



“Suzlon Energy Limited Q1 FY25 Earnings Conference Call”

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MODERATOR: MR. MOHIT KUMAR – ICICI SECURITIES LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to Suzlon Energy Limited Q1 FY'25 Earnings Conference Call hosted by ICICI Securities.

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

As a reminder, all participant line will be in 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 the “*” and “0” on your touchtone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you. And over to you, sir.

Mohit Kumar: Thank you, Deepika. Good Evening. On behalf of ICICI Securities Limited, I would like to welcome you all for the Q1 FY'25 Conference Call of Suzlon Energy Limited.

From the management we have with us Mr. JP Chalasani – Group CEO, Mr. Himanshu Mody – Group CFO.

We will begin with opening remarks followed by a Q&A session. To be fair to others, request each participant to ask not more than two or three questions. Over to you, sir. Thank you.

JP Chalasani: Welcome, everyone to the 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 Q1 FY'25 performance. We will then take your questions.

Q1 FY'25 continues the growth momentum started in FY'24 with unparalleled performance across Financial and Operational parameters. This is one of the best quarters in seven years wherein we have outperformed across the various performance parameters. This performance comes as a result of several strategic and transformative steps the company took in the last three to four years, which we have been briefing from time-to-time.

Robust largest ever order book in the history of the Suzlon of 3.8 GW as on June '24, is a testament of superior technology, acceptability of our S144 WTG model and customer confidence in Suzlon. This also reverberates with 29 years of proven track record with 32% market share on cumulative installed base in India. Suzlon also qualifies for government tenders and would be selectively pursuing these orders as we discussed during our last call. Our endeavor remains to pursue quality orders with higher value and better margins.

Globally, India ranks 4th in total wind installations with 46 GW of installed onshore wind as on June 2024. Suzlon continues its growth objective of deliveries of 274 MW in Q1 FY'25, which is 2x of 135 MW in Q1 FY'24.

This quarter, industry did close to 770 MW of commissioning, which is obviously below the expectations. As per our estimates, the sizable number of turbines in pre-commissioning phase, which could not be commissioned for different reasons and would be commissioned in Q2 FY'25. Indian wind sector as per our estimate should achieve installation of 5 GW in FY'25.

Our OMS business continues to do well with 14.8 GW capacities in India with a machine availability ensured above 96%.

Our top priority would remain timely execution of our robust order book while upholding the highest standards of quality and legacy.

Our pioneering business model of end-to-end offerings for wind energy value chain, fully integrated supply chain, track record of project execution and best-in-class service cannot be easily replicated, which provides us with a strong, differentiated competitive advantage.

I would now like to invite “Himanshu to take you through our Financial Performance.”

Himanshu Mody:

Thank you, JPC, sir, and good evening, ladies and gentlemen. I shall be using slide #16 to #23 of our investor presentation, which is now available on our website as the reference point for our discussion during this call.

Q1 FY'25 has seen us register robust improvement in all key Performance Parameters and our Fundamentals have further strengthened with the focus on the bottom line. We have made deliveries of 274 MW in Q1, which is more than 2x as compared to Q1 of FY'24.

On the P&L front, Q1 FY'25, there has been a renewed focus on our bottom line which has resulted in a revenue of 2,016 crores in the quarter, witnessing an increase of 50% on a year-on-year basis. Consolidated EBITDA of the company stood at 370 crores which is up by more than 86% and with an EBITDA margin of 18.4% on a consolidated basis. PAT for Q1 FY'25 increased by 200% or almost 3x to about 302 crores in the quarter. This has made us register highest quarterly EBITDA and PAT in almost about seven years.

We are also pleased to report that our balance sheet as of June 2024 demonstrates a further position of strength with a consolidated strong net worth of 4,253 crores and a net cash position of 1,197 crores.

The last one year in FY'24 has been a year of financial turnaround for us, whereas we focus on our balance sheet and also putting in place the working capital for the company. We would like to reiterate that Suzlon is well positioned for the growth and sectoral leadership to participate in the India energy transition, with FY'25 being a focus of performance on the P&L side and

working capital side in the company. Needless to say, we shall be focused on best-in-class product with our in-house R&D team, our fortified financial position with optimized cost structure shall continue and be a focus area for us.

Largest ever order book as JPC sir just mentioned with the strong pipeline in active discussion, a supply chain that's fully geared up in line with our order book commitments to our customers, and a regained confidence of all stakeholders including financial and also suppliers and customers and a strong bench strength with the management team that has a renewed zeal to deliver.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Sumit Kishore from Axis Capital. Please go ahead, sir.

Sumit Kishore: Sir, my first question is, could you spell out the reasons for improvement in the WTG contribution margin in Q1? We've also noted that your project or segment mix has shifted more in favor of captive C&I retail even on a sequential basis, now almost two-third. Is the pricing better in this segment versus state or central bid?

