



“Sterling and Wilson Renewable Energy Limited
Q1 FY'25 Earnings Conference Call”

July 19, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 19th July 2024 will prevail.



**MANAGEMENT: MR. AMIT JAIN – GLOBAL CHIEF EXECUTIVE OFFICER
MR. BAHADUR DASTOOR – CHIEF FINANCIAL OFFICER
MR. SANDEEP THOMAS MATHEW – HEAD INVESTOR
RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to Sterling and Wilson Renewable Energy Limited Q1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sandeep Thomas Mathew, Head of Investor Relations, for his opening remarks. Thank you, and over to you, sir.

Sandeep Thomas Mathew: Good morning, everyone, and welcome to our Q1 FY '25 Earnings Call. Along with me, I have Mr. Amit Jain, our Global CEO; Mr. Bahadur Dastoor, our CFO; and SGA, our IR advisors. We will start the call with the key operational highlights for the quarter and industry outlook by Amit, followed by financial highlights by Mr. Bahadur, post which we will open for Q&A.

Thank you, and over to you, Amit.

Amit Jain: Thanks Sandeep and a warm welcome to all the participants on this call. I would like to begin with a quick update on our business operations and outlook for solar industry.

Beginning with our order book, we have started off the first quarter of this financial year on a strong note with INR2,170 crores of new orders, building on the order booking momentum in FY '24, where we closed the full year at approximately INR6,023 crores of orders inflow.

Q1 order inflow was a mix of international and domestic orders. We were able to achieve a strong breakthrough in the rapidly growing South African solar market with 2 turnkey project wins totalling USD140 million. First, was a 140-megawatt DC project for AMEA Power, which is one of our customers with a long-standing relationship and the second was a 80-megawatt AC project with the Energy Group.

As we have reiterated in the past, we only judiciously pursue international projects, which meet our risk-reward metrics, and these order wins are in keeping with the same philosophy. The pickup in international ordering activity seen in the recent quarters in select international markets like Africa and Europe is a culmination of our effort over the past few years, and we are happy to finally see it paying off.

Our India EPC business continues to remain a pillar of strength, and company has received new order and LOIs in 3 domestic projects worth INR1,016 crores during the quarter. We were able to achieve another breakthrough with Serentica Renewables by bagging a 900-megawatt DC project in Rajasthan, which is one of their largest solar installations in the country. We continue to work with Serentica in multiple other projects across India and we are happy to be their preferred EPC of choice in this project.

We have commenced the pilot project for solar plus battery energy storage systems for Reliance Industries at Jamnagar, Gujarat. We look forward to engaging with them in large PV project installation across the country in the near future.

With the order wins announced in Q1 setting up a strong base, we remain confident of meeting our order inflow guidance of INR8,000 crores that we have indicated during the previous conference call.

Further, in terms of execution, we anticipate to see a strong pickup in execution from Q2 onwards, and we will be targeting to achieve majority of our execution run rate in the second half of the fiscal year, with which we remain confident to deliver on the revenue guidance of INR8,000 crores plus as well.

We have a strong order book already in place and plans are in place to achieve the anticipated execution scale-up. Our unexecuted order book currently stands at INR9,396 crores with approximately 71% constituting domestic orders. While the share of domestic order has declined this quarter due to higher inflow of international orders, we remain confident of domestic order inflows in the forthcoming quarters picking up, especially as PSU order inflow activity was muted in Q1. We are, however, seeing a strong pipeline getting built with the new RFPs getting added, which leads to greater visibility on ordering activity pick up during this fiscal year.

Coupled with a stronger balance sheet, we are expecting to be able to capture a larger share of the domestic solar EPC market in this fiscal. In terms of pipeline, we are actively pursuing projects totalling 23 gigawatt in India and 5 gigawatt in other geographies, including Middle East, Europe and Africa.

I know most of you are anxious to hear about the progress with the Nigeria project. Our teams are continuing to engage at the highest levels to achieve the closure. And while post our last investor call, the final terms have been negotiated, procedural steps are in progress. Also, as I have mentioned in our earlier calls, post order signing, we expect project to take six months to achieve financial closure.

We would like to reiterate that lumpiness in order inflow is to be expected with EPC companies like ours and the time lines for achieving project closure could vary depending on a host of factors, including finalization of contractual terms, financial closures, et cetera.

Our operation and maintenance portfolio outlook remains strong, and we have seen our portfolio grow to 8.2 gigawatts as of June 2024. The benefit of a large portfolio is expected to bear fruit in the coming quarters as our EPC pipeline will continue to feed a large portfolio of O&M projects over the next 12 to 18 months.

Now moving to industry outlook. India remains our single largest focus market at the moment. The government's renewable energy push is driving up auctions, which continues to create a strong pipeline. India saw auction of 35 gigawatts of renewable projects in fiscal 2024, the highest-ever in a single fiscal year and solar remains at the forefront.

The demand for power is expected to continue to increase annually by 7% to 8% over the next 3 to 5 years. For renewable power to provide for this increase, the annual capacity addition become imperative.

There is no doubt in our minds that renewable energy is going to be a key driver of investments in the power sector in India for the next 6 to 7 years. The growth of renewable energy installations is anticipated to accelerate as the tendering and commissioning of green energy projects gain momentum. A growing domestic order pipeline is reflective of the explosive market growth that is anticipated. Such rapid growth typically pushes players to focus more on core competencies and execution. That's where established EPC players like ourselves is likely to gain.

