"Suzlon Energy Limited Q2 FY'25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Suzlon Energy Limited Q2 FY'25 Earnings Conference Call.

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

As a reminder, all participant lines will be in the listen-only mode and if you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. We will begin the "Opening Remarks" followed by a "Q&A Session." To be fair to others, we kindly request each participant to ask no more than two or three questions.

From the Management we have with us Mr. JP Chalasani – Group CEO and Mr. Himanshu Mody – Group CFO. Over to you, JP Chalasani, sir. Thank you.

JP Chalasani: Good evening. We appreciate you joining us for Q2 FY'25 Earnings Call.

We hope you have had a chance to review the results we published today. Again, apologies that I think you had a limited time before you could actually see the results. Maybe we will make sure from next quarter onwards ensure that you have sufficient time before we have this interaction, so that we can have a meaningful interaction.

We will now provide a "Brief Overview of our Q2 FY'25 Performance and our Outlook for the Full Year." After that, we will open the floor for Questions.

Let me begin with the "Key Developments of the Quarter gone by":

We secured the largest ever single order in Indian wind industry from NTPC Green from 1.166 GW\. This project utilizes plug-and-play approach with the pipeline for land and power evacuation within NTPC scope. Our order book now exceeds 5 GW, an unparalleled achievement in the industry. The entire order book consists of the firm orders as we disclose orders only when they are backed by financial commitments.

Suzlon acquired Renom, marking a pivotal entry into the multi-brand O&M sector and unlocking significant growth potential in this area. This strategic move capitalizes on Renom's strong ISP market position and Suzlon's expertise positioning us to sustain substantially enhanced fleet size and profitability. Additionally, we successfully monetize our corporate office and non-core assets for 440 crores.

On the execution front, Suzlon has now established itself as a Supplier of Choice for PSU, while also being a key partner for C&I customers. Our focus remains on pursuing quality orders with a higher value and better margin.

Suzlon continues its growth trajectory with deliveries of 256 MW in Q2, up from 132 MW last year. This represents the highest delivery for the second quarter in the last seven years, accomplished despite severe monsoon disruptions in Gujarat and other parts of the country.

Robust order book of 4.7 GW for specific make S144 making it as a testament for superior technology and customer confidence in Suzlon. This also reverberates with 29-years of proven track record with 32% market share on installed base.

The industry commissioned approximately 1,476 MW in first half of this financial year, which is below expectations on account of monsoon disruptions. However, we estimate that significant number of turbines are in the pre-commissioning phase and will be completed in H2 of FY'25.

Our OMS business continues to do well with 15 GW capacity in India with machine availability ensured above 96%.

Our top priority remains timely execution of our robust order book while upholding the highest standards of quality.

We believe India's renewable energy journey is just starting with power demand to remain robust on account of t, industrialization, urbanization, E-mobility, etc., and we are poised to lead this transformation with sustainable solutions for the future.

Our expectation is that wind installations will be around 5 GW for this financial year FY'25, 6-7 GW for FY'26 and then increase to anywhere between 9-10 GW yearly.

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 competitive edge.

I would now like to invite "Himanshu to take you through the Financial Performance." Himanshu, over to you.

Himanshu Mody: Thank you, JPC sir, and good evening, ladies and gentlemen.

I would be using Slide #17 to #25 of our investor presentation, which has now been uploaded on our website, www.suzlon.com as the reference point for my discussion during this presentation.

The largest single order of 1.16 GW from NTPC is a testament to Suzlon's resurgence as a market leader in the PSU segment. With the largest ever order book of 5.1 GW, we now have clear visibility of the orders that need to be tentatively executed over the next 18 to 24 months.

The acquisition of Renom has added significantly to our fleet strength of close to 2.9 GW across wind, BoP and solar segments.

On the P&L front for Q2 FY'25:

Suzlon continues its exponential growth trajectory with consolidated revenue showing robust growth of 48% on a YoY basis, reaching 2,093 crores in Q2 FY'25 compared to 1,417 crores in Q2 FY'24. EBITDA has also grown by 31% to 294 crores in Q2 FY'25, up from 225 crores in Q2 FY'24. Our EBITDA margin remains strong at 14.1%. The small decrease in the EBITDA margin as compared to Q2 FY'24 in percentage terms is largely because we are focused in incurring investments in organizational buildup, technological investments and a substantial ramp up in capacity for future deliveries in the upcoming quarters. These decisive investments are set to significantly enhance our competitiveness, drive efficiency and elevate profitability to new heights.

