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3rd November, 2023

The Secretary BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001	The Secretary National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (E) Mumbai 400 051
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Sub: Transcript of Conference Call held with Investors /Analysts on 27th October, 2023

Dear Sir/ Madam,

Pursuant to Regulations 30 and 46(2)(oa) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Conference Call held with Investors/Analysts on 27th October, 2023 post the announcement of the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30th September, 2023.

The transcript has been uploaded on the Company's website; www.inoxgreen.com which can be accessed at the following link:

<https://inoxgreen.com/PDF/corporate/Inox%20Green%20-%20Transcript%20-%20Q2FY24%20%20Oct%2027%202023.pdf>

You are requested to take the above on record.

Thanking You

Yours faithfully,
For **Inox Green Energy Services Limited**

Manoj Shambhu Dixit
Whole-time Director

Encl.: A/a



“INOX Green Energy Services Limited Q2 FY24 Earnings Conference Call”

October 27, 2023



MANAGEMENT: **MR. DEVANSH JAIN – EXECUTIVE DIRECTOR –
INOXGFL GROUP**
**MR. KAILASH LAL TARACHANDANI – CHIEF
EXECUTIVE OFFICER – INOX WIND**
**MR. S.K. MATHUSUDHANA – CHIEF EXECUTIVE
OFFICER – INOX GREEN ENERGY SERVICES LIMITED**

MODERATOR: **MR. MOHIT KUMAR – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY24 conference call of INOX Green Energy Services Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. 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.

Mohit Kumar: Thank you, Yashashri. Good evening. On behalf of ICICI Securities, I welcome you all to the Q2 FY24 earnings call for INOX Green Energy Services.

Today we have with us Mr. Devansh Jain, Executive Director, INOXGFL Group, Mr. Kailash Tarachandani, CEO, Inox Wind, Mr. S.K. Mathusudhana, CEO, Inox Green Energy Services, and other senior members of the management. We will start with opening remarks by the management, followed by Q&A. Over to you, sir.

Management: Thanks, Mohit. Good evening, ladies and gentlemen. A warm welcome to all of you to the Q2 FY24 Earnings Call of INOX Green Energy Services Limited. The company announced the Q2 results at its board meeting held on Friday, 27 October. The results along with the earnings presentation are available on the stock exchanges as well as on our website. Before we move ahead, let me quickly take you through the financials for the quarter.

I am pleased to announce that Inox Green has reported consecutive quarter of profits. During Q2 FY24, on consolidated basis, IGESL has reported revenue of INR 66.8 crores in Q2 FY24 versus INR 65.6 crores in Q2 FY23. EBITDA of INR 31.4 crores versus INR 21.6 crores in Q2 FY23. PAT of INR 5.7 crores versus a loss of INR 8.1 crores in Q2 FY23. I will briefly provide an update on our business operations and outlook before we open up the floor for Q&A.

Inox Green is a stable, asset light, long-term annuity cash generation business. It primarily operates in the business of providing long-term O&M services for wind farm projects. The company has long-term service contracts with its customers, including comprehensive contracts and common infrastructure contracts, with built-in annual escalation, resulting in very sticky revenues and stable margins. INOX Green's current O&M portfolio stands at 3.2 GW. The company is committed to almost doubling its O&M portfolio from current levels to 6 GW by FY26 through both organic and inorganic means. On the operational front, we have been able to improve the availability of turbines in our portfolio. For Q2 FY24, the overall machine availability was approximately 96%.

During the quarter, our subsidiary, I-Fox, won an order from NLC India for the O&M of its 51 MW WTGs located in the state of Tamil Nadu. The scope of the contract comprises comprehensive O&M, including power evacuation system, for a period of 5 years with the revenue realization of INR 40 crores, inclusive of taxes, during the contract period.

Earlier in October 2023, INOX Green signed a term sheet for divestment of 100% stake in 50 MW Nani Virani SPV for a consideration of around INR 290 crores. This divestment is part of the strategic decision taken by the company to become net debt free, a status which will be achieved once the transaction concludes within the current financial year.