Low module prices globally remains ripe for more projects to come on stream, aided by lower LCOEs, which should translate into more work for EPC players like us. With a strong balance sheet, we remain well positioned to tap the strong industry growth in both domestic and international markets.

With this, I will ask Bahadur to take you through the consolidated financial highlights. Thank you very much.

Bahadur Dastoor:

Thank you, Amit. We are happy to report a second consecutive quarter of positive EBITDA, PBT and PAT at a consolidated level in Q1 FY '25.

We achieved a top-line growth of 78% year-on-year with operating revenue of INR915 crores in Q1 FY '25, aided by higher execution in domestic EPC projects. Sequentially, top line declined by 22% due to tight liquidity conditions, which are expected to ease with improvement in credit ratings going forward. At this point, I would like to mention that Q4 is always the highest in a financial year due to push from vendors, contractors and developers. So it would be incorrect to look for sequential growth in a Q1 as compared to a previous year's Q4.

As Amit highlighted earlier, our order book continues to grow rapidly, providing higher revenue run rate visibility for the forthcoming quarter. With anticipated ease of liquidity challenges, we still hope to be able to meet our annual revenue guidance, which implies a lot of execution pace pickup, which will be seen in the second half of this fiscal.

On the margins front, our reported gross margin was 11% in Q1. We believe our gross margin will hover in the 10% range as seen in the domestic EPC margins for the quarter. Our O&M gross margins were enhanced due to one-off income of INR3 crores due to backdated revenue receipts and provision reversals. It is worth noting that in few of the previous quarters, we have taken a conservative stance on accounting for the O&M costs, but not revenue. And had guided that we will be able to bill backdated revenue, which was seen in this quarter. Recurring O&M margin was 23% in the first quarter and has begun to trend towards more steady-state margins compared to FY '24 margin of 16.7%.

On the overhead front, we have continued to make further progress as seen in the lower quarterly run rate. We do believe bulk of the optimizations we had planned have been incorporated.

Reported Q1 EBITDA was INR37 crores, at a 4% EBITDA margin, compared to a full year FY '24 EBITDA of INR54 crores. Reported Q1 PAT of INR5 crores, while significantly higher both year-on-year as well as quarter-on-quarter, remains impacted by a noncash deferred tax asset charge in this quarter of approximately INR10 crores, as was the case in Q4 due to standalone profitability.

Now coming to the balance sheet. Our net borrowing has declined sequentially by about INR19 crores, and therefore, our net debt stands at INR97 crores as at June 2024. We do not have any debt repayment till Q3 FY '25, and we believe indemnity payments due by November '24 are largely likely to take care of repayments in FY '25.

With this, we can now open the floor to questions and answers.

Moderator:

First question is from the line of Puneet from HSBC.

Puneet:

Congrats on turning around. My first question is if you can give some colour on how different are the margins from your international business and domestic business based on the new orders that you are booking?

Amit Jain:

Yes. So -- as we have explained in our previous calls, that in domestic market, margins remains from 10% to 11%. And now we are replicating the same margins for the international market - where the margins remain 10% to 12%. So margins, we are very, very careful about the margin profiles, and we are maintaining the same margin profile in both the markets.

Puneet:

Okay. And there was, earlier, a thought that you would do only the BOS part in the Indian market and not do modules, does that still remain?

Amit Jain:

We are aware. That's primarily because Indian market continues to be a BOS market. But wherever we are taking -- we have taken a couple of projects in domestic market with modules, but we are taking extreme cautions with Indian projects. We are choosing only Indian module manufacturers, where we have the long-standing relationships and they never renege on their contracts.

We have taken due care in taking the bank guarantees and used our relationships to get the orders for modules for the domestic markets. Both orders we have picked up, we have placed our orders on reputed Indian manufacturers, and there is no risk. So we will choose to select -- we'll choose the projects very carefully, wherever we have to place the orders with the modules included.

As far as the international projects are concerned, we are very, very choosy and passing on the risk to our customers. And we are also taking precautions as we have explained in our past calls, that we are taking very higher amount of bank guarantees to the tune of 15% from the module manufacturers, and we are choosing a make of 3 manufacturers minimum for every project. So there is no execution or price risk remains on the project.

Puneet:

Okay. And you're still saying that despite taking the module linked orders for international businesses, you will still have a 10% to 12% margin; on India without the modules, you will have 10% to 12% gross margin?