Himanshu Mody: So, Sumit, Hi! On the margin, of course, whilst we've reported close to 23% contribution margin on the WTG segment, it is not something that may be sustainable because this quarter saw lower activity on the project execution side. So, whilst from a readiness perspective we had about 230 MW of turbines ready on the ground for commissioning, but we did only 70 so far because the balance 160 MW lies in the scope of our customers, which is out of our hand. Had that kicked in, there may have been certain delta revenue and cost which may have pulled down the margin a bit. But having said that, needless to say still the margins would have been in the late teens or maybe around the 20% vicinity. So, that's the answer to your first question. On the second one, the mix of course is what it is between C&I and IPP. But, in terms of our average selling price to the both class of customers, it is pretty similar, There is no visible differentiation in pricing across customer class.

Sumit Kishore: My second and last question is for S144, how many WTG sets have been delivered or installed so far? So, if you could give your experience of how that particular turbine is operating on the field and any other experiences in terms of commissioning this?

JP Chalasani: We commissioned close to about 100 MW as of now. Everything is in line or better than what anticipated in terms of our design parameters. And in fact, we are also now going through the high wind season to establish further – Everything has been smooth touchwood and better than what was expected in terms of the design power curve .

Moderator: The next question is from the line of Amit Binde from Morgan Stanley. Please go ahead.

- Amit Binde:** I had two questions. One, with your plan to change the timing of your merger, so is the qualification to NTPC getting affected because of that? And second thing that I wanted to ask in similar lines is that you have made a framework agreement with CESC. So, if you can give some details on that one?
- JP Chalasani:** On the NTPC, we did discuss last time. We said that we qualify and we participated in the bid largely then the results and we will continue to participate in other public sectors as well. So, we have no restriction to participate.
- Amit Binde:** Without this merger procedure happening, still you are eligible for NTPC bids?
- JP Chalasani:** Yes.
- Amit Binde:** On the CESC, sir?
- JP Chalasani:** This is a framework agreement which was announced by the CESC. As far as we are concerned as and when some of them get fructified into a definitive agreement as per our policy with confirmed advance, we will keep announcing.
- Amit Binde:** Any indication on the size of the framework agreement that you can -?
- JP Chalasani:** Any framework agreement is substantial quantum, so therefore let's leave it there. But as far as we are concerned, we are not considered that in our order book, and we consider in order book as and when each segment of the framework gets converted into a firm contract with an advance. This is not part of our 3.8 GW what order book we have announced today.
- Amit Binde:** And the other question that I had was if you can help us understand how your deliveries would shape up because now captive and IPPs are increasing more in the bids. So, then would the delivery timelines be faster and can we expect the ramp up in the near next two, three quarters?
- JP Chalasani:** Second portion I can't say because that looks like a guidance sort of thing, but the deliveries would depend upon whether it is an IPP or it's a C&I, anyone on this is with respect to the readiness of site. Remember last time also that the reason why as a country, we are not able to move forward much quicker is the execution challenges on the ground. As Himanshu explained some time back, in fact, our commission capacity would have been 230 not 70, but the balance 160 we could not connect to the grid while it is pre-commissioned, everything is ready, either because the clients connectivity is not there or clients BOP are not ready. So, if you add that 150 to 770 of country, then country also would have been around 930 and our share would have been 25%, which is what normally we've been maintaining. It all depends. It's nothing to do with this, right? Like for example, NTPC awards the BOP contracts in advance. Then after a time gap they award for the turbines like what we participated now for those projects, BOP is already awarded by them. So, therefore, expectation is that case the preparation is much better, the supplies would be much quicker. So, it depends upon each quarter what mix of projects are scheduled based on

that is acceleration happens if the supply is not an issue. Once again I am underlining supply is not an issue, issue would be readiness the projects to offtake.

Amit Binde: So, just on this one, so your realization of revenue for the installation part would still be left unrecognized, right? So, that would get recognized when the installation happens for this 160 MW?

Himanshu Mody: Yes, that's correct.

Amit Binde: And the last part that I want to understand is the penalty notice that was like you had put out a press release three, four days ago of 20 million. So, that one would we recognize that in our income statement in this year as a cost or in this quarter or would you be recognizing it afterwards?

Himanshu Mody: No. We will only recognize it only as and when it fructifies. Right now, you can say at best it's a contingent liability, but it has not fructified. While we've received those notices at our end, we will be as a company defending the notices and only as and when it is paid off fructified is when it will go through the P&L.

Amit Binde: So, currently no provisioning or anything would not be made for that Rs.20 crores.

Himanshu Mody: No.

Moderator: The next question is from the line of Rohit Bahirwani, Vijit Global Securities Private Limited. Please go ahead sir.

Rohit Bahirwani: Just wanted to understand the reason for decline in revenue for operation and maintenance. Quarterly, there's a decline of around 50 to 70 crores.

