind, sir, can you give a time line on that?

J. P. Chalasani: Offshore wind, no. I can't give the time line. But what is in the public domain, the government was talking about is the bid coming out in December which came some time back. So we have not heard anything revised. So therefore, till anything new we hear, December is the month.

Harshit Kapadia: Okay. And sir, initial remarks you had mentioned that you are looking at India, total market of India of 8 gigawatt in FY20. Could you break this in terms of SECI, state and your captive?

J. P. Chalasani: My simple point here is, as I said today 9850 megawatts is already auctioned, starting from February 2017 till let's say the September, where last SECI will happen, both in SECI and state level. So, predominantly it is in SECI. In this 9850 megawatts SECI 1 and SECI 2 are scheduled to be completed in this financial year, but I don't think, as you know that SECI 1 itself has been delayed, except we nobody has completed the full project till now. And SECI 2 1st of April is the date, but it is as good as March is the date. But I think only we would complete on time. So we will see. So our expectations is, as a country we will approve around 2.2 to 2.5 max gigawatts in this year. So therefore about 7.5 gigawatts of existing bid out projects itself would be available for execution in FY20. On top of it, you will always have 600 megawatts to 700 megawatts of captive and group captive segment. That is the reason even without any further bidding happening you will have 8 gigawatt markets available for the next year. And on top of it there will be some FITs, some state level projects also would come up.

Harshit Kapadia: And is the transmission issue related to SECI 3 auction, is it over or we are still finding that transmission corridor is not ready?

J. P. Chalasani: See, as far as the granting the connectivity is concerned, now the connectivity has been granted up to SECI 4 for all the projects. It depends upon who is doing projects where. As I said, we are doing projects of SECI 2, 3 and 4, getting connected with Bhuj substation in Gujarat. Here the execution of Power Grid substation is in progress and their current schedule is December 2018, to complete that. And the commissioning of SECI 2 is scheduled for March 2019, so it's before that. And anyway, SECI 3 and a SECI 4 are subsequent to that, so therefore I do not see an issue there. While I am not trying to undermine the issue of evacuation, but that was the initial stages, now at least the Power Grid knows what capacity is coming where, which

substation is to be augmented and is under progress. And I think I do not see that as a major challenge going ahead.

Harshit Kapadia: And you have also mentioned there is letter of intent that you have received of 484 megawatts. And you said it was largely for the auction. So can you quantify?

J. P. Chalasani: I didn't say largely. I said also includes auction capacity. So, therefore, our policy is to consider as a firm order after we sign the contract and receive advance, we think it is in position. We will be shortly announcing the firm orders for 484 megawatts individually. So right now, there is letter of intent signed and we are in the process of finalizing the contracts with various clients.

Harshit Kapadia: Okay. Can I expect 50% of this order is from auction?

J. P. Chalasani: You will not get an answer from me on that. Except saying that it includes some auction capacity.

Harshit Kapadia: Okay. And sir, what about the resolution of 700 megawatts we have in the state's framework order?

J. P. Chalasani: Yes, that is on the state of Andhra Pradesh. As I mentioned last time under Section 62 we filed that tariff petition with the Regulatory Commission. So the application scrutiny is under progress. They had some more inputs required from us as well as the distribution company, all of them have been submitted now. So we expect that the application would get listed shortly. And the process of hearing and filing the petition along with the tariff should happen in this financial year.

Harshit Kapadia: And sir, if you can also highlight on the divestments plan which you had earlier mentioned, in Q3 you will be probably announcing something?

J. P. Chalasani: Not Q3, I think we said this financial year, which is what Kirti answered in this previous question that we stand by with what guidance we gave earlier. In this financial year we will be doing that.

Harshit Kapadia: And will that also take care of FCCB repayment that we are scheduled for next year as well?

Kirti Vagadia: Yes. Obviously, that is the plan.

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

Mohit Kumar: Sir, my question pertains to the auction pipeline. So SECI 5, I think it was curtailed to 1.2 gigawatt and SECI 6, I think, the 2 gigawatts tender is out and most of the net capacity, most

of the substation where this capacity will be kept will get added is mostly in Tamil Nadu, Maharashtra and AP, if I am right. So what is stopping this SECI 6 to go ahead?