- Amit Jain:** That's absolutely correct. The margin profile of the projects will not change. Just that the value of the project per megawatt will change wherever the modules are included. The values per megawatt will be much higher as compared to the BOS projects.
- Puneet:** Understood. And secondly, if you can comment on how big is the RIL's pilot project? And what are you hearing from them in terms of..
- Amit Jain:** So it is like -- I would like to say it's a reasonable-size project with a good value, and we expect to complete this project within this fiscal year, and we are using multiple technologies. So this project is very, very important with respect to testing of multiple technologies and this would become very handy in the rollout of the larger projects with RIL.
- Puneet:** And this is already a part of your order book?
- Amit Jain:** Yes, this is already part of our order book.
- Puneet:** So the INR1,000 crores-order during the quarter would include this? Or was it already a part of - yes?
- Amit Jain:** Yes. It's part of that particular order book.
- Puneet:** Understood. And lastly, on the overheads side, assuming current business levels, are you -- have you reached a stable state of overheads? Or is there further room for overheads to go down?
- Bahadur Dastoor:** As I just mentioned, we believe we have completed most of the optimization of our overheads and except for small increments, et cetera, we believe that they are now more or less stable.
- Moderator:** Next question is from the line of Shiwani from Monarch Networth Capital.
- Shiwani:** Congratulations on good results. My question is on the order book mix. So the domestic order input, can you give the split of other than Serentica from whom the order has come in. And also for the international order in Europe, order with Plenitude is executed? Or if not, then how long will it take to be executed?
- Amit Jain:** See, our order with Plenitude was received in December last year and projects has 18 months of time line. So project execution has started. We are well on track. We are finalizing. The engineering has been completed and orders have been placed, and we have started execution on the project. And we are very confident of completing the project ahead of the time lines. So that is the status with the Plenitude project.
- As far as our order book is -- Indian order book is concerned, it includes Serentica, it includes Reliance, it includes AMPYR. So these are the projects included in our domestic pipeline.
- And as far as the international project booking in this quarter is concerned, there are two projects from South Africa, one from AMEA Group and another is from the Energy Group.
- Shiwani:** Okay. Sure. And my next question is on the arbitration process that's going on for the international order. What's the status on that?

- Amit Jain:** So there are a few arbitrations, which we are having in U.S. So we are proceeding ahead with arbitrations. And as and when there is a significant development there, we will inform the markets suitably at that point of time.
- Moderator:** Next question is from the line of Harsh from Nepean Capital.
- Harsh:** I just had two questions. Firstly, on the opportunity on the Reliance project that we have done, what is the future outlook and the opportunity size of that segment? And secondly, we've seen a very significant margin jump in our O&M portfolio. So is it as a one-off or how is that?, just 2 questions of mine. Thank you.
- Amit Jain:** So first off all, with respect to Reliance to start with, it's a pilot project, as we have stated and teams are continuously engaged with Reliance on rollout of mega projects in various regions in the country. As you know, the plans are in public domain, and it's moving faster. Teams are engaged at much broader level. And we have specially created a particular SBU for Reliance. So we are hopeful that the mega project rollout will start soon and teams are fully involved into the discussions, and we will be at the forefront of the execution. And Bahadur will take -- answer on O&M margins.
- Bahadur Dastoor:** Yes. As I have mentioned in my speech, there is a one-off income of INR3 crores due to backdated revenue receipts and provision reversals. Were that not to be included, the O&M margins would be close to 24%, which is close now to our steady-state O&M margins.
- Harsh:** And just lastly a bookkeeping question, you mentioned the South African project. What was the size of the project?
- Amit Jain:** One is 140-megawatt and another one, second one is 80-megawatt project.
- Moderator:** Next question is from the line of Rohit from Aditya Birla Sunlife.
- Rohit:** So my first question is what are the credit limits, non-fund based limits and fund based limits? What is the negotiation with the bankers - where are we at this point in time, are they, like, unfrozen?
- Bahadur Dastoor:** So a few of them are unfrozen with the rating upgrade, which happened from D to BB+. Post these results, we will be pushing for a higher upgrade into the investment grade which gives us the confidence for unfreezing of the rest of the limits.
- Rohit:** Among the nonfund based limits, what is the current level? And how much has it utilized at this point in time?
- Bahadur Dastoor:** The total nonfund limits are between INR5,500 crores to INR6,000 crores and roughly INR3,800 crores to INR4,000 crores stand utilized.
- Moderator:** Next question is from the line of Kunal Shah from DAM Capital Advisors.
- Kunal Shah:** So sir, one is on this revenue guidance for FY '25. I think we are holding on the INR8,000 crores mark, right, INR8,000-plus. Now just could you guide how it would be phased over the next

three quarters? So would one assume that the second half would do something like a INR6,000 crores sort of revenue?

Amit Jain: You are right that the revenue execution pace will pick up from Q2. We remain very, very confident about the revenue guidance we have given. As you know, Q1 is always muted in the EPC industry. Then there is no surprise in that. So revenue pace will pick up significantly from Q2 onwards and the second half will be very, very strong with the Q4 being the strongest.

Kunal Shah: Understood, sir. But in terms of sort of factoring in this, would there be an assumption of a rating upgrade that you're expecting now? Because let's say if there is some delay, could there be a spillover? I'm just trying to understand, would there be a delay in terms of the execution of the order backlog just because of the liquidity conditions?

Bahadur Dastoor: So we are trying to take various other steps. While the effort is obviously on for a further rating upgrade, as I have just mentioned. We are also looking at other contingencies to make sure business does not suffer.

Kunal Shah: Okay. Understood. And in terms of -- just from an order backlog execution time lines, could you guide if you are sort of, is everything on track? Or could there be some delay in terms of commissioning of those projects?

Amit Jain: So you are right. We don't see -- foresee any delay in execution of any project. We are delivering projects ahead of time, and we are always meeting our customer expectations. So we are very, very confident and all the projects will be delivered as per the contractual schedules. We don't foresee any delay in any of our projects.