Himanshu Mody: Yes. Hi, Rohit. So, the reason because in Q4 of FY'24 where our revenue was a little over 500 crores on the O&M side, there were certain one-time billing on VAP and VAS sales plus certain contract renewals that got delayed during the year which was all booked at the time of Q4 before the financial year end. That caused a fillip or increase in the Q4 revenue of OMS. Certainly, that is not a steady state view. So, you should not annualize Q4 FY'24 revenues as steady state. What you see in Q1 FY'25 and also other similar quarters is what you should take as annualized revenues other than any VAP, VAS sales that we do during the year.

Rohit Bahirwani: Just wanted to understand the timeline between commissioning of a wind turbine? And by when does the operation and maintenance of that coming into the business, let's say you have done 274 MW in this quarter?

Himanshu Mody: So, there's a difference. I'll just make a small correction. We've done deliveries of 274 MW in this quarter, but what is commissioned is 70 MW. So, I will use 70 MW as a reference point. So, let's say if 70 MW has got commissioned in Q1 of FY'25, anywhere between two to three years

is our warranty period that we give to our customers, so which means that Q1 FY'27 or Q1 FY'28 is when this 70 MW would start earning revenue from an O&M basis.

Moderator: The next question is from the line of Aashish Uppanlawar, InvesQ. Please go ahead sir.

A Uppanlawar: So, we've come a very long way in the last 1.5 years in terms of the turnaround of the business. Congrats on that. So, just to understand the addressable size that Suzlon can achieve, we have on the targets that the government has laid down for itself in terms of 10 GW a year and private as it is going on. So, for us from here, where do we see maybe the best case for us because execution on the ground remains different from the government side, plus the issues on the evacuation side. So, just some idea on that will help us frame our thoughts on that?

JP Chalasani: Let's talk about sector. That would give you what Suzlon will do because there's always a correlation between how much sector does and how much is done. This year, we are expecting anywhere between 5 to 5.5 GW is what country will do compared to 3,250 MW what we did last financial year. And our expectation is that this in FY'26 would go up to anywhere close to 6.5 to 7 GW. And thereafter from FY'28 onwards, we expect it to be anywhere between 8 to 9 GW. Why we are saying this also is the reason is that one is gradually we hope these hurdles on the ground will get removed, because more and more capable people are coming in and then there are some advanced actions being taken on the land and also the Government of India as we mentioned last time has now started acting on removing the hurdles for wind. In fact, just two weeks back they issued the revised guidelines on macro setting, removing some of the hurdles. So, if that is a rate, 5.5, then next year about 7, and following year about 8 to 9 is what is opportunity, then you can always think that where will we be from that point of view rather than me saying that how much is Suzlon will execute. And we always know that what is the correlation between what country does and what Suzlon does. I will take that as a guidance rather than giving you guidance on the company's trend.

A Uppanlawar: Sir, what's the executable capacity now as we stand today just to understand how much we will have to do in case these numbers on the overall macro of India come in until FY'28?

JP Chalasani: Come again.

A Uppanlawar: So, what's the current capacity in terms of how much we can deliver in case the demand side picks up, as you said FY'26, '27, so what's the capacity right now?

JP Chalasani: Our supply capacity is anywhere between 3.5 to 4 GW, we can easily do it per year which will get further expanded let's say in FY'26 and FY'27. But then please understand, I keep each time clarifying this when you talk about the manufacturing capacity, manufacturing capacity is provided your machines are constantly loaded, assuming that month-to-month, there is a load of that nature. It cannot happen that 4 GW means that first quarter nothing happens and second quarter picks up, third quarter nothing happens, then this gets constrained. Capacity what is lost in a quarter, in a month is lost.

- A Urganlawar:** So, 70% better assumption to go with?
- JP Chalasani:** Sorry.
- A Urganlawar:** 70% utilization would be a better assumption to go with given the seasonality –
- JP Chalasani:** Your guess versus my guess is with respect to the offering on the particular projects which are scheduled for delivery in that quarter. It could be 100% and it could be as low as 50% to 60%. It would vary from quarter-to-quarter depending upon which projects are scheduled to be delivered during that quarter. Some projects are well prepared, like for example I said that NTPC if we win that let's say one, there's an advanced operation by NTPC. So, therefore it's much more predictable for supply of turbines. This will keep changing. I am not trying to dodge your question, but it all depends upon quarter-to-quarter, we need to keep monitoring it.
- Moderator:** The next question is from the line of Viraj Aventus Spark. Please go ahead sir.
- Viraj:** So, this guidance you've given for the year of 5.5 GW of execution at the country level, does it include C&I or is it only disconnected?
- JP Chalasani:** Total wind capacity connected to the grid including CMS. If at all there are any as it is which are not connected to the grid, they are behind the meter.
- Viraj:** The second question is on the auctioning or awarding a project. So, we know government wants to achieve about 60 GW overall for the year and about 10 to 15 on wind. So, where are we on that target in the first quarter, meaning how much has been auctioned or awarded?
- JP Chalasani:** Bidding is huge. I think we lost count of bidding. In fact, there is a huge amount of bidding completed, projects awarded where they're now chasing, with one waiting for the PSA. PSSA to be signed so they can move ahead. And even if you look at currently as we speak just in the month of June for different awards put together, there're about 3.7 GW awarded for it just in one month of June. And today there is about 7.5 GW of the bids submitted, and another 13 GW of bids called for. Targeting about the bids awarded and pending for execution, which is close to 20 GW, and we already have another 4 GW awarded in the month of June, another 20 GW bids either submitted or called for. This is all in addition to the C&I. And in fact, if you look at our order book, two-third is C&I and one-third is the PPAs. So, I don't think there is any concern with respect to whether the government is coming out bidding or whether there's enough volume. What as a country we need to only concentrate on is how much can we commission each year. So, I don't think there's any issue with respect to the market availability or not. That is at least for the next at least two to three years, we don't need to worry about are there opportunities in the market, sector as a whole, including Suzlon.
- Viraj:** My final question is clarification in nature. So, you mentioned about 274 we delivered, but commissioned is around 70. So, that means the revenue is recorded for the entire 270, while the cost is recorded only for the 70, is that how to understand that?