J. P. Chalasani: I don't think anything stopping on that. I think they are doing it sequentially. That is my view. Right now they are doing the hybrid. Because see even when we do the hybrid, the wind sites also will get locked up. And one of the requests we always made to the government was that please don't do two auctions simultaneously, because we bid for one auction and site gets locked out, and we don't know whether we will get that or not till the reverse auction is done. So the next bid comes before the reverse auction of this bid happens, then we do not know whether that site to be offered or not to be offered. So therefore, because of that they are going one after the other, one reverse auction gets completed then they are announcing the next bid to happen. So right now they are concentrating on the hybrid, which obviously includes the wind, which as I said is 20th November. And we are sure that once that is over they will announce the SECI 6. And as far as the transmission capacity is concerned, you are right, even today there is an open capacity of more than close to 2 gigawatts in Karnataka, there is close to 2 gigawatts in Maharashtra and some in Tamil Nadu, as on today. Plus there is, if you see the Power Grid's plan, there is a significant capacity addition what they are planning in next three to four financial years till FY2022.

Mohit Kumar: Sir, there was a bid from Gujarat of 1 gigawatt, if I am not wrong. Has the bid been postponed, is it happening?

J. P. Chalasani: See, what we heard and what we have seen is that they had proposed some changes to the bidding documents. And you know under the law, if you are not using the standard bidding conditions, if you are taking some deviations, so those deviations have got to be approved by a regulatory commission before you call for bids. So, therefore, that has gone to the regulatory commission for getting those deviations approved. The regulatory commission has now asked the DISCOMS to incorporate those changes and submit a consolidated bidding documents. And once I think that gets approval from the Regulatory Commission they will come up with the bidding.

Mohit Kumar: Sir, one last question regarding order book. Why there are so many capacities in SECI 3 and SECI 4 and SECI 5 still not tied up? I think this is already more than four to five months for some of the orders?

J. P. Chalasani: Actually, we are on other side of taking the orders, not giving orders. Therefore, I wouldn't be able to say why. But I think the question is, now today because there are sufficient time lines for everybody, because it is 21 months from LOI. So there is no immediate pressure on people saying that we need to order it today, tomorrow. But I think all of them will get awarded in the next two to three months time.

Mohit Kumar: So one more question for me. Sir, Q2 has been sluggish for us, and Q3 and Q4 given the fact that only SECI 2, actually we have 250 megawatts of SECI 2 which is pending, and the rest are

SECI 3 and SECI 4 and state bids. So how do you think the H2 will pan out, will we see something substantial volume in H2 or do you think that FY19 will be a difficult year for us?

J. P. Chalasani: See, first thing is, one change what's happening in the sector today it is no more a financial year, it is no more a financial year related issue on this. Because financial year volumes were important when we were doing the FIT regime, where the tariffs were valid for a particular financial year, and you have got to take the order and complete by March. Now the orders are for a contract period of 21 month, whatever the SECI is saying from the LOI date. So therefore, so financial year there is nothing obtained. So that's the reason, as I mentioned in my opening comments, if you see H1 of last financial year there was hardly any auctions happened, it was only 1.5 gigawatts, including SECI 1, which got auctioned in February, if I can say that is H1 of last year. That capacity, as you rightly said, is getting executed today. While we have a considerable order book today and we continue to build this order book more then, because as we said there is more than 3 gigawatts of orders not finalized, awarded but not finalized. But the execution of that is, the contractors schedule is 21 months, so therefore we cannot really exactly say when they will get commissioned, but they will get commissioned in 21 months. Also, some of the clients, they take their time to get the financial closures done, and some of them want to save their IDC, they want to push the project execution to a little later date. So therefore our expectation is that the maximum volumes will pick up in FY20, for the projects that are already awarded. So, there will be an improvement compared to H1 in H2. But if you see that SECI 3 and SECI 4, because you had said SECI 1 and SECI 2 anyways has to get completed this year, SECI 3 December is the commissioning, December 2019. And SECI 4 commissioning is 4th April or something, but let us say March. SECI 3 and SECI 4 in the next financial year. And if you take NTPC and SECI 5, that's July 2020. So some capacity of that might come in FY20, but some of it will go to FY21. So from that angle, there will be firmness of orders, but execution would depend upon between us and the client and how we want to execute, because there is sufficient time period.

Moderator: Thank you. We will take the next question from the line of Moulee GG, an individual investor. Please go ahead.

Moulee GG: Just want to know what is the plan for CDR exit because for the last couple of years we are saying we will be exiting it, but are we on target for this particular year?

Kirti Vagadia: Yes. It is linked with strategic initiative we talked about. So both are coupled together.

Moulee GG: So we are still on target for the year, right?

Kirti Vagadia: Yes. That's correct.

Moulee GG: And just related to the debt reduction, so we are targeting for 30% to 40% debt reduction in this financial year. So, does it include the gross term debt or including everything quarter that we have in our debt level?