Kunal Shah: Understood. And one last bit on this Nigeria projects now with the U.S. Elections around the corner. So now any guidance on that particular project and whether it can be delayed post elections now? Because the same might be perceived as a bit risky, because on the order finalization especially because of a potential regime change. So there becomes a lot of ifs and buts over there. So could you just guide on this particular one?

Amit Jain: Yes, yes, I will guide on that. First of all, post our last call, contract terms and conditions have been finalized and we are in the last leg of approval. So that is happening and which is very, very positive. And there are multiple positive developments, which has had taken place and we cannot share everything on this call. So -- but project is moving on right track, and we expect it to close very soon.

Secondly, with respect to the regime change, there is no impact on the project financial closure with respect to the regime change in U.S.A. The Exim Bank Board remains in place. The Exim Bank of U.S.A. has already -- this project exists in their list, and it's an approved project.

So there is practically no risk at all, we don't see, with respect to the regime change in the project. And don't see any uncertainty on that part on this particular project. And we remain very, very confident to close the Nigeria project very soon.

Moderator: Next question is from the line of Amish Kanani from JM Financial Capital.

- Amish Kanani:** Sir, can you give us some sense of what is the average execution time line of our order book? Because now with international order, maybe there are some longer order. As we understand, some projects will have 6 to 9 months, whereas some projects might have an 18 months project time line. So if you can give us some range of execution or break up your order book, which is, say, more than 1 year and less than 1 year, that will be helpful within domestic and international, sir?
- Amit Jain:** Yes. So let me start with domestic. The larger project -- larger PSU projects, which are in excess of 1 gigawatt, has a typical execution time line of 18 months. And the IPP projects in India, typically over 200 megawatts have a time line of 10 to 14 months. So this depends upon the execution targets given by the client. It can vary from 10 to 14 months. PSU projects remain from 15 to 18 months. That's the typical range.
- International projects also remain within the 15 to 18 months completion targets. So none of our projects exceed the completion time of 18 months up to 1.5 gigawatt and the minimum time line for execution of project is 6 to 8 months for the smaller-sized projects. So this is typical time lines on which we operate, and this is the typical cycle for revenue conversion as well. It all depends upon the size of the project and the completion targets given by the client.
- Amish Kanani:** Sure, sir. So in that context, sir, is it possible our current order book as of first quarter end, how much is more than 1 year? And how much is less than 1 year? Is it possible? Or average -- Can we take your average execution time line right now as 15 months, sir, to simplify the things?
- Amit Jain:** Average execution time lines, you can take between 12 to 15 months.
- Amish Kanani:** Between 12 to 15 months. Okay. And both domestic and international flavour is similar? Or international will be likely longer than domestic?
- Amit Jain:** International is slightly longer.
- Moderator:** Next question is from the line of Nidhi Shah from ICICI Securities.
- Nidhi Shah:** I would like to ask you about the macro scenario of the world. So as the U.S. has imposed the ULSA regulation, do you see any other countries, especially, say, in the EMEA region, trying to do something like that, number one? Number two, as of now, we know that these restrictions are purely on modules. Do you think that these restrictions could come in on sales? And would they then affect your projects outside of India?
- Amit Jain:** No. Actually, right now, we are not executing any project in U.S.A. So any particular regulatory impact in U.S. markets don't impact us. So we don't see like we are operating in Europe, and we are operating in right now as for the international projects are South Africa. So both the projects are in Europe without modules. So whether any impact on cell or modules, that doesn't impact us. Our business is totally risk-free with respect to the modules there. In both the South Africa projects, we don't see that happening because that market doesn't have any domestic production at all. So both the projects, we are allowed to import modules from China.

So as far as our international market is concerned, we don't see any impact of these regulations on our business and projects, which are with us. And in any case, the custom duties and statutory risks are always passed through. We negotiate that very carefully in our contracts so that they never impact us. So that is duly taken care of in any eventuality if a risk arises. So we are completely safe from all those exigencies.

Moderator: Next question is from the line of Jayesh Shah from OHM PMS. Please go ahead.

Jayesh Shah: Yes. My question is we're looking at executing INR6,000 crores in the second half. You have a bank guarantee or nonfunded limits of also INR6,000 crores, so is that enough? And even right now, when you have utilized INR3,000 crores to INR3,500 crores last year, your turnover is around that much. Is there a one-to-one correlation between your nonfunded limit utilization and sales?

Bahadur Dastoor: It's not necessary because generally, when you have a project, you will have a 10% advance and a 10% performance bank guarantee. Your advance bank guarantee tends to fall off within a year. As far as your letters of credit are concerned, they are for significant equipments like trackers, steel, inverters, IDTs, et cetera, cables.

Now all of those are for 90 to 120 days. So there is always a churn of limits. At the same time, as we have mentioned, we are looking at additional limits as well for which discussions are on with several banks for a sizable portion. There will be bank guarantees, which will fall off. There will be LCs, which will get paid. Limits are a continuous churn. So there is no 1:1 relationship. If I invest for a particular project, it would range to be somewhere between 45% to 50% of the project value at its peak, and then it will fall.

Jayesh Shah: I see. That's very useful. And broadly, the interest charges here would be close to 1%?

Bahadur Dastoor: So right now, we are paying slightly higher -- much higher than that. And that is because our rating was, at a point in time at the default grade, which is now upgraded to a BB+, but still below the investment grade. Once it comes to investment grade, which is what we are all working towards, we do believe that the figure that you mentioned will be the charges that'll happen going forward. All of these costs are built into our project costs and not as part of interest and finance charge.