Himanshu Mody: No. So, the revenue is recorded for the entire 274 and COGS also is recorded for the 274 entirely. For the 70 MW commissioning, the correspondent revenue and costs are recorded. Whatever is not commissioned, we are yet to recognize costs or revenue associated with it.

JP Chalasani: And also please be clear that these 274 and 70 has no linkage. It's not that the 70 MW is what is out of these 274. The turbines could have been supplied even a couple of quarters back and commissioned now. So, therefore these two are independent of each other. On a quarter-to-quarter basis you can't compare supply versus COD. So, there's a time lag between supply and the commissioning.

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

Nikhil Abhyankar: Sir, can you just elaborate on what exactly are these difficulties that we are facing in execution?

JP Chalasani: No, we talked about execution. It is nothing to do with Suzlon. I am talking about as a sector the reason why we are not able to go up to 8 GW, 9 GW is fundamentally the two or two reasons we can say. One is the availability of land and the pathways. And more importantly, continuous availability of pathways. You might have taken a pathway to take your turbine and everything, but after you've taken it, then again, there could be issues locally with people to do that. Because please understand that wind projects are scattered by. They are in an open area; they are not in a closed area like what you do solar or you do a fossil fuel-based plant. So, that's the major concern today everybody is facing in terms of the land and also because most projects got concentrated in Karnataka today. So, therefore there is more pressure there and also the regulations in Karnataka for land acquisition is a very combustion process. That's one state which still you need to convert into non-agriculture because many other states have changed over saying that, okay, if it is renewable, it's automatic conversion, you don't need to do that. So, therefore the whole process itself is too long in Karnataka. On top of it, everybody is in Karnataka. So, the whole state is stressed out for that. That's one reason. Second reason why we are saying execution is in terms of connectivity is one reason where the substations there are timelines to come in, sometimes there's a delay in the substation coming up by a few months. So, therefore that gets delayed. Third is that the BOP capability building, capacity building is still happening in the country, because no other OEM does end-to-end exceptional Suzlon. And even in our case, only one-third is EPC, the balance two-third is not EPC. That means we are not doing end-to-end. The third-party BOP capacity building is still happening. So, therefore they're seeing the delays of BOP not in the speed at which is expected. So, these are the three major reasons why we are struggling for capacity addition, but as I said sometime back there are different actions being taken in all these areas, we are gradually seeing. In fact, our opinion is that there's significant amount of capacity which is ready for commissioning even in the Q1 not just ours of 160 in total, which would come quickly on to the grid in Q2.

Nikhil Abhyankar: And sir, just a follow up on that. So, how does the payment cycle work for all these orders -- is the payment done after certain credit period of the supply or after the installation of the turbine?

Himanshu Mody: So, there are various milestones that are defined in our agreement right from advance at the time of execution to dispatch of various components of the turbine and the turbine components reaching upon site. So, based on the various milestones defined in the agreement, we receive a chunk of the payment. I don't want to say the percentage in terms of payment that is received till turbine, reaches site, but fair to assume that a large chunk of the payment is received by the company upon commissioning or erection of the turbine.

JP Chalasani: Also, please understand our supply contract is different from installation contract. These two are independent contracts. So, in supply contract, you have independent payment terms, but there could be some payments linked to the commissioning. As and when commissioning happens even if that is a separate contract. So, supply contract runs independent of installation. That's a separate contract. And in fact, if you have a full EPC there again BOP contract is independent. And if we are bidding land, land contract is independent. These all contracts are independent. They don't talk to each other in terms of LDs or any payment terms.

Nikhil Abhyankar: Global peer is looking to sell its India business. So, will we be looking to acquire?

JP Chalasani: First part of it, are you looking at it? We are looking at it, like everybody looking at it we are looking at it. Are we looking at it to acquire? I don't think so. Let's see that what happens. There is no definitive answer of yes or no for that.

Moderator: The next question is from the line of Dhawal Doshi, Dymon Asia. Please go ahead, sir.