Kirti Vagadia: Yes. You can assume on a total basis debt is between 30% to 40%.

Moulee GG: So, it is close to around Rs. 10.5 crores to Rs. 11 crores. So, are we expecting some reduction around 30% - 40% in that?

Kirti Vagadia: That is correct.

Moulee GG: Another quick one, on the offshore capabilities. I just want to know are we ready for bidding and other things, or are we ready to get involved, like, how far we are ready with that offshore thing?

J. P. Chalasani: See, we as a company have experience of offshore, because we had a company within the group earlier which was very strong in offshore execution. Though the company is not with us right now, but we did experience. Most important is, a lot of senior executives who had implemented offshore, are right now with us in core technology as well as in the projects. Therefore, we do have the capability for offshore and we are keen on offshore. And as you know that we are the only people who actually created offshore data collection in the country, other than the Government of India. And once the EOI has come, I remember that we have also put in our EOI, and we do have a strong marine partner with us and we are focusing on getting our bid for offshore.

Moulee GG: Okay. And just a last question on repowering what exactly is the plan, is there any update on the policies or when we are expecting it will be or any other information on that?

J. P. Chalasani: See, repowering, even the Government of India is now relooking at the repowering policy, because there is a repowering policy which was issued in Government of India earlier which was more for when there was an FIT regime. Now when it comes to the bidding regime, there still some changes are required for that. Right now we are looking for repowering mainly for the captive segment, which is easier for us to do on this. And also we are looking at repowering of some of the people who are in FIT PPAs with the states, if they can renegotiate with the states. But significant portion we are talking about is captive people, which makes some sense for them to repower.

Kirti Vagadia: Just to add on that, when we talk about the opportunity of repower, it is bigger for us due to largest installation in the country is under service with us.

Moderator: Thank you. Our next question comes in the line of Manish Kanakia, an individual investor. Please go ahead.

Manish Kanakia: What is the FOREX dollar rate, which we have booked a loss on?

Kirti Vagadia: Roughly the movement between last quarter and this quarter is about Rs. 4.

Manish Kanakia: So the rate could be Rs. 72?

- Kirti Vagadia:** No. Roughly what was there on 30 September is Rs. 72.50, if I remember correctly.
- Manish Kanakia:** And this 3 gigawatt order, which is not finalized, can you give a breakup between the SECI 3, 4 and 5, what are these pending orders?
- J. P. Chalasani:** Yes, this 3 gigawatts pending is entire NTPC, entire SECI 5 is pending, which is 2400 megawatts. And to our knowledge, there is something pending in SECI 4 and something in Maharashtra bidding. But predominantly 2400 megawatts is the latest related round of bidding of SECI 5 and NTPC.
- Manish Kanakia:** Do you see this order inflow slowing in Q2? Because I don't think we had much orders which came in Q2.
- J. P. Chalasani:** In Q2, as we said, that is what I said, there is 10,000 megawatts of capacity, which is awarded to various IPPs. Obviously, all this is to be executed from now to July 2020. They are to get awarded, there is sufficient time for execution, so therefore some people may take their own time to award. As we said, in this quarter there were discussions, and we also said that we signed LOIs for 484 megawatts, which is now getting converted. Once it gets converted into contracts we will obviously announce the specific deals. But till then we would not take it as a firm order book. But there are discussions happening with people, but because of 21 month time schedule people take their own time to award.
- Manish Kanakia:** Q2 actually there was no order awarded?
- J. P. Chalasani:** No. We have LOI signed for 484 megawatts plus there were some captive orders.
- Manish Kanakia:** Okay. So what is the captive order received in Q2?
- J. P. Chalasani:** Well, I don't think we give breakup separately. 99 megawatts. That is backlog as of September; it is there on #Slide 17 of our pack.
- Manish Kanakia:** And what is the commissioning in Q2?
- J. P. Chalasani:** Commissioning in Q2, including what we have done in SECI 1, it is 319 megawatts. But the SECI 1 capacity which we started commissioning somewhere around 26th of September, but it went on till 7th October, but we consider that as commissioned in this quarter. So 319 megawatts.
- Manish Kanakia:** 319 megawatts commissioned in Q2?
- J. P. Chalasani:** Yes, including 250 megawatts which is actually dated 7th of October.
- Manish Kanakia:** So, the revenues would be reflected in Q3 or Q2?