Moderator: Next question is from the line of V.P. Rajesh from Banyan Capital Advisors.

V.P. Rajesh: First question about the Nigeria project. Do you foresee this project getting kicked off in this financial year, given the time line you mentioned? Or is it more likely to be in the next financial year?

Amit Jain: No, no. Definitely, we are saying that we expect to close it soon. And definitely within this financial year. That's very, very much within this financial year.

Bahadur Dastoor: The execution, however, will mostly happen in the next financial year.

- V.P. Rajesh:** Right. No, that's what I was trying to understand. And we'll close this year and then the execution. So the revenues will, essentially, come to us in the next financial year. Is that correct?
- Bahadur Dastoor:** That is right.
- V.P. Rajesh:** Not in Q4. Okay. And then just a longer-term question. Given the opportunity you're seeing both in the domestic and the international markets, what's your prognosis on the growth that we can see in 3 to 5 year timeframe? Are we to expect that you can at least double in the next 4 years or something? Or if you could just give some colour as to how you think about the longer term, and relatively how you're building capacity internally for that kind of growth.
- Amit Jain:** So as you see, the market is seeing a robust growth within India and with the Nigerian opportunity. We foresee a significant growth in our revenues and what the size of the company is. But -- and we expect that within 4 to 5 years, we can very easily double our revenues.
- V.P. Rajesh:** So let's say, if you are doing INR8,000 crores this year, you're saying in 4 years or so, we can definitely look at our, doubling our revenue, right?
- Amit Jain:** We can easily can...
- Bahadur Dastoor:** Amit is talking about other than Nigeria and Reliance. Now once Nigeria comes in and Reliance comes in, obviously, there will be a huge growth in the revenue in FY '26 as compared to FY '25.
- V.P. Rajesh:** Right. No, that's exactly what I was trying to understand. That those orders will come next year in the order books. And therefore, from what you are saying that we will do a INR8,000 cr this year at least in the next 2, 3 years, we should see meaningful growth, like maybe you double in 3 years. That's what I'm trying to get a sense of.
- Bahadur Dastoor:** Including Nigeria and Reliance, we will see a huge growth in FY '26 itself as compared to FY '25. Leaving those 2 aside, there will be significant growth as well on a year-on-year basis.
- V.P. Rajesh:** Okay. So just to make sure I got this right. You're saying that without these two, you will double in 4 years. But with these two, there will be significant growth next year itself. That's sort of the key takeaway?
- Amit Jain:** Exactly. Exactly. That's what Bahadur has gotten right.
- V.P. Rajesh:** Great. And then just last housekeeping question. On the indemnity payments, can you just refresh where do we stand on that? How much is pending? And what is the likely number in September?
- Bahadur Dastoor:** As of right now, we -- as we said before, also, there are roughly INR900 crores of indemnity payments, which are expected to be received over the next few years. We believe that we should be having a number in a certain range of about INR200 crores to INR220 crores have already crystallized and something more might crystallize from now until that point in time.

However, you have to remember that roughly in December last year, there was a reverse indemnity. In essence, the company received money for an item where the company had already claimed from the promoters. So we have to pay back about INR130 crores, INR135 crores.

So the differential is what is the present crystallized value. It may go up slightly from now until November when the indemnity claims will finally be calculated. As we said, we expect that the interest on the term debt -- sorry, not the interest, the term debt payments in the second half will be largely met out of the indemnity payments.

V.P. Rajesh: Okay. So the indemnity payment that you're expecting is roughly INR130 crores, INR140 crores. And the rest will be coming to us over the following years, right? That's the way to understand it?

Bahadur Dastoor: In that range, yes.

Moderator: Next question is from the line of Avishek Datta from Anand Rathi Shares and Stocks.

Avishek Datta: I just wanted to understand, can you just update us on Reliance overall renewable energy targets of 100 gigawatt and how -- and your interaction with the company? How does it split between solar and other renewable energy sources?

Amit Jain: Yes. So as you know, the Reliance have the huge rollout plans, and we have already started the pilot project with them. We are engaged in discussions with them for mega rollouts in multiple geographies across India, and that discussions are taking place. But, at this point of time, we expect the rollout to start happen soon. But at this point of time, we are not in a position to share more than this.

Avishek Datta: But it will be a mix of solar and battery storage and other renewable sources? Or not?

Amit Jain: Yeah, yeah. It can be a mix of all the projects, but solar will be the majority portion. That's what we expect.

Avishek Datta: And we will partner with them for both solar as well as solar and battery storage part?

Amit Jain: Yes, we will be partnering with them, both for solar and battery storage.

Avishek Datta: And the margin profile will be the same for both the type of projects?

Amit Jain: Yes, we expect the margin profile to be the same as, like, which is the -- as per the market for the projects of similar size and nature.

Avishek Datta: And when you say that the Nigerian -- the final contours have been finalized for the Nigerian project, what is the final contract value? And has there been any change in the contract term value because of falling module prices?

Amit Jain: No, no. There is no change in the contract value and all terms and condition and values, which we have been indicating to the market remains same.

Avishek Datta: And can you just refresh us, like, it was quoted as \$1.5 billion to \$2 billion. That is the range which you're talking about?

Amit Jain: Yes. You are right. That's the range.