India's wind energy sector is in the midst of an extraordinary surge and we anticipate this will only gain further momentum in the years to come. The powerful sectorial tailwinds we are experiencing are poised to drive the significant increase in India's wind energy capacity over the next decade.

This expansion will be fuelled by a combination of factors including annual central government auctions of wind and hybrid capacity, state level auctions, growing retail demand, the increasing commitment of the commercial and industrial, which is C&I segment, to green energy and the emerging demand stemming from the green hydrogen ecosystem as well.

This collective effort is expected to result in an additional 100 GW of wind energy capacity in the next 8 to 10 years, a substantial increase from the current 44 GW of installed capacity.

In line with this growth trajectory, our parent company Inox Wind has set its sights on executing a minimum of 500 MW of orders annually, commencing from the fiscal year 2024. This added capacity will seamlessly integrate into our portfolio, benefiting from the synergistic relationship we share. Moreover, we are confident of organically adding 1,500 MW to our portfolio during the fiscal years 2024 through 2026.

Looking at the inorganic landscape, there are substantial opportunities, particularly in the realm of unorganized and fragmented wind fleet O&M players, owning assets from distressed OEMs, representing a potential 10 GW opportunity.

Our subsidiary I-Fox has been performing well and has won an order from NLC India for the O&M of 51 MW of turbines. Both INOX Green and I-Fox are well positioned to seize a significant portion of the 10 GW opportunity. And we are actively engaged in discussions with third-party wind O&M service providers regarding portfolio acquisitions.

During the past quarter, our unwavering commitment to enhance the operational and technical performance of the turbines in our portfolio remained at the forefront of our efforts. We continue to strengthen existing client relationships and actively work on forging new ones. Our steadfast pursuit of leadership in asset management and operational excellence is a driving force and we are confident that it will create substantial value for all stakeholders.

Our initiatives to achieve cost savings and efficiency improvements are producing positive results, reducing overhead costs and increasing productivity. Our digital transformation journey has started contributing to bring in efficiencies across our operations. We will play a major catalyst role in transition in India from fossil fuel to green energy over the years.

As part of the INOXGFL Group, a \$5 billion conglomerate with 90-plus year history of contributing to India's growth and with the support of Inox Wind, Inox Green stands on a solid foundation with strong fundamentals and promising growth prospects. As we continue our

impressive journey of growth, we eagerly anticipate the opportunity to create lasting value for all our stakeholders.

We will now open up the floor for Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Prit Nagersheth from Wealth Advisor. Please go ahead.

Prit Nagersheth: Good evening. So, my question is I want to understand how this business works in terms of getting the orders from Inox Wind because Inox Wind commits two years of free O&M to their customers. So, how does Inox Wind, what does Inox Green get as part of this? Is it free or do they charge to Inox Wind?

Management: Okay, very simplistically put, when Inox Wind sells a turbine, we need to give services and this is a company owned by Inox Wind at the end of the day; We own 61%. We IPO'd it because we thought there was a good opportunity to merge various other platforms and acquire the 10 GW of assets out there where players have gone bust. Having said that, yes, we give two years of free O&M, but that's the cost of doing business to earn the right to earn annuity revenues for the next 23 years.

Prit Nagersheth: Got it. So, basically what you're saying in other words is that the first two years of O&M, there won't be any revenue coming Inox Green's way?

Management: No, there's no revenue coming. Revenue starts kicking in from year 3 cash flow wise, but under an Ind AS system, the Indian Accounting Standards, you need to straight line the revenues. So, on the P&L side, the revenues are shown from day 1, the costs are anyways there from day 1, but from a cash flow perspective, the revenues start kicking in from year 3 onwards.

Prit Nagersheth: Wonderful. The other question I had is that you mentioned two types of contracts, Comprehensive and Common Infra. So, what's the rough ballpark number per megawatt for each of these contracts?

Management: So, Turnkey would be about INR 8 lakhs to INR 10 lakhs. Comprehensive right now are presently at about INR 4 lakhs to INR 6 lakhs.

Prit Nagersheth: No, I'm sorry. I missed that. Could you please repeat that?