Rise in employee costs is also attributable to non-cash provisions of about 32 crores on account of ESOPs that were granted to employees. PAT for Q2 FY'25 increased by 96% to 201 crores on a YoY.

On a QoQ comparison, manpower costs have increased by 46 crores, mainly due to on account of the ESOP charge of 32 crores in this quarter plus the annual increments for which we follow the July to June cycle every year. The rise in other operating items from outsource manpower, which is variable in nature, production ramp up expenses, cost for transformation projects and certain one-time expenses for transactions and the director remuneration that was paid out in September, account for all future growth trajectory.

The small increase in finance costs is largely attributable to processing fees paid to lenders for securing working capital against the NTPC project. Small increase due to increase in debt as a result of the Renom consolidation and lease rental expenses on the One Earth property as a result of its divestment.

We are pleased to report our balance sheet as of September '24, which demonstrates a position of strength with strong consolidated net worth at 4,495 crores and a net cash position of 1,277 crores as of September '24.

Suzlon is now well positioned to seize the multi-decade opportunity in India's energy transition equipped with the largest ever order book and a strong pipeline of projects under discussion, fortified financial position, with the optimized cost structure, our best-in-class products backed by our inhouse R&D team, a well-prepared supply chain, renewed confidence from all stakeholders and of strong management bench strength which is set to deliver the results. The comprehensive approach positions us to capitalize us on emerging opportunities and drive sustainable growth.

With that, I'd like to conclude my presentation and open the floor to any questions that the callers may have. Thank you.

Moderator: We will now begin the question-and-answer session. Our first question comes from Ganesh. Please go ahead.

Ganesh: Came across Moneycontrol discussion where the management said they wanted to get into the non-wind sectors as well particularly solar. I just want to check what is the Management's current thought process around this?

JP Chalasani: I have no idea about what was written in the Moneycontrol because we never spoke about getting into solar and We've been on record always saying that we would remain in our core business, and anything connected with that is what we will keep doing it. But at the same time, we said that if there is any client who wants us to do the full project which includes solar and wind component, we are willing to take that up job and two for the client because they want one single supplier. But till now we have not got any such request. There's no such contract of hybrid project given to us. So, therefore we getting into solar at this stage doesn't exist.

Moderator: The next question comes from Shweta Dikshit from Systematix Group. Please go ahead.

Shweta Dikshit: My question is the industry-specific. As you have mentioned in the initial comments that we are looking at a 5 GW of installation this year. That number was 3.3 GW last year. But if we look at the first half of this fiscal capacity and installation was only 1.5 GW, which was 2.2 GW same period last year. What gives us confidence that in the second half it will be sufficient to reach the 5 GW number? And what in your opinion is the bottleneck here, which can stop us from achieving that number?

JP Chalasani: I think the reason why we still continue to feel that it would be closer to 5 GW this financial year, while I completely agree that it is 1,476 in the H1 which is less than the H1 of last year, but there are significant amount of turbines supplied and erected but not commissioned are on the ground. Even we did some analysis of end of Q1, I am not talking about end of Q2 because end of Q2 we still need to get the data, itself was 2.8 GW of turbines are in different stages, whether they're at site or partly erected directive. Even if we take our own case, while we reported 201 MW as commissioned in H1, there is 170 MW which is erected and ready for commissioning, like last time also we said some capacity was remaining, that is either because of the substation not being ready or as we gave the system in supply scope plus also let's understand that the reason for lower installations in Q2 were significantly because of monsoon and this time it was very heavy in Gujarat/ Karnataka, different places there have been significant impact. Considering that is past, considering that the turbines have been supplied in many places, it has been erected and then ready for commissioning for different reasons, we still believe that H2 would be significantly higher than H1 and we are pretty confident that anywhere north of 4.5 or 5 would definitely get commissioned this year.

Moderator: The next question comes from Anupam Goswami from SUD Life. Please go ahead.

Anupam Goswami: So, my question is what sort of capacity do we hold right now to execute annual orders? And going forward, what sort of a gross margin are we looking at? Even this quarter, the gross margin was a little dip. So, this year and going forward what sort of gross margin should we look at?