Dhawal Doshi: I am sorry if I would have missed this point, but can you just touch upon what is the current pipeline looking at in terms of the bids that you've submitted? Secondly, what kind of inflow numbers do we expect to go through as far as the share is concerned? I know you won't give me an exact guidance on this, but some color in terms of how do you see things for this year?

JP Chalasani: First thing is we don't submit any bids. We are talking about the government run bids. We don't participate in that bidding because the IPPs which run the bids and then IPP please come to us for equipment supply contract. Only bid we participate is that public sector for selecting equipment suppliers, they run a bid like NTPC, which was the question previously. That's where earlier we were not participating because we were not able to meet the financial criteria. Now, we meet that and we started participating in the bids for NTPC and other public sectors. That's the only bid we participate where there is a bid for equipment supply and the private sector doesn't run a bid, they just invite you to discuss.

Dhawal Doshi: So, if I have to rephrase my question, what are the kind of tie-ups that we could have for which either the IPP or Suzlon itself is under various bidding process and we could expect some kind of an outcome?

JP Chalasani: Nobody does. That arena has gone where people used to have a freebie tie-up in the initial stages of SECI-1, SECI-2, SECI-3 maybe after 5-6 people tie up, but now IPP has experienced the pricing. They will talk to you at the most for some budgetary course, but they take their own

judgment on what would be the pre-bid tie-ups and go ahead and bid. If they win the bid, then they'll come and talk to us, saying that, will you please supply and negotiate a contract. There is no pre-bid arrangement per se in any more on this. It used to be there earlier. We did have many pre-bid things, but in the current system it doesn't exist. So, it will be done by their own without any pre-bid tie-up.

Dhawal Doshi: Some sense on what could be the order inflow for the year and the timeframe over which the existing order book needs to be executed?

JP Chalasani: What is going to come? Obviously you will know whenever it comes, and we keep announcing it. So, therefore you would see that like Himanshu mentioned it in his opening comments, there are a large pipeline which is under discussion on the table, but it is a closed contract signed and we receive confirmed advance then obviously we don't take that as an order. So, there is no point in talking about how much is under discussion, there is substantial amount which is under discussion.

Dhawal Doshi: No. So, what I was referring to was the kind of order inflow that we are budgeting or we are targeting, some sense of numbers, some growth numbers, and the timeframe over which the existing 3.8 GW needs to be executed, two separate -

JP Chalasani: 3.8 GW is between this year and the next year most of it, some part of it would be early FY'27.

Dhawal Doshi: And on the order inflow, any targets that you would want to give or -?

JP Chalasani: No guidance on that please. But again, as I said that just to reconfirm, orders for us need not be monitored currently, but there are enough orders, it's a question of how much we want to pick up and that is the reason in the opening comments we also mentioned that we are looking at orders where we think as a confirmed offtake would be there in a definitive timeline, after we will always be there. But is there a definitive timeline and what is the quality of that order, that's important for us.

Dhawal Doshi: You mentioned the executable capacity that we have is close to 3.5 to 4 GW, right, was that number correct?

JP Chalasani: Manufacturing capacity.

Dhawal Doshi: And we are looking at expanding this probably in FY'26. What would basically be, sir, the expansion?

JP Chalasani: Obviously that would again you will indirectly draw how much is we are targeting the orders. So, therefore let's leave it there. We are expanding it. So, once the expansion is completed, we will let what capacity we are for FY'26.

Moderator: The next question is from the line of Dhruv Muchhal, HDFC AMC. Please go ahead sir.

Dhruv Muchhal: Just one clarification. You mentioned that the developers no longer do pre-bid tie-ups. So, does the assessment of what PLF they will generate kind of win profile, that's all independent by them and then they select the equipment which they have to, is that how it works?

JP Chalasani: What happens is that some of them are developing their own sites. So, obviously they know what the PLF is likely to be there based on the wind data if they have it. There are one set of IPPs. The second set of IPPs they don't finalize with you, but maybe they'll sit with a couple of more suppliers and then ask a budgetary quote saying that we have a site, what would be the budgetary quote but not finalized from the order. So, they will take some sort of a thing from the market, test and then go ahead and do it. Because most of the people today are doing multiple projects. They've been in the sector. So, therefore experience for them is much different today.

Dhruv Muchhal: And the second question was on the contribution margins. So, probably a bit early we have started delivering the new turbines. I think the numbers are relatively better than what we were guiding. But do we still stick to the guidance of I think 90 lakhs per MW, does that remain or do we see an upside to that number based on the run rate that we are achieving and based on the actual deliveries now?

Himanshu Mody: So, we are maintaining that our average selling price is about 6 crores per MW. It of course differs quarter-to-quarter and based on our margins, which we've said is mid to late teens, whether that's 90 lakhs or close to a crore would be the contribution margin. So, if we sort of end up doing of course 20% margins on a ASP of about 6 crores, that's about 1.2 crores. But there may be a playoff where we may be a little shy of 6 crores, but we would have improved margins. So, therefore I don't want to comment on 90 lakhs or 1 crore or whatever that number is, but that's where we are.