Management: Comprehensive O&M contract is somewhere between INR 8 lakhs to INR 10 lakhs per megawatt and for the BOP or the Balance of Plant, the other services, will be close to INR 4 lakhs to INR 6 lakhs per megawatt.

Prit Nagersheth: Yes. And what would be the split between these two contracts for the order book that you have?

Management: I mean, it really doesn't matter. From our perspective, we look at profitability. On the comprehensive ones, we run at about 50% margins. The non-comprehensive ones are slightly higher from a percentage perspective, but the costs are very, very low on the non-comprehensive side. Having said that, I think as a company, we basically guide for a blended 50% EBIT margin.

- Prit Nagersheth:** Got you. But what I was trying to get is to understand the revenue that could be here. So can I say, kind of assume a 50-50 split between the two types of contracts?
- Management:** I think so, but if you just multiply the entire fleet of 3,200 MW by INR 8 lakhs, you'll get a fair idea because we have various contracts which may be much older, which would have had a 5% escalation, would have gone to INR 12 lakhs, INR 13 lakhs, INR 14 lakhs. So blended, if you just multiply it by INR 8 lakhs to INR 10 lakhs, you'll get the top line number.
- Prit Nagersheth:** Okay. Got you. Okay. Wonderful. Thank you. If you have any more questions, I'll come back in the queue.
- Moderator:** Thank you. We have our next question from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.
- Nikhil Abhyankar:** Thank you, sir. Thanks for the opportunity. So this current NLC contract that we have won, the realizations are looking up at somewhere around 1.5 million to 1.6 million per megawatt. So is our scope of work also increased in this contract?
- Management:** There are scopes involved in that. It's a comprehensive contract, and it is a 1.5 megawatt fleet of Leitwind. And we have covered all the scopes, and we are guided for the margins. So it's a good contract to get in.
- Moderator:** We have our next question from the line of Bhavya Shah, an individual investor. Please go ahead.
- Bhavya Shah:** Hi. Thanks for the opportunity. A couple of questions. First is that when we see the balance sheet, the debtors as on September '23 seem to be too high at INR 116 crores. Earlier in Q4, FY '23 con calls, you have mentioned that normalized debtor levels are INR 50 crores around 90 days. So what explains this high number?
- Management:** Hi, Bhavya. If you compare over debtors' positions from 31st March, debtors are broadly on the same line. So broadly, there is some increase, a small increase in the debtors' number, but that is in line with the March '23 numbers. As we are billing some of the contracts to our Group companies as well, so this includes somewhere around INR 30-odd crores, which is still to be received from our Group company. And the balance is towards the other independent parties. As we have guided, that our debtors' number would remain in the range of three months to four months, 90 days to 120 days, and that is broadly in line with the same.
- Bhavya Shah:** This INR 30 crores pertains to Resco, right? Which was INR 40 crores as on March?
- Management:** Yes.
- Bhavya Shah:** Okay. Second is, we have loans in current assets of INR 64.5 crores. So what is this? Loans under current assets?
- Management:** So broadly, that is towards the GST credit which we have, which we will utilize over a period of time. So, whatever the GST credit we receive through the suppliers' invoices have been parked in the current assets.

Bhavya Shah: Okay. And third is with regard to inventory. Inventory has also shot up significantly from INR 31 crores to INR 64 crores, so?

Management: Yes. So, the reason for increase in inventory are two. One, as you are aware that we have acquired the I-Fox and we are maintaining the third-party OEMs inventory as well. So, there is an increase of INR 10 crores, INR 15 crores towards that and INR10 crores, INR15 crores towards the -- which is normal, in normal course, which you cannot compare on a quarter-on-quarter basis.

Management: Okay. We are increasing the ramp-up also. So, our overall machinability has increased to 96%. So in order to increase the machinability, we are building up the inventory also.

Bhavya Shah: Okay. Understood. Okay. Now coming...