Avishek Datta: And any further update on -- beyond Phase 1? Because it was earlier quoted as a \$10 billion opportunity. So have you heard anything more from them?

Amit Jain: There is no further update at this point of time. But as and when there is an update, we will update the market based on the developments which are taking place.

Bahadur Dastoor: Our first focus is to close this first phase. Then we will start talking, if necessary, about the second and beyond.

Moderator: Next question is from the line of Faisal Hawa from H.G Hawa and Co.

Faisal Hawa: So sir, the intensity of bidding in solar projects, particularly for PSUs orders have really gone up, like, a lot. It seems that we have also lost the Khavda order of second phase NTPC II either to Rays Solar or Vedanta Engineering. And there are lots of smaller companies are now bidding for larger projects.

So what is -- is this now that they are going into some kind of a negative territory or something, which we will not even touch now? And many companies are chasing orders, even to keep up with their market caps. So will it necessarily mean that even now the Reliance order also will be negotiated on terms, which are on par with this kind of bidding?

Amit Jain: So thanks, Mr. Hawa, for your question. So I would like to start by saying the market size is pretty huge. So this year, the addressable market, which we are considering for domestic sector, is more than 23 gigawatt including some of the mega projects coming from PSUs. So as we have seen in mega PSU bids, which are coming, the competition is still limited. Very, very limited, and we continue to be very competitive.

We work on every project costing and estimates extensively, and we bid accordingly to the risk-reward ratio, which any project offers to us. So 1 or 2 projects where we felt that risk-reward ratio is not in our favor, the margin profile is not matching our expectations, so we have not gone ultracompetitive in this project. But the market -- the bid pipelines remain strong, and we have focused projects, which we will continue to bid and win in line with our past hit rates.

So we are very confident of maintaining and exceeding our order book. So we are not at all worried on that part. So we can address that part because market size remains very huge, and there is, like -- and we don't see any impact on our order book because of the new players entering in and some of the players going ultracompetitive in some of the PSU bids.

Having said that, Q1 was very muted with respect to public sector bids, and I see the high-intensity activity picking up in coming quarters. The Q2 and Q3 will see closures of multiple PSU bids, where we'll see us also succeeding in those bids. So that's what I'd like to add at this point of time.

- Faisal Hawa:** And sir, what would be the revenue that we would have lost in the first quarter owing to not having enough BGs?
- Amit Jain:** No, we have not lost any revenue. As you know, as Bahadur has already stated, that Q1 always remain muted. And we have not lost any revenue at all. We remain as within our plan to achieve INR8,000 crores of revenue in this financial year.
- Bahadur Dastoor:** In fact, it is 78% higher than the same quarter last year, Mr. Hawa.
- Faisal Hawa:** Okay. And sir, even if it doesn't concern us directly, but the promoters are continuously pledging shares and also reducing stakes at various points of time in the quarter, causes a lot of disturbance to, not only existing shareholders, but new shareholders as well.
- So, I mean, can they give any kind of statement saying what their strategy is, because we are one of few companies which is having 3 promoters. So that itself is something very rare. And then the promoter continuously selling, pledging - at least 2 sets of promoters going that. I mean, even though it doesn't concern you directly, there needs to be some statement from them regarding this.
- Bahadur Dastoor:** So Mr. Hawa, your concern is well noted. Unfortunately, we, as a company, cannot comment on what the promoter chooses to do with his stake for whatever purposes. We will, however, pass on this message to them appropriately. And if they choose to come out with a statement, we will leave it to their decision.
- Moderator:** Next question is from the line of Aejas Lakhani from Unifi Capital.
- Aejas Lakhani:** Could you please explain me the reversal of the indemnity? I haven't understood that.
- Bahadur Dastoor:** All right. In the past, in the very first year, there was a certain amount of liquidated damages, et cetera, which we had claimed from the promoters. Subsequently, in December of last year, we managed to win an arbitration against a vendor, in which those indemnities were reimbursed back to us.
- Now obviously, we cannot profit twice. So since we had already claimed it from the promoter, it remains with the company to be set off against the indemnity claim, which we will now raise in September '24. So while there is a gross amount of roughly INR200-plus crores, as I mentioned, of indemnity, it will have a negative on account of this, which we had already claimed before. Have I answered your question?
- Aejas Lakhani:** Yes. The only sort of claim that I remember that you have received is from Jinka.
- Bahadur Dastoor:** That is the one.
- Aejas Lakhani:** Okay. So you're saying INR135 crores of reversal is pertaining to the -- portion that Jinka portion and the rest that they had given were for other orders?
- Bahadur Dastoor:** Yes. So till today, in the very first year, they gave somewhere about INR90-odd crores. In the second year, it was INR400-odd crores, and the company had to bear the first INR300 crores.

So all in all, you can say, close to INR800 crores of indemnity items have been settled from the beginning till date. And out of this, INR137 crores is a kind of double dip, which will have to be reimbursed back in this coming indemnity calculation.

Aejas Lakhani: Okay. And in this coming indemnity calculation, which I think sets forth of October or the likes, is there anything that has to be claimed from them? Or is this just the reversal of INR135 crores is the number as of date?

Bahadur Dastoor: I already mentioned that as of right now, the number, on a gross basis, stands somewhere around INR220 crores. We have roughly INR135 crores of reversal. The net is the amount that we presently stand as crystallized and claiming. The amount may go up depending on further crystallizations from now till September 30.