Dhruv Muchhal: So, ideally we should look at on a percentage basis, is that the right way to think of it or should it be absolute the way it works?

Himanshu Mody: You should look at it as a percentage basis of our overall revenue.

Dhruv Muchhal: Say, for example, if I look at the revenues right now for the quarter, if I just do a division by the deliveries, it's about 5.5 crores. I understand the installations and deliveries will never be exact, but assuming the installations are also done all to I mean equally, what the realization number would have been, I am just trying to understand, you mentioned the contribution margin would have been 20 percentage, but what the realization would have been?

Himanshu Mody: No. So, as I said, 20% was just the math that I walked you through. I am not saying that it would have been 20%.

Dhruv Muchhal: Around?

Himanshu Mody: Yes, around that. And in terms of calculations, of course, if you see our average selling price over the quarters, it's been a little shy of 6 crores. So, anywhere between 5.8 to 6 crores has been

the average, which is what is close to 5.5 crores in Q1 this year. So, of course, had the commissioning happen to a larger extent, for the 160 the shortfall we would have got close to the 5.8 to 6 crores average.

Dhruv Muchhal: What are the installed deliveries that we have done cumulatively? What are the installations pending for our deliveries? You mentioned that system has a lot of this gap, but how much is this for us?

JP Chalasani: Our turbines including whatever the latest deliveries what we have done that would be somewhere anywhere close to about 800 MW is what is pending for commissioning.

Himanshu Mody: So, 720 MW to be precise is what is pending, uncommissioned cumulative out of all the deliveries.

Dhruv Muchhal: So, 700 MW, which have been delivered to the site, but pending for just the grid connection and related?

JP Chalasani: No, we didn't say that. 700 is delivered, 73 which has gone, many of them may not even been erected. So, there are different stages. What we talked about was only the 230 MW out of this which we erected and pre-commissioned all the things, only 70 MW has been done. So, in the 770, 160 MW is what you can actually count as the turbines which are ready for commissioning but could not be commissioned because of the constraints in the 720.

Moderator: The next question is from the line of Vivek Sureka, individual investor. Please go ahead.

Vivek Sureka: Sir, just one question on the OMS side. Are there any plans to list this separately and capitalize on the current scenario?

Himanshu Mody: No, there are no such plans.

Moderator: The next question is from the line of Yash from Stallion Asset. Please go ahead Sir.

Yash: My question is that I think you've made 8% EBIT margins on your WTG segment this quarter. Do you think we have scope for improving the margins further or this is a sustainable level?

Himanshu Mody: So, difficult one to say, but yes, I mean we are seeing that the economies of scale and the volume play is playing out. So, whatever historical thin margins that we've seen is hopefully a thing of the past. So, our sense is that these EBIT margins close to this region should be able to play out over the next few quarters.

Yash: I just wanted to sort of confirm this again. So, you're targeting 5 to 5.5 GW order book this year. Is that what I heard, right?

JP Chalasani: We said that as a country we will be adding five to 5 to 5.5 GW of wind capacity this year.

- Yash:** You'll maintain your market share of over 30% or is there a scope to increase that further?
- JP Chalasani:** If I say that, I am giving you the guidance. Anyway, let's hope so.
- Moderator:** The next question is from the line of Neha Menon, NVS Brokerage Private Limited. Please go ahead ma'am.
- Neha Menon:** Just wanted to get some clarity again. So, regardless of the order book that we have each year, what is our annual installation target or you may say average installation capacity?
- JP Chalasani:** It's not an installation capacity which would vary on various factors outside on this. What we talk about is that what is our manufacturing capacity means like what is our supply capacity. It is what we mentioned. Currently we can supply anywhere between 3.5 to 4 GW which would expand further.
- Moderator:** The next question is from the line of Prateek Giri, Subh Labh Research. Please go ahead sir.
- Prateek Giri:** I have one small query. Recently, we read about NITI Aayog trying to indigenize the wind energy equipments which are there. So, I was just trying to understand currently in the entire bill of material, how much of that BOM is actually import-dependent?
- Himanshu Mody:** For us, it's not applicable because we are much above the number what they're talking about. Our domestic component is much, much higher than what they're talking about. This is basically meant for other players. That's a non-issue for Suzlon.
- Moderator:** The next question is from the line of Preet Nagared, Wealth Finsa. Please go ahead, sir.
- Preet Nagared:** So, the question sir I wanted to better understand is that you were saying there's a huge C&I pipeline and you mentioned something between 15 to 20 GW of that pipeline. So, can you tell me what is the driving factor this which is leading to such a demand?
- JP Chalasani:** No, the 15 to 20 GW what I mentioned was the bids invited by the government agencies. So, that is what is the number what I talked about. So, obviously if you look at on the wind capacity side, currently we are at 46 MW. The requirement to meet on the least cost option and demand projections for 2030 the least cost option is wind has to reach 100 GW. So, there is a 54 GW of capacity addition has to happen in a six-year period. So, therefore, to meet that is what government is actually planning everything. Because if you want to meet by 2030 that much of it, most of it should be awarded, let's say, if that is FY'30 or FY'28, you should complete all the awards. I think our expectation is that awards would be completed even much before that. But then depending upon the execution, like last time we mentioned, it's not 100, our expectation is we will reach somewhere 90, 95 GW definitely by 2030.
- Preet Nagared:** The C&I component is also very strong, So, what is driving the C&I?