Management: To sum it up, there is about INR 10 - 15 crores which is coming. Thanks to I-Fox coming into the fold. That is the inventory they carry because they have got a diverse set of turbines. From our perspective, our inventory has gone up about INR 15 crores because we have got the whole fleet rejigged. Obviously, over the course of the next two quarters, we will rejig it. This was a high-wind season. So we have to carry certain things. But I think as we move into Q3-Q4, the build-up of INR 10 crores, INR 15 crores will go off Inox Green's balance sheet.

Bhavya Shah: Okay. Understood. Now just coming to the net debt for Inox Green, as on September, we have around INR 200 crores net debt, correct?

Management: Bhavya, so the net debt as on 30th September is broadly INR 200-odd crores, out of which INR 150-odd crores we will receive towards the Nani-Virani equity and INR 50-odd crores towards the receivable and the operations which we -- from the operations. So broadly, as we have guided by this year, we will become a net debt-free after this Nani-Virani transaction got concluded.

Bhavya Shah: So, by March, we should see net debt-free balance sheet for INOX Green?

Management: Hopefully.

Bhavya Shah: Okay. And one last thing, the total assets of Nani-Virani is INR 289.5 crores. So that means that we will not have any one-time gain on sale of assets, correct? Like it would be barely INR 50 lakhs kind of numbers?

Management: Gain or neither loss. So you know that is towards the...

Management: But Bhavya, that's on paper because effectively we have only built this asset under Inox Green. Look at historically all the assets sold to Adani and Torrent, and various other term sheets which we had, keeping in mind the related party transactions, we priced it at the highest price. So effectively, yes, there would be a profit, but on paper you would not see that profit.

Bhavya Shah: Okay. Understood. That's it from my side. Thanks for taking all the questions.

Management: Thank you.

- Moderator:** Thank you. We have our next question from the line of Jatin Chawla from RTL Investments. Please go ahead.
- Jatin Chawla:** Yes. Hi. Thanks for the opportunity. So two questions. One is trying to understand the seasonality in the business. First, it would seem that this business should not have too much seasonality. But when I look at last year's numbers as well as what we have achieved this year, from an EBITDA point of view, first half last year EBITDA was INR 40 crores, full year was INR 100 crores. Similarly, this year also it seems the first half is on the lower side. So is there something that causes seasonality on the EBITDA side?
- Management:** As such, there is no seasonality in the business as you rightly mentioned that. But you know last year is not comparable because in last year there are certain trading income that we have just created from the EPC business in the last year. So that is not comparable.
- Jatin Chawla:** So I am comparing with what you report the EBITDA from O&M. I am just looking at those numbers.
- Management:** Yes. If you see the last year what we have reported in our investor presentation, that if you see our EBITDA margins and the revenue are broadly in the line on a quarter-on-quarter basis. So broadly we have reported INR50 crores...
- Jatin Chawla:** So, what's your EBITDA? Last year was INR19 crores. Second year was INR21 crores. So roughly first year, first half was INR40 crores whereas full year you reported INR102 crores?
- Management:** Yes, so that is what I am saying.
- Management:** No, again I think where you are going wrong is I think when you look at the EBITDA from last year, you are seeing EBITDA from traded goods as well because we can't remove the EBITDA from traded goods.
- Jatin Chawla:** I am looking at only EBITDA from O&M.
- Management:** No, you won't be able to find that out because we could not apportion the profit margin on the traded goods in that. So, when you see it on the presentation on slide three, you can't make out from that. So, there are about INR 7 crores to INR 8 crores because under related party, there have to be related party compliances. So, while we are not in the business of making profit on traded goods, historically there have been traded goods.
- Plus, there were various other charges given that this entity had not been demerged from the EPC perspective plus the charges for the IPO. Now all those items cannot be put on this presentation. You can get on a call with our finance team. They will be more than happy to take you through micro details of one time charges, the IPO expenses, etcetera. Having said that, if you look at H1 this year, our EBITDA from operations will be close to INR62 crores. Not from this presentation because this presentation is only showing you 30th September. If you look at the balance sheet, it's INR 62 crores.