Aejas Lakhani: Got it. So is it fair to understand that you mentioned the INR220 crores - so INR220 crores less INR135 crores. That's the difference that you'll be receiving from them?

Bahadur Dastoor: As of today.

Aejas Lakhani: Got it. Perfect. The other one is that in our international business, barring what you mentioned where BG has been taken to 15% and you have implemented more vendors from a replacement standpoint as a part of the contracts, are there any other sort of cladding that you have done so that episodes from the past do not repeat themselves.

Amit Jain: No. Actually, enough safeguards have been taken, and we don't expect any repeat from the past. We have chosen a mix of the modules. So we are allowed to use for the multiple suppliers and the MSA's terms and conditions are also very, very tough. So it is not very easy to renege on those contracts.

So it's a preapproved mix of 3 module suppliers, all Tier 1 whom we can go to if somebody chooses to renege on. We have sufficient amount of bank guarantees from the module suppliers to cover ourselves and access to the module capacity across the world are very, very stable.

So even despite considering that, though there is no risk perceived based on market conditions, but enough care has been taken with respect to bank guarantees, preapproved list of module manufacturers. So that is in place to address the risk. And we have already finalized the MSAs for the contracts we have got. So there is no uncertainty remains on that particular front.

Aejas Lakhani: Okay. The other one was pertaining to Nigeria. So I think in your opening remarks, you mentioned that as the orders get closed, there's 6 months of time that you are budgeting for financial closure. So on this, I wanted to understand that, I think, you've stated earlier that there is a financial bank, which is involved, and you have a domestic partner. So it seems that all the constituents required are already in place. And so I'm trying to understand that the 6 months, which is quite a long duration, what is the reason for that from a financial closure standpoint?

Amit Jain: This project is funded by Exim Bank of U.S.A. And it's a -- and the U.S. government approvals, which are involved. So just because of the multiple agencies from the Nigerian government and

Exim Bank of U.S.A. is involved, we are projecting a conservative time line of 6 months for the financial closure.

Roughly 9 months to close because we have a model in place, Sun Africa has recently closed one Exim Bank-funded project in Angola, and Sun Africa has taken 9 months to close that project. But since that was the first project, we expect that the time lines for the Nigeria project would be expedited, and we'll be able to close it within 6 months' period.

Aejas Lakhani: Perfect. That's helpful. And lastly, you mentioned that the Reliance execution of the pilot order that you'll be doing in FY '25, they have multiple technologies at play. So -- and you mentioned that larger execution for Reliance will take place in '26. Is there any chance that since there are multiple technologies at play, Reliance may sort of just wait to see the full impact of how these technologies play out from a generation capacity, before they decide on their chosen method and that could delay the visibility of orders from Reliance?

Amit Jain: No. Actually, that's not what we said. We said the revenues in FY '26 will be significantly higher with the Reliance orders. So we never said that they will come only in FY '26. Right now, we are working on a small project, which is the pilot project, which is they're testing, which is part of any growing organization and any forward-looking organization, they want to test and be on the forefront of evolving technologies. So we should not relate that to the rollout of the future projects.

The projects, the future rollout projects on mega projects in multiple geographies are in advanced state, and we expect some orders to close soon. But we'd not like to give a definite time line to that, but we never said that the orders will come only in FY '26. We expect, like, orders to close soon, some of the mega projects or orders to close soon, but I will not give a time line to that.

Aejas Lakhani: Noted. And this will be for the Khavda, Reliance. The projects will come from Khavda?

Amit Jain: That, I will not say. We are talking for a few geographies with them. And finally, Reliance will take a call which geographies the roll out to start, and that includes Khavda as well.

Moderator: Next question is from the line of Alisha from Envision Capital.

Alisha: Two questions. One with respect to Reliance pilot, having finished executing the pilot project. So when in this year, are we expecting to complete it?

Amit Jain: We have started the execution and we expect it to complete within this financial year.

Alisha: Okay. Understood. And earlier, because of what you said historically, we were more cautious of taking export orders, and while we continue to do that, in the order inflow that we're expecting for this year or going forward, how should we see the mix of exports? Because we did win some in this quarter and we're talking of maybe bidding for a few more. So how can we -- how should one assume the order book split between domestic and international markets going forward?

Amit Jain: As we have regularly stated, that domestic order -- the domestic market is booming and our main-staying strong focus remains on the domestic market. So the mix of the order book will be

heavily tilted in favor of the domestic market, and we will work very cautiously and selectively in picking the international orders.

So that way, only domestic will dominate and the international orders will be picked only after a heavy due diligence, checking the margin profiles and whether they're matching or meeting all the criteria of our revised risk metrics. So that's how we'll pick up international projects. Domestic market will continue to dominate and will constitute majority of the order book.

Alisha: From a resource and bandwidth perspective, is there an internal target that we will probably not let export go 10% or 15% of thresholds?

Amit Jain: Could you please repeat your question?

Alisha: I was saying that from an allocation of resources and bandwidth perspective, is there an internal target stating where we will not let, say, exports go say 10% or 15% of our order book?

Amit Jain: So yes, it's around 20% to 30%.

Alisha: 20%, 30% of order book will be international?

Amit Jain: Yes, can be 20% to 30%. Order book can be international.