- J. P. Chalasani:** Revenues will be milestone wise, it progressive payment. So therefore it is not that, when you are executing a project over a period of 15 to 18 months, the revenues keep accruing progressively. Revenues for the generation, for the client we will accrue once the project is commissioned, but as far as we are concerned, we accrue our revenues progressively. In fact, the moment the order is finalized our revenue start coming in terms of, initially through advance and then supplies and through progressive commissioning.
- Kirti Vagadia:** Sorry, just to correct, what JPC talked is cash flow. Revenue, on turbine revenue once we dispatch the turbine we book the revenue for turbine. And once we complete the project related milestone activities, we book the revenue for respective milestone.
- Manish Kanakia:** So I think last time you said that 75% is booked on turbine dispatch and 25% is booked once the commissioning is done?
- Kirti Vagadia:** Various milestones, commissioning may be a smaller milestone.
- J. P. Chalasani:** It is not that it depends upon what is the value of turbine supply and what is the value of balance of plan, it varies from project to project, depends on the scope of the project. But the way we book the revenue, as Kirti said, once the turbine is supplied we will book the revenue for supply portion. And then once the projects various milestones will complete, we will keep booking revenue for the project portion of it.
- Manish Kanakia:** Sir, it is seen usually we very well maintain a market leader position. But if we see the total 10 gigawatts was auctioned, or 9,800 megawatts, and we have won approximately 1.4 gigawatts, so that is just 14%.
- J. P. Chalasani:** Including the LOIs and what we received everything on this. Whatever is finalized today, on the finalized portion I'm talking about, we a 25% market share and we continue to be the market leaders. What is important for us to note that the market now has multiple players, not like two or three, there are five, six on this. So therefore, in that scenario to have a 25% market share, and be EBIT positive is a good sign. We continue to have market leadership.
- Kirti Vagadia:** And just to correct your maths, we have auction based orders of total 1735 megawatts out of 7,000 roughly orders.
- Manish Kanakia:** Do we import any raw material?
- Kirti Vagadia:** We do.
- Manish Kanakia:** So how much is that percentage, because that would also affect our dollar loss?
- Kirti Vagadia:** It is not impacting in value terms. We are able to maintain that on overall cost basis. Primarily, we import the steel and those kinds of materials. Otherwise, we import very small component, not very big sized components.

- Manish Kanakia:** That increase in dollar cost wouldn't impact much?
- Kirti Vagadia:** Yes, because those kind of value we are able to get proper pricing corrections from our suppliers also. So overall basis we are neutral.
- J. P. Chalasani:** And also what we do is we don't just import when we need sort of a thing, we keep looking at the market, when there is a dip in the market we import. And we keep doing long-term planning for raw material procurement rather than looking at when there is a need we just procure.
- Moderator:** Thank you. Our next question is from the line of Dhavan Shah of K.R. Choksey. Please go ahead.
- Dhavan Shah:** Yes. I have one question, and we are very much optimistic about the wind sector outlook and we are expecting around 8 gigawatts next year, and thereafter 10 gigawatts per year. And assuming that our market share will remain at around 25%, so I think we should do around 2000 to 2500 megawatts per year. And that should be give some operating leverage as well. And apart from this, we are also planning to reduce our debt by divestment of stake on the O&M business, so that will reduce the interest outgo, and that may include the overall bottom-line picture. So, assuming that everything is good, then why are we not buying the shares from the open market? Don't you think the stock is undervalued right now?
- J. P. Chalasani:** Your second question Kirti will answer, let me answer the first question. It is not that we are optimistic. As I said in the opening comments, it is a fact. As I have said today, 10 gigawatts are bid out, there is no optimism about that, it is a reality, and 10 gigawatts are awarded today. And out of that 2 gigawatts to 2.5 gigawatts will be done this year, there is 7.5 gigawatts available to be completed under the contracts scheduled next year. So there is no optimism, when we say that 8 gigawatts we will do next year, because 7.5 gigawatts of this plus the captive, plus any state sector 8 gigawatts, which is mandatory for the country to do under contractual scheduled, you don't need any optimism for next year. Then whatever gets awarded from now for the next 12 months is what is available for the subsequent years, even that we don't need fully, only another 8 gigawatts to 10 gigawatts even gets awarded between now and the next 12 months, it's available for FY21. It is not really optimism. And second correction is that when I said, there are two different factors. In that commissioned capacity we always maintain anywhere up to 35% of market share. There is a difference between getting awarded market share versus the commissioned capacity market share. So therefore, last year also we maintained 35%, today also in the country as a whole if you look at it, on a cumulative basis we have 35% market share, because if you look at 34 gigawatts, what is installed in the country today, we have 12 gigawatts. So we are maintaining 35% market share on installed basis which we continue to give guidance in the future as well. So, therefore, these two are different factors of booking the orders versus execution. Orders will come but because they wouldn't be any more calendar year basis. So, therefore let's not get confused with order book percentage versus calendar year execution percentages, they will be different.