- Jatin Chawla:** I have the 1Q numbers also. Yes, but that's INR16 crores from the power generation side, right? So if I take that out, it is...
- Management:** INR62 crores in H1. So, if you extrapolate that, EBITDA in any case is on a INR 125 crores run rate. And naturally as capacities get added and various other value-added services kick in, the profitability of the company increases. But otherwise, compared to a INR 100 crores if you look at it, we are on a INR 125 crores run rate.
- Jatin Chawla:** So is that something that I am not able to understand? Because when I look at to...
- Management:** You can connect with us offline and we can go through the greater details about all the queries you have.
- Jatin Chawla:** Okay.
- Moderator:** Thank you. We'll take our next question from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.
- Prit Nagersheth:** Just one last question. What kind of ROCEs should we anticipate from next year onwards for this business?
- Management:** Look, frankly speaking, because of the gross block, given the nature of the business, as a result of that, our ROCEs look muted because you have depreciation of virtually INR50 crores odd. But we have zero capex in this business. So effectively, if it wasn't for Ind AS, our ROCs and ROEs would virtually be infinite.
- But given the fact, we have the INR 500 - 600 crores of gross block, which is depreciating, obviously the ROCEs and ROEs keep moving up as the depreciation happens, since we're not building any new common infrastructure under Inox Green. But, Manish...
- Management:** But broadly, the ROC and ROE will be in the range of 18% to 20%.
- Prit Nagersheth:** Wonderful. Great. Thank you. All the best, guys.
- Moderator:** Thank you. We have our next question from the line of Darshil from Crown Capital. Please go ahead.
- Darshil:** Hi. Good evening, sir. Thank you so much for taking my question. And sir, congratulations on a great set of results. Sir, just wanted to know, like, when we're saying, like, we add around a 1,000 megawatts every year. So that would mean our revenue would be very planned, where maybe, like, every -- If it be INR 8 lakhs, that would be, like, around INR 80 crores addition every year in revenue we can expect. So, is that a fair way to look at it, or is there some changes in that?
- And number two, sir, in terms of risk, what do you see that, that can, maybe act as a speed bump to our growth? Like, in case we're not getting Inox Wind is not getting some order, some competition intensity comes in, or we not be able to get organic- inorganic acquisitions. So, just a bit broad understanding that what are the risks that you see and how are they mitigated in case, you don't see the high risks?

Management: Well answering to the first question, yes, you can take it in that manner. Because a 1,000 megawatt annually we are planning to add, minimum 500 megawatt will be coming from organic growth, and 500 megawatts will be coming from inorganic addition. And second, adding to the second question, yes, there is no dearth of opportunity in the market. INOX Wind is going to set off -- going to have a great growth, and this is a very, very positive market right now. And everybody is looking very optimistic.

Management: I think, again, just to be honest, in terms of growth going forward and in terms of risk, I think the fleet which we already manage is an annuity business. So, to the extent that we already manage, these are very, very secure contracts. Long-term people are married to us for the next 20 to 25 years once you sell a turbine. So, these are very, very stable cash flows. The past 13 years, we've historically been north of 50% percent EBITDA margins, and we'll continue to be that.

In terms of the upcoming growth, just for your information, Inox Wind's order book currently is close to 1,300 odd megawatts. The market is just on the cusp of massive explosion. So, frankly speaking, adding, 3 GW through a mix of organic and inorganic over three years is, I think, fairly routine, or fairly nothing out of the ordinary.

Yes, it would still mean doubling of a company, which is phenomenal. But having said that, adding 3 GW over three financial years, organically and inorganically, frankly, not rocket science.

Darshil: So, that's very great to hear, sir. And just wanted to know, sir, maybe so, as here may we will be retiring most of our debt this year, so we could assume that there would be very less finance cost next year? And as we said that we do not intend any finance cost?

Management: I don't think there should be any finance cost. I mean, there will be routine INR1, INR2, INR3 crores of normal banking charges. But I think the internal accrue should be earning that from FDs as well. I don't think we should have any finance cost in the next financial year.