Himanshu Mody: So, we are looking at a capacity, as you can see in our IR deck, currently it's about 3.1 GW which we have now ramped up to about 4.5 GW across all components of tower, blade and nacelle. So, that's what our manufacturing capacity on a per annum basis would be. In the phase wise, we are looking at the ramp up to 4.5 and by the end of this financial year we will have completed that expansion exercise. So, far as margin expansion is concerned, one thing I've repeatedly said on all calls, when you look at consolidated margins, there certainly will be a dip because as the WTG business keeps growing in size which is a lower margin business as compared to the services business, the consol margin will definitely see a dip because of the larger increase of business in a smaller margin business. However, for that reason, you need to look at the margin profiling of both WTG and OMS businesses separately and we continue to maintain that the WTG gross margin will be in the mid-to-late teens, whereas the OMS business gross margin will be about 65%.

Anupam Goswami: Sir, once our service business also increases vis-à-vis WTG business increases, of all the installation of WTG, what sort of percentages will come in the service segment?

Himanshu Mody: So, every single WTG that we sell, we also have a services contract to back up. We don't sell any WTG without a services contract. That's number one. The services business revenue however kicks in only after completion of the third anniversary of commissioning of the turbine, because first three years of the turbine are free, which is covered under the warranty period, which is included in the sales price. So, with the three-year lag, the revenue for services of the commissioned turbine will kick in.

JP Chalasani: Excepting in contract NTPC where it kicks in right from day one.

Anupam Goswami: Sir, any ballpark like what sort of service revenue comes, let's say, for 1 MW or 10 MW WTG is sold?

Himanshu Mody: I think you can do the math. Our services business broadly is about close to 1,900 crores in top line for a 15 GW fleet. So, I'd let you do the math there.

Moderator: The next question comes from Deepesh Agarwal from UTI AMC. Please go ahead.

Deepesh Agarwal: My first question is if I look at the contribution in WTG segment, this quarter seems to be on a lower side versus last 7-8 quarters. Was there any extra cost or the ESOP cost is resulting in this decline?

Himanshu Mody: So, ESOP cost will not be there in the contribution margin. Of course, ESOP cost will be there in EBITDA. As we maintain that the WTG, if You are talking gross margin, gross margins will be in the late teens to early 20s. Of course, the slight percentage fluctuation here and there would be on account of commodity prices or some of the COGS items that we purchase. But I mean there is no dramatic movement in the COGS percentage for the WTG business from a contribution margin perspective.

Deepesh Agarwal: The 5.1 GW order book which we have, doesn't have any long term or long gestation kind of a contract, which effectively means ideally everything should be getting executed in next 18, 20 months subject to any delays?

JP Chalasani: As I said in my opening comments, we don't announce any framework agreement at an order book. We just announce the projects which are likely to happen and where is the confirmed schedule and then there is an advanced paid is what we announce and therefore this entire 5.1 GW as Himanshu said in his opening comments should get completed in next 18 to 24 months.

Deepesh Agarwal: On similar lines, I think you were also looking at ramping up the production capacity in terms of debottlenecking at Daman and also restarting the Pondicherry plant. Where are we in that stage?

JP Chalasani: Pondicherry we already started production there. As Himanshu mentioned for the previous question that we will reach gradually from now onwards to 4.5 GW before this year ends in all segments, whether it is tower or blade or the nacelle. So, before we start the next financial year, we would have a manufacturing capacity of 4.5 GW which will be gradually ramped up from now to end of March. It's not that everything is going to happen by end of March. Pondicherry has already started. It's in a ramping up phase now.

Moderator: The next question comes from Pramod, an individual investor. Please go ahead.

Pramod: I would like to know is there any plan to get into energy storage domain by acquiring any other company?

JP Chalasani: At this stage if you ask me at this instant, no. But having said that, as we move ahead, we would explore different opportunities from time-to-time, which is closer to our business what we do. As long as we remain within our RE business, if it's going to enhance our core business, obviously, we will look at it. But right now, there is no such proposal. But I am not saying outrightly no. So, these are for the future. Right now, we are in a stage of consolidating our core business quarter-on-quarter basis and once we do that in the next couple of quarters, then obviously we would look at other opportunities for growing around our core.

Pramod: So, did we add Renom revenue in this quarterly result or it's not included?

Himanshu Mody: Yes, we have consolidated Renom on a line-by-line basis, although for this quarter it has been for about a 25-day period, I mean as you know, the acquisition got consummated in the first week of September, so the line-by-line consolidation for a proportionate time period is only for about 25-days.

Moderator: The next question comes from Amit Bhide from Morgan Stanley. Please go ahead.