Kirti Vagadia: Coming back to your question on the share price, unfortunately, we will not be able to comment on the share price of the company. Whether it is right or whether it is undervalued or overvalued, that is something which market and analysts need to decide. So far, as a promoter or anybody buying the shares in the market is concerned, that also is something where I am unable to comment. But definitely, I can say that when we are working on certain strategic initiatives, regulatory I cannot allow them to do any transactions having insider information.

Dhavan Shah: Yes, if promoter buys some share from the open market, I think it can revive some investor sentiment.

Kirti Vagadia: But I need to be mindful about the regulatory environment also, I cannot be dealing in the share when I have inside information.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference to Mr. Tulsi Tanti for closing commentary. Over to you, sir.

Tulsi Tanti: So, we appreciate your interest in the company and the concern with respect to the dynamic situation of the industry in the recent past. The industry is in an inflection point where the growth rate will be significantly very high over the next couple of years. India is positioned to witness more than 35 gigawatt of wind auctions over the next three years. We are also quite confident out of that, at least 30% we will achieve the business out of the next three years. With this, FY20 will be 8 gigawatt in terms of the capacity addition on a commissioning basis, but on auction basis it is a 10 gigawatt plus. This will improve the business visibility and predictability of the cash flow, not only that, because of this continuous inflow of the biddings and the continuous growth of the high volume, it will reduce the working capital requirement also and it will help us to expand the volume without any additional working capital requirement.

Suzlon is best positioned to benefit from these huge opportunities, given our competitive business model, end-to-end solution providers, and fully vertically integrated supply chain, the strong project execution, expertise spanning over the two decades and in-house project acquisition capability. The superior technology displayed through our new generation turbine, which offers the higher energy yield with low cost per KWH. Our presence in all India basis, and it is a proven track record over the last 22 years. The vertically integrated operations can add a lot of value to execute the certain business development on a faster way. As you know, we are the second largest in the power sector for the service of our turbine fleets after NTPC, and best in class service, and that is giving a lot of added value, which is large utility company of the international market entering the Indian market, they prefer Suzlon as a best partner because of the overall international operation relationships.

The technology and innovation which are our key strength will continue to act as a catalyst that will drive growth in the renewable energy sectors. We strongly believe the long term stable and sustainable growth for the next five years. Through technology and the large volumes in

continuously enhance the profitability. The service business will witness good growth due to larger volume, which will in turn will lead to the better margin over the next five years.

Based on call and our discussion I found two, three concern areas for the investors or analysts. There is a huge uncertainty information about the grid connectivity in the country. Today 35,000 megawatts planned for the next three years, and PGCIL has already prepared the comprehensive plan for 35 gigawatt when and where it's possible. Already they have released 20 gigawatts capacity plan in different substation and different states. So there is a strong visibility of the connectivity. Only what is required is to interface the project and connectivity, the OEM responsibility which we are working and connecting all the projects in time and each bid has a minimum sufficient time of 21 months. So, we should forget about the grid connectivity concern or risk or any areas on that part.

The second is SECI 6, 7, 8, already the plan has government, 2,500 megawatts each bid in the December, January, February or March for the SECI 8. 1 gigawatt is in Gujarat bid is in pipeline, 1.2 gigawatt wind solar hybrid and 1 gigawatt is offshore all put together before March, the minimum 10 gigawatt bid will be added. So the end of the year, after assuming the 2 gigawatt or 2.5 gigawatt commissioned projects, 18 gigawatts business volume is available at the end of this year, which is giving the strong visibility of the next 18 months. So that is bringing the new dimension of the sector, stability and long-term order book and stronger stability of each quarter, volume and everything which will bring down the substantial working capital requirement. And because of this volume and the period cycle is reducing on a project execution field, which increase the profitability and reduce the certain cost level also.

So this is the good win-win situation for the industry. And as you know, Suzlon is well positioned, so we will continue to capture the growth and opportunity to bring the long-term stability for our company and all of the stakeholders.

With that said, I thank all of you for joining us on the call today. And we hope all your queries are answered. In case you have any further question, kindly get in touch with our Investor Relations team. Thanks a lot. We appreciate your time and presence with you. All the best.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Suzlon Energy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.