JP Chalasani: Simple reason C&I is raising is that most of these large industries want to move away from fossil fuel if they already have a fossil fuel captive capacity or they are right now driving the grid into a captive capacity. People are switching over from fossil to renewables because one is the tariff arbitrage compared to the fossil because that any one of them, if they have a coal-based capacity that coal is very expensive for captive plants, they need to buy the coal in the e-auction, they don't get the linkage. So, therefore arbitrage is one. And #2 is that if you need to export your product outside of India, this is now becoming more and more restricted, that means product has to be green. So, mainly the tariff arbitrage, but otherwise also in their own targets for carbon footprint, that's why C&I. In fact if you see not just here, everywhere it's happening. Even if you look at the US, the largest capacity is assigned today by people like Google, Meta and Amazon and type of a people. So, gigawatts and gigawatts of capacities of PPAs they're signing there to buy. So, it's a global phenomenon where everybody is working on this and the tariff arbitrage is really helping.

Preet Nagared: How do you see the impact of pump storage for hydrogen projects rightly enable the storage solutions? How does that help out for wind projects if you can share?

JP Chalasani: The pump storage, it's nothing to do with the hydrogen. Hydrogen can also help, but also what we are now moving is that from individual solar and wind so we move to the hybrid and from the hybrid now we are moving to round the clock what is called the farm and dispatchable renewable energy. That means instead of intermittent power supply, the renewable energy if you want to compete and replace fossil fuel, should also be able to generate on demand the way the fossil fuel generates. Therefore, in the fossil fuel, what happens is that you give your capacity in 15-minute basis and you respond to the demand on a 15 minute block basis. So, now the similar thing is what the bidding is happening in renewables, where you need wind, you need solar plus you need the storage. Current options for storage could be either the battery or the pump storage or could be any other way. But having said that, because of this storage system, because we also need a stable power supply for hydrogen, it also helps hydrogen sector. But it's more a pump storage as the storage is basically to make renewable, not an intermittent power supplier, but supplier on demand 24/7.

Preet Nagared: So, you've seen that all these initiatives are basically enabler for the wind sector as well?

JP Chalasani: Sorry. Come again?

Preet Nagared: Would you say that all these initiatives and technologies are also enabling the demand in the wind sector?

JP Chalasani: Yes, yes. See, today if a load following FDRE bid, when I say load following, is that your client is a utility company or if it is a C&I company can give you what is the load profile on a 15-minute block basis for 8,760 hours in a year and you're supposed to set up capacity. If your PPA is for 200 MW to supply on this basis like your wind capacity consent requirement would be anywhere between 2.1 to 2.4x. So, that's the extent of wind capacity what you need to make the power on FDRE basis. If it is only the peak, not the load following type of FDRE bids, then it

would be anywhere between 1.4 to 1.5 times. So, today what is happening, why wind has to grow is that every single project what is being executed or what has been bidded out are a combined projects of wind, solar or wind, solar and storage. So, therefore the project can only get commissioned provided wind also gets commissioned, because it's an integral part of a project. So, therefore today we reach a stage where how much wind capacity is commissioned would decide the total RE capacity getting commissioned. That's why wind is becoming critical. That's the reason you see more and more attention of government towards removing the bottleneck for wind sector.

- Moderator:** The next question is from the line of Depesh Kashyap from Invesco MF. Please go ahead sir.
- Depesh Kashyap:** I am looking at slide 22. I just want to understand what causes this volatility in the contribution margins -- is it the mix of O&M and WTG?
- Himanshu Mody:** Yes, as the share of business of the WTG goes up in the consolidated pie, the contribution margin on a consolidated basis will of course keep reducing because as you know the contribution margin in O&M is at almost about 65%, 66%, whereas in WTG for this quarter it has been about close to 23%. So, in the overall revenue pie, the more the WTG business, the consolidated contribution margins would keep reducing.
- Depesh Kashyap:** Those fixed expenses that are below this employee and those expenses, I see that other expenses are constant year-on-year. So, how do you expect them to grow like will it be fair to take it like a 10%, 15% increase year-on-year?
- Himanshu Mody:** Yes, I think that's a fair estimate, about 10% increase because of course correction in sort of operating costs plus certain employee cost, in addition to that, we are also incurring certain one-time operating expenses this year and getting our systems and processes right by engaging various consultants. So, that may attract some small CAPEX and one-time P&L cost as well, which the fixed cost may look a little inflated for this year, but I think those are one-time costs for long-term benefit of the organization. Although they may not move the needle significantly, but your assessment is correct, about 10% to 15% increase on the fixed cost is what you should assume.
- Depesh Kashyap:** Secondly, sir, your current EPC mix is around 33%-odd I think if I remember it correctly. How do you expect it to grow with your order book that is in the pipeline?
- JP Chalasani:** We have been at around 23%, 24%, now it has come to 33%. As our advanced land development what we talked about earlier as that keeps increasing so that our EPC percentage should increase.
- Depesh Kashyap:** How should we think about the working capital then, because I think the working capital days having a little stickier, they have not been coming down, so as the EPC contribution increases, do you expect it to worsen further or how should we think about it?