Amit Shinde: I just wanted to understand the kind of one-off that we have had because of the multiple transactions, the Renom acquisition and the One Earth sale that could be a part of the other expenses. And also, how much is the lease expense related cost in the other expense and the interest cost?

Himanshu Mody: So, I'll answer your second question first. When we divested One Earth sale and leaseback transaction, we confirm that there will be an approximate 4 crores per month charge on account of the One Earth transaction in the P&L. Of course, that is on a gross basis. We also have rights to sublease the premises. So, that subleasing efforts have already started, which would of course as and when we get third-party rental, 4 crores expense will keep coming down. But as of now, the worst case you have to assume is a 4 crores as monthly P&L charge. While there are some one-off cost items on acquisition of Renom and One Earth transaction, but those are not significant. The one-off items that we are incurring are largely related to future capacity expansion, incurring some of our IT expenditure like ramping up SAP, we are implementing S/4 HANA for which there are certain one-off costs which are for the long-term benefit term of the organization, but no significant one-off costs on the Renom or One Earth transaction.

Amit Shinde: Another question that I had was as you mentioned in the previous question that the service contract for NTPC would start from the first day itself. So, on that note, would the realization per MW for the WTG be lower because right now when you have around 5.8 crores per MW on your WTG, that's including the three-service period. So, would NTPC have different terms and different pricing?

Himanshu Mody: No.

Amit Shinde: So, you are saying that despite this three-year warranty period not being there, our per MW realization could be in the same range of 5.8 to 6?

JP Chalasani: Yes, yes, this is a competitive bidding, and they have different terms. Obviously, it will be different pricing by PSU, it will be different pricing when compared to what you normally do with others.

Moderator: The next question comes from Subhadip Mitra from Nuvama. Please go ahead.

Subhadip Mitra: So, what I wanted to understand is firstly given that you have such a strong order book, and it is executable over the next 18 to 24 months, would I be right in assuming that you would roughly hit a run rate of 2, 2.5 GW per random kind of execution, or will it scale up over a period of time and it will be more bulky towards the latter half?

JP Chalasani: You are quite smart. Okay? We know that we said 5.1 GW and I also confirm that we will be doing this in 18 to 24 months. So, you have the answer in your question, and I agree to the assessments what You are making without committing what are the essence we are making.

Himanshu Mody: Just to add, I mean of course it's not that 5.1 stops there. There is an active order pipeline also that is in discussion.

JP Chalasani: There's a significant pipeline of orders which we are discussing, which you will keep seeing it. So, whatever the trend we started each of the quarter we have been saying that at another quarter this is the highest ever order book we have closing order book, and I am pretty confident we will continue to do that at least for next two quarters we need to say that this is the highest closing order. It's not that it's going to stop at 5.1. We are pretty sure about that looking at various opportunities which we are at different stages of discussions. I don't want to put a number to that, but, I can confirm to you that the next time when we talk, I will again say that this is the highest closing order book we ever had.

Subhadip Mitra: I think the demand piece is amply clear to all of us who track the sector that we are looking at a very large wave of ordering that's come back and is likely to stay for some time. But in terms of the supply side, in terms of your own ramp up of capacities, what's the progress there, are you looking at significantly ramping up your annual execution capability, any particular targets that you have over there?

JP Chalasani: Before coming to the capacity, let me tell you that even today compared to what we are supplying 274 and 256 MW in Q1 and Q2 our capacity to supply is much, much, much more. Today, it is not the capacity of manufacturing which is constraining us from supplying. It is the projects being ready to offtake the supply is what is the constraint. That is what is defining. But moving ahead because there is an advanced action of land being taken with various clients including us. For example, like NTPC itself, we said that they already awarded the land and BoP contracts much in advance, so therefore these sites are in a much better space. We expect this problem starting from Q3, Q4, especially next year significantly reduced. Therefore, that's the time when we will get the test for manufacturing capacity. Today, we are not tested. That is the reason which we said sometime back we have already started ramp-up of our capacity and progressively by March '25, we would be at 4.5 GW of capacity in all three segments, whether it's the blades or the tower or nacelle, that's the capacity we will reach. Depending upon what order book will hit at March '25, and also looking at two to three years ahead, we would look at what further capacity expansion is required. Otherwise, 4.5 GW is committed, and we will achieve that by end of this year.

Subhadip Mitra: Large component of this increase to 4.5, would it also come from the Pondicherry facility getting reinstated?