Darshil: Perfect, perfect, sir. And in terms of our fixed asset growth block movement, sir, as we are not going to do any other capex, so maybe by FY'26, we would be able to eliminate most of our property and plant with our depreciation. And going forward, we would just have -- we would not have significant depreciation. Would that be a fair assumption?

Management: So, broadly, we are depreciating at a run rate of INR 50 crores per year. So, broadly, next -- that will take certain time. But obviously, our net block keeps reducing up to the extent of INR 50 crores on a year-on-year basis.

Management: So, obviously, it will take 12 years for it to become zero. For the ROCEs, ROEs to be infinite. But naturally, as the growth block keeps getting depreciated by INR50 crores every year, the ROCEs, ROEs keep going up.

Moderator: Thank you. We'll take our next question from the line of Nikhil Abhyankar from Icici Securities. Please go ahead.

Nikhil Abhyankar: Thanks for the opportunity, sir. My line got dropped earlier. So, on the NLC contract, so the realizations are high. So, will our profitability also be high in this contract?

Management: Look, I think we're going to get into specific contracts. We broadly guide for 50% margins. And I think that's going to be true for the entire portfolio. We won't get into micro details of specific contracts.

Nikhil Abhyankar: Okay. And, sir, there are certain contracts in which the customers use only our common infra. So, are we looking to upgrade them into comprehensive O&M as well?

Management: Look, it's a part of ongoing business. I think we're looking at various value-added services. Mathu and the team are doing a great job, adding a lot of other value-added services. There are customers who are talking to us for converting shared infra to common infrastructure. So, it's part of the journey. Frankly speaking, at the end of the day, whether we do comprehensive or semi-comprehensive or only common infra maintenance, we at the end of the day need to ensure our profitability is maintained.

Nikhil Abhyankar: Understood. And, sir, are there any contracts coming up for repricing in the medium term?

Management: Yes, certainly. They keep coming up. Obviously, as the 10-year period comes to an end for some of the older projects. I think in the next two to three years, we'll have about 200-250 odd megawatts which will come in. Medium term, those will – those pricing will have to be reset. Yes, the common infrastructure is controlled by us, so naturally all those contracts will remain with us. But, yes, we will reset those prices.

Moderator: Thank you. We have our next question from the line of Naitik Mohata from Sequent Investments. Please go ahead.

Naitik Mohata: Good evening, sir and thank you for the opportunity. So, I just have one clarification. I believe the Nani Virani project is under the Inox Green debt and the money that would be flowing from the divestment would also flow through Inox Green. But at the same time, we see these finance calls that are booked by Inox Wind, some INR 17 and INR 7 odd crores, a total of INR 35 crores in H1 FY'24. So, I'm just unable to add that up. That does not flow through the P&L of Inox Green. So, could you just explain a bit on that?

Management: So, I guess you need to pardon your question, as we see the finance cost in this particular financial year in INOX Green is only INR11 odd crores, as against the INR30 crores in the last financial year, last six months, six monthly results.

Management: I mean, again, if you have a INR200 crores borrowing at 10%, that's INR20 crores per annum. So, we're at 11 crores for H1. So, your question didn't really make sense.

Naitik Mohata: No, I'm asking like at the Inox Wind level. So, I believe under the Inox Wind, we booked some INR17 crores of finance cost regarding the Nani Virani project. And that finance cost hasn't flowed through Inox Green?

Management: I think we're looking at Inox Green here. I don't think we will comment on Inox Wind. But from a green perspective, the balance sheet of green has interest costs of INR11 crores for H1. That's the extrapolate it, that would be INR22 crores. So, for INR200 crores of debt at 10% that would anyway entail INR20 crores of cost, right? And now with Nani Virani going off the balance sheet, this will virtually become zero. Inox Wind has no role to play in this, frankly speaking.

Naitik Mohata: Okay. So, the interest costs regarding the Nani Virani project, I believe you mentioned in the previous call that it will take around three to four months to close that transaction. So, it would continue for the quarter three and then cease to exist in quarter four. Like, that would be a proper understanding?

Management: Yes. Yes, broadly.

Management: Broadly, yes.

Management: So, it has already been placed under discontinued asset.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Management: Thank you.