Himanshu Mody: Whilst these two are not directly related, but working capital is something that we said we are working on constantly and you may not see a significant improvement in one or two quarters, but directionally we are striving towards improving the working capital mix. As I've always maintained we don't want to give a target as to what the NWC will be and by when. But rest assured, we are working on optimizing the working capital mix for the company.

Moderator: The next question is from the line of Manoj, individual investor. Please go ahead sir.

Manoj: I have a couple of questions. The first question is regarding the exit of Siemens Gamesa in India. How much market share will it increase in case of Suzlon? And the other one is regarding the offshore business. Government has announced a viable gap funding regarding that offshore business. So, can you throw some light on the offshore development project, how are we going to develop that in the future?

JP Chalasani: Siemens Gamesa will not have any impact on our market share because we were never under pressure because of them in the recent past about market share. So, therefore, I don't think anything is going to happen because of their exit as far as the turbine supplies are concerned. I am not talking about the service business; I am only talking about the supply. As far the offshore is concerned, yes, there is 1,000 MW viability gap funding, but these projects bidding, and ultimately actual execution is four to five years away. So, therefore right now for the immediate future of next 4-5 years, the offshore is not going to move the needle for Suzlon .

Manoj: But that's the future, right, I can assume?

JP Chalasani: No, the future, it all depends like we explained earlier, the offshore in India is different from offshore outside India. In case of India, the generation gap between onshore to offshore is not significantly different compared to what is in Europe and other places. Generation gap in scale of not being much different, but the cost being very high. So, therefore, cost of generation today as we see today in the offshore is very high, anywhere between Rs.7 to Rs.8. So, therefore that sort of levels at this stage, I don't think that you could actually go and sell the power unless there is a viability gap funding and viability gap funding can come only for initial set of projects to encourage offshore to happen. So, offshore to become a significant potential for us or for any player is still far away. We are not saying that we will not get prepared, and we are preparing because we do have an experience of offshore as part of when RE power was part of us. In fact, including our current chief technology officer, everybody is well experienced in offshore. We have prepared for that, but for a guidance purpose, I don't think it's going to change needle much in the near future.

Moderator: The next question is from Sumukha Jamani, which will be the last question for the day. Please go ahead.

Sumukha Jamani: I have been a long-term retail investor for Suzlon. It's good to see come back from Suzlon from pre-COVID era to post-COVID era. Having said that, on a slightly negative tone, please excuse me if it's a repetitive question, Suzlon has been receiving a lot of penalty from the customs, etc.,

So, what has been done in this regard to prevent this from happening? I understand they will be appealed in courts. And just a follow up on that. Has the appointment of the legal firm Khaitan being finalized?

Himanshu Mody: So, hi, let me take both the questions. So, so far as penalties are concerned, of course, a lot of these relate to the past. So, at our end we are now working internally to make sure that all our systems are automated and its system-driven, so that there is no room for any human error and such penalties are at least minimized, if not totally eliminated. So, that is the endeavor where we are working on is installing all the relevant software, ERP tools and sophisticated tools that are available, whether it's GST, any indirect taxes for that matter.

JP Chalasani: But having said that, I just want to add is that it has not something suddenly increased. What we are seeing is a new regulation where anything happens you're supposed to inform the stock exchange. So, therefore that's why you're seeing this for every single company. It is not something suddenly we started getting penalties. Any company for that matter of fact. It's a regulation today. If you get a notice you need to inform.

Himanshu Mody: So, of course that is one. The Khaitan was appointed and as we informed the stock exchanges at the end of our board meeting, the report was presented by Khaitan to our board and they have found no non-compliances whatsoever in the company. There are certain suggestions that Khaitan has made for recommendations I would say for improvement and best practices adoption, which the company shall consider for implementation in a phased manner over the next few quarters. But the report has been absolutely clear without any red flags, or any non-compliances being reported in the report and the same has been presented to the audit committee and board two days back, and the same has also been disclosed by us to the exchanges.

Sumukha Jamani: Does that include grievances from the independent director as well, if I may ask this?

JP Chalasani: This is with respect to that only.

Moderator: Ladies and gentlemen, I would now like to hand the conference over to the management for the closing comments.

JP Chalasani: Thanks, everyone for joining this and we would continue to keep interacting with you and even post this conference, if there are any further questions, any further information required, my colleagues from IR are always available and we are also always available for any specific information if you people need. Thank you so much for joining us.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.