JP Chalasani: Yes, as far as the nacelle is concerned, one is Pondicherry and second is with the additional facilities what we are providing at Daman, even Daman plant capacity itself is significantly going to go up, plus the Pondicherry which I said sometime back we already started, ramp up is in the process now. Those two will add to this capacity plus the blades additional lines getting commissioned from now to then, plus the cycle times getting improved to 3 MW plate, so that capacity will ramp up. And tower, we have our own capacity. We met every single tower supplier together here. Having said that when you are confident you are expanding your capacity for the blades and nacelle, we are committed to increase our capacity. We said, please tell us how much you want, we will supply the towers, not an issue.

Subhadip Mitra: On margins, any particular reason why this particular quarter's margins are slightly on the weaker side or is it more of a timing issue when you expect things to get better?

Himanshu Mody: No. I don't know why you think it's on the lower side. Of course, if You are looking at consol, it will continue to be lower as the WTG business increases in the overall mix of the business between WTG and OMS. But other than that, really, there is not much of a swing in margin. It remains to be steady. If you look at the WTG business, it is close to about 22% and the OMS business continues at about 67%.

Moderator: The next question comes from Aadesh Mehta from Motilal Oswal Asset Management Company. Please go ahead.

Aadesh Mehta: Wanted to understand whatever investments we have done in terms of cost where we are seeing some margin and decline in margins. Can you quantify how that can increase our competitive positioning or how that can lead to higher growth, if you can spend some more time explaining that?

Himanshu Mody: If you look at the cost items, roughly, if you look at the operating cost, there has been an increase as I said on IT expenditure which we have maintained that we will be incurring those costs. Of course, I am leaving ESOP aside, because it's a P&L charge, but it's a cost item nonetheless and we will see that ESOP cost being incurred till FY'26. Of course, that is for the employee retention, motivation, whichever way you look at it. And in addition to that, the administrative cost or employee cost, the way to look at it is that we are incurring those costs in Q2 for the future ramp up of meeting higher capacity. So, is the cost representative of the organization delivering 256 MW RR, the answer is no. With the same cost the organization can and is gearing up to deliver much higher RR in the future quarters. So, whilst it is difficult for me to quantify in rupees crores for you, but nonetheless let me suffice it to say that margins going forward… and I am talking margins at the EBITDA level for the WTG business or for the OMS business, will definitely not get compromised. So, when you look at the WTG business EBITDA margins today we are close to about 7%. That 7% EBITDA margin will only increase northwards as we go and increase our volumes for deliveries and the 40% OMS EBITDA margins will also maintain the same trajectory of growth for sure.

JP Chalasani: And also, we are all clear that seeing also the market today the biggest challenge for renewable energy sector is the manpower, is not getting the right kind of people. So, therefore it is necessary for us when we are expanding significantly in terms of manufacturing, in terms of our project side and in terms of our OMS side, it's necessary for us to get talent, train them, keep them in position. So, that is what we are doing it. Also, this is nothing to do with your question, but I think we mentioned in our media release. Looking at our current consolidation of the core business what we have done in the last two to three quarters, now, the order book being there, the balance sheet has been cleaned up, working capital have been tied up, the senior leadership is completely now in the grove. So, therefore we almost getting into the core business being on auto mode. That's why sometimes back when we talked about storage and all things I was mentioning. We thought that this is the right time we start looking at what is next for us to do, what is the strategy. So, first thing is we ourselves are strengthening our strategy in the whole strategy theme and we just had the Chief Strategy Officer. In addition to that, we also hired one of the leading global management consultants to work along with us and tell us that, okay, while your core business is consolidated, keep going, is there anything for you to do to increase the stakeholder value in future? So, therefore that sector which we started, maybe it will take about anywhere between four to six months before we conclude saying that, okay, are there opportunities adjacent to what we are doing, which can enhance the value of the core business as well as expand our business in the other areas. That's one thing which we were doing it. That's what is mentioned today by Mr. Girish Tanti in the media release as well. So, that's another area which I thought we should tell you which we said in our opening comments. That will address some of the points what the other questions coming in, in terms of storage, in terms of various other things. So, we are also saying that once business is getting stabilized, we also need to look at are there any risk-free ways of enhancing operation to be there as the long-term player in the renewable energy sector.

Aadesh Mehta: I just wanted to understand that the first half has been very peculiar for us, understand that deliveries have been at least 2X the number of installations. So, how long can this continue?

JP Chalasani: As I said sometime back, there is a significant gap in the industry between the supplies versus COD. In fact, if you also analyze the actual commissioning what happened in Q2, also we have seen to some extent not completely done. In Q1 what was commissioned out of the 770 MW, close to 600 MW was a turbine which got supplied in year '21 and '22. So, all this got stuck for different, different reasons. Now, I think they're getting unlocked before even to get a significant amount turbines supplied on the ground or are erected or ready for commissioning in various things. And my assumption is that as we keep moving forward, sometime back, suddenly these volumes got stuck because the temperature issue that is getting resolved and people are also facing in terms of connectivity. Various reasons why there is a significant gap between supply capacity in the country versus COD. I think that would keep changing. We feel that Q3 onwards you will see a difference in COD, gradually improving quarter-on-quarter.

Moderator: The next question comes from Vikas Mukundan, an individual investor. Please go ahead.

Vikas Mukundan: I was asking, have you taken Renom numbers into this?

Himanshu Mody: Yes, for 25 days of the quarter, we have taken it.

Vikas Mukundan: And a second question is, we had a sale of real estate. Is the profits of that also taken into this?

Himanshu Mody: No.

Vikas Mukundan: Even though the numbers have gone up from 170 in Q1 to 256 in Q2 in terms of commissioning, revenues have not bumped up much. What is the reason?

Himanshu Mody: So, revenues are not bumped up because you have to see the RR also which means the deliveries. What You are quoting is the commissioning numbers, but revenues are largely generated as a result of the deliveries that the company makes, which is 256 MW in this quarter as against close to 270 MW in Q1.

Moderator: The next question comes from Manoj, who's an individual investor. Please go ahead.

Manoj: The one thing I just wanted to understand on the R&D part. So, currently we have 144 is the model which we are widely exporting. Is there any other turbine which is in R&D process let's say for 5 MW? And the other question is regarding, apart from India, are we doing any operations outside India? We were doing it before but not after COVID. How is that?

JP Chalasani: On the second question first on operation size, as we do have a service business outside India even today, we had significant turbine supplied earlier internationally. So, some part of that remains with our service business. In fact, we are now aggressively working with whatever turbines we lost out earlier to get that. So, the service business continues, and we will continue to grow the service business internationally outside India. On the Turbine make, yes, today is just 144 is what is significantly being produced. But as I mentioned in the previous calls that the wind turbine business is the movement, roll out one model, next model is already on the drawing board. So, therefore the next model is on the drawing board and at the right point of time we will be in the market with the new model without any delays. Right size of the turbine, I don't want to mention about the capacity, right size of the turbine, we would launch into the market when we feel that it's necessary that we make what is now called saturated.

Manoj: How much order we can expect for this '25, which is in pipeline, could you give any tentative numbers on that?

JP Chalasani: I will repeat only what I said that every quarter you will hear one statement from me saying that this is the ever highest closing order book we will have it. So, this is 5.1 now what we are announcing, next time when we talk, it will be more than that. I don't want to put a number to it because if I want to throw a number I can also throw a big number which is actually on the table, but that doesn't make any sense for throwing a number so much we are discussing, but I can tell you that there are significant serious offers on the table, which has the final space of discussion, and our order book as I said that earlier also that once it's finalized, contract is signed and we receive the required down-payment, then only we announce to the market, no framework, nothing else to that. But yes, I don't want to put a number to it Manoj, but there are significant orders which we are discussing at this stage with different clients. As we also know that there are public sector tenders out there, even NTPC tender is out for the next one in Karnataka. So, there are quite a few public sector tenders as well.

Moderator: The next question comes from Sudhanshu Bansal from JM Financial Limited. Please go ahead.

Sudhanshu Bansal: I have two questions. One is how do you see the competitive intensity emerging as some of the Chinese players and the Indian players both are becoming prominent in the Indian market? Second is with respect to like SE Forge. Do we have any plan for growth in this particular business beyond our WTG business?

JP Chalasani: The first one, obviously, we never wish away the competition. Competition is there, will be there, it will get intensified further. We all know that there are more and more players coming from outside, but You are the one who've been tracking the sector for ages, you know that even in FY'17 when we were doing significant amount of turbine supply, also, we had a tough competition, but at that time it was the European players and the American companies. Now, that's got changed to the other companies. So, competition has always been there and would continue to be there. We are absolutely conscious about that, and we know that we need to be completely prepared and constantly keep sharpening our model, reducing our cost, but I can repeat that we will not compromise on our margins when we take our orders. We will sharpen our costs, we will do different aspects of it, we will face the competition, but competition will be there, we are not wishing away the competition, we are watching it every day not just the current players, we know that there will be more players coming in, we are not losing our sleep on that, but we are conscious, and we are prepared for competition. And as far as the SE Forge is concerned, yes, now, two things we are doing today. While we continue to do whatever we have been doing in the wind segment in fact domestically, every single competition of ours is more or less a client for SE Forge. What we are doing now is two things. One is we are doing a geographical expansion looking at more and more exports. There are significant opportunities and the second part of it is getting into non-wind segment. We already received a few orders which will materialize into revenue maybe in next four to five months because in SE Forge what happens is whenever the order comes, you develop that model, it takes time before we start producing. So, yes, our journey is towards that and there is a good amount of potential for that launching for non-wind and exports both.

Sudhanshu Bansal: In the non-wind sector which area, auto like –

JP Chalasani: Non-wind sector is in terms of bearings for different industries as well the forging is concerned. In the foundry, we are looking at the defence sector, the railway sector and also maybe indirectly a non-wind sort of a thing. We don't know. They will use these things in different places, like a smaller gearbox and everything for them the castings. So, some of them might get into wind, some of them might get into non-wind sector.

Moderator: The next follow up question comes from Amit Binde from Morgan Stanley. Please go ahead.

Amit Binde: I was just going through the industry slide in the PPT. There you have mentioned that C&I sector require 78 GW of renewable. I think earlier almost six months ago, we were talking about 15, 20 GW. So, what in your assumption has changed so much that it went from 15, 20 GW expectation to 78 GW? That's one. And secondly, the next line says 35 GW plus wind pipeline of central, state utilities etc., So, what is the safe timeline that we should assume that once the ordering has happened and the IPPs have won the bid and the timeline to place the order for any of the wind OEMs?

JP Chalasani: On the C&I segment, we mentioned the post there. ICRA's report, which is what we picked up that number from, they we had done the research and created that. And as far as the bidding is concerned, as we know, as we speak itself but forget about what is awarded and waiting for the CPS, there is about 23 GW, 50% of it is one portion of the auctions done. The reverse auction has to happen and another 11.5 GW or so where the bids are announced but the bids is yet be submitted. But having said that, if you look at our mix of orders, which we have given in our presentation, that 75% of our order book is from C&I and public sector, only about 24% or so is from the big PPAs. Our dependence in grid PPAs is much less compared to the market. It's predominantly C&A and the public sector. And also, just to clarify that 78 GW is for entire renewables, not just for the wind.

Moderator: The next question comes from Marcel, who's an individual investor. Please go ahead.

Marcel: My question is first regarding that although in this quarter our turnover has gone up by almost about 80 crores something, but 60 crores is the increase in other expenses. So, why it has increased so steeply and what action are you going to take to control this cost so that like this kind of hike is not there in the other expense in the coming quarters?

Himanshu Mody: So, as we explained earlier, some of these costs are incurring one-time for long term benefit of the organization like implementation of SAP S/4 HANA module, IT expenses which is building a more robust organization for the future, and there is other expenses like ESOP which is a P&L charge but a non-cash cost. That will continue till FY'26. And having said that, even if the expenses are increasing, the margins for both the businesses, the WTG business and the OMS business we will beat the past trends in terms of percentage margin on both the businesses.

Marcel: Second question is that although our order book has a significant increase from about 1.5 GW to 2 GW to about 5.1 GW, that's a very good thing, but the execution has not taken the pace yet, in this quarter also, as you said we have delivered only 256 MW. So, what's your road map that how many MW like we will be able to deliver within the next six months and what about the next year, so what is your plan for that, like how this 5.1 is going to execute, #1? #2, the NTPC order when it will start executed and like what will be its quarterly for example?

JP Chalasani: On the supplies, I answered some time back. The 256 GW is because of offtake by the projects, not by the manufacturing capacity. We could have actually easily supplied double of that capacity in Q2, close to 600 MW is we could have supplied, but the projects are not ready to offtake and also the Q2 being significantly impacted because of cyclone, transportation, logistics and the site got inundated, they were unable to offload, there are various other factors. So, therefore order book is one and supply is the second factor. I also mentioned sometime back this is likely to ease out now, because like NTPC I mentioned that their land is separate, and their readiness is much better to take the turbines. In various other places, these bottlenecks are getting removed. So, therefore as we keep moving quarter-to-quarter, these supplies would increase because projects will be able to offtake. As far as we are concerned, we can supply, as we said, we would reach a capacity of 4.5 GW to supply by March of this year. Supply is not a constraint. It's a question of projects offtaking it.

Marcel: No, sir, I am not talking about the constraint. I mean how much you will be able to deliver like just because that all you can say that like because of the readiness of this project or the land or whatever required that how much you are planning to deliver in the next six months?

JP Chalasani: Yes, see, normally our trend which we wanted to reverse, but we couldn't significantly do it. Normally, one-third is H1, and two-third is H2 which we wanted to change this year, but I think we will change that next year, but this seems to be going in the same trend, one-third and two-third. So, there's a simple calculation for you.

Marcel: And then regarding this NTPC order, when it's going to start deliver and like what is the last date for delivery?

JP Chalasani: NTPC order, there are different contracts, supply contract is expected to be completed within I think 17 months from the NTP. NTP has already started. Actual supplies would commence probably by end of this quarter but significantly mainly starts from Q4 onwards, but some supplies likely to happen towards the end of this quarter.

Marcel: Sir, do we have any penalty clause because suppose now we are carrying 5.1 GW, so there is definitely some fees code associated because you are hiring manpower, you are building your organization and so on, suppose if the client is not ready, their lands are not ready, project is not ready, so we are carrying some hidden fixed cost, so, are you levying some penalty or LD charges on the client also there because of your delay like I am getting this much of stock or like my inventory to build up, my workability build up, so how are you addressing this point?

JP Chalasani: Yes, I wish your are on the client side to accept this sort of stuff. Not a penalty type of a thing but we can have some different clauses, but at the end of the day it doesn't go that way.

Marcel: I mean to say you can put a claim, I am not saying the penalty like you can put a contractor claim?

JP Chalasani: Logically, you are right, sir, but in impracticality, it doesn't happen to that way. Let me not say that we will get there. We can put a claim, but at least we are not operating in that manner.

Marcel: But sir, at least you should be able to take some like there must be some obligation on the client that okay, that guys you have delayed so much, but we are not charging anything, we are not raising any claim. So, that at least in the in the next like time ordering or something we get the preference to get the repeat order, some sort of realization must be there?

JP Chalasani: Sometime back when Sudhanshu was asking about competition, when I said that there is a competition, but our own specific advantage is a long-term relationship with our clients. Most of our clients are repeat clients and many of them are third time, fourth time clients. So, I think we believe in building long-term relationships. That's the reason with respect of the competition, some other clients would always remain with us. I think that's what we are investing.

Moderator: The next question comes from Dilip, who's an individual investor. Please go ahead.

Dilip: One thing which is bothering me is that share capital equity has swollen up quite a lot from time-to-time just because of many reasons that reasons are known to everybody. So, my question to the management would be, is there any thought process from the management side that if they would like to consolidate that equity capital, it is now from 2,713 crores, if that can be consolidated, then probably that EPS and other numbers will be looking much better, or it can come back to its original say for Suzlon many years back?

Himanshu Mody: We have no impending such thoughts. Obviously, we keep deliberating time-to-time such ideas and thoughts and discussions, but currently there is no such plan. As part of the board release today, you would have seen that We are looking at reorganizing the balance sheet. There are quite a few legacy reserves and negative items that are there in the balance sheet. The board has approved the cleanup of that. So, all that will take about six to seven months as a process. So, our endeavor is to present a neat, lean, clean balance sheet to the investors going forward. What you suggested is of course certainly an idea that the management can pursue, but there are no current thoughts to do any of that.

Moderator: Ladies and gentlemen, we would take that as our last question for today. I would now like to hand the conference over to the management for closing comments.

JP Chalasani: Thank you very much and of course this doesn't stop here the Q&A, our IR team is always available for any further questions. Not just that that at any point of time that there is need to touch base with me or Himanshu, we are always available for any type of advice that is useful for us and thank you so much for showing your interest and making it very, very interactive. Thank you and wish you a very, very happy diwali to you. God bless all of us. Thank you.

Moderator: Thank you so much, members of the management. On behalf of Suzlon Energy Limited, thank you for logging on into Suzlon Investor Call. Thank you for joining us and you may now disconnect your lines.