Alisha: And all of this we are discussing is excluding Nigeria, because I understand that, that can skew to order book?

Amit Jain: Come again?

Alisha: I think this is all excluding Nigeria?

Amit Jain: Yes, yes. This is excluding Nigeria. Of course, this is excluding Nigeria.

Moderator: Next question is from the line of Aashish from InvesQ..

Aashish: Yes, sir, a lot of comments that have come on the nonfund-based limits that we have. So just to understand it clear, you said that at any stage, approximately 50% of the project value is required to be under BG. Is that correct? And if so, around INR8,000, INR9,000 crores would need, say, INR4,500 crores, INR5,000 crores of limits on a rolling basis. Is that correct understanding? Or something wrong here?

Bahadur Dastoor: No, no. That is not what I said. The bank guarantees are 20% of the project value typically. In fact, in some of the larger PSU projects, the performance bank guarantee is even less than 5%. The performance bank guarantee is what remains for a period of roughly, let's say, 3 years. The advance bank guarantee falls off once a majority of your supplies are completed, which is typically a year.

What you need are LC limits for 90 to 120 days for critical equipment supplies. That is a churn. So all in all, put together, I said it could be around 40% to 50% at the peak of any project. It does not mean that if I need INR8,000 crores of turnover, I need to have 50% of the limit at all points

in time. It is a churn. Now just as today, we have certain limits which have been unfrozen and we expect more to get unfrozen, we are also in talks with other banks to get incorporated into our consortium, considering that we are looking at a much larger turnover going forward.

Aashish: So sir, so you said that Q1, the reason was not any problem with the availability of nonfund-based limits, but mostly seasonal. So going ahead, as our turnover increases, how comfortable are we in terms of the current limits that are there to achieve that INR8,000, INR9,000 crores this year. And because rating upgrades will take its own time. So that's what I wanted to understand.

Bahadur Dastoor: So rating upgrade has taken its time to move out of a default rating, which, while it is recommended at 90 days, it did take 90 days to come out of it. Now it is up towards the management and discussions with rating agencies to move quickly to an investment grade. One can never say with absolute certainty that a rating upgrade will happen. But management is very, very confident that the rating upgrade should happen very, very shortly. Once that happens, even those banks, which are looking for investment grade to start working with us, should start working with us. So we remain confident that we will have the limits for achieving the turnover that we have projected for the year.

Aashish: Okay. And lastly, if I can conclude on this, basically, next year, our growth will be much more. So we would be needing more of this to be there. So how sure are we that we can go to that extent where we -- the turnover reach will be 50% growth over FY '25? Then how do we plan to? And are we comfortable enough to achieve that requirement?

Bahadur Dastoor: Yes, we have to be - because if you are talking of a Nigeria project, which is, let's say, \$1.5 billion to \$2 billion, you will require limits of roughly \$800 million to \$900 million, for which we will be in touch with certain senior banks, not only in India, but also outside India. There are various options which are available to the company, and we will work on getting those limits in place well in advance.

Aashish: Okay. Sure. Just a request...

Bahadur Dastoor: And you have to also keep in mind that the projects are negative working capital. So you end up receiving your monies earlier. So there is always a churn as far as limits are concerned.

Aashish: Right, right, right. So I don't know how we address this, but any communication on this part within the quarters, if it is possible, just to give us a...

Bahadur Dastoor: Any upgrade have to statutorily be communicated. So once that happens, it is part of the LODR. So once that happens, we will keep you posted.

Moderator: Next question is from the line of Darshil Pandya from Finterest Capital.

Darshil Pandya: Sir, what would be the interest cost for this year?

Bahadur Dastoor: The interest costs will be significantly lower than what it was in the previous year. It should be in the region of about INR50 crores, INR55 crores all in put together.

Darshil Pandya: Okay. And sir, can you comment on this deferred tax. Can you please throw some light up what measures also we are taking on to use this?

Bahadur Dastoor: Deferred tax was created in the past for losses, both business losses and unabsorbed depreciation. However, it was not created on all the losses. It was created up to a point in time and then management decided not to create any more. A lot of the deferred tax was utilized in the previous year. As of the June quarter, we have utilized about INR10 crores. We still have another INR30 crores of deferred tax, which will get utilized.

And that is why the effective rate of tax of the company has fallen because we have a tax shelter. Not the entire tax shelter has a deferred tax created against it. There is only about INR30 crores more, which would need to be provided. It is a noncash item. It is a reversal of an accounting entry, which was done in the past.

Darshil Pandya: Okay. All right. And sir, just a request from, I guess, the majority of the analysts and the shareholders. If you can put up announcements for any orders that you have received, sir, during the quarter. It's like we are getting an update only after a quarter. So might be helpful for many here who are understanding the company. It would be a good, I guess, choice to put up this when the company receives an order or something.

Amit Jain: Yes. Yes, we take that feedback positively. And in the future, going forward, we'll do that.

Moderator: Ladies and gentlemen, due to time constraints, that will be the last question. I'll now hand the conference over to Mr. Amit Jain for closing comments.

Amit Jain: Yes. I would like to thank everybody for joining the call. And I would like to make the closing remark that with the 2 back-to-back quarters, PAT-positive quarters, we remain upbeat about the growth prospects of the company. And I take this opportunity to reiterate our guidance, both on order book and revenues. We are positively going to meet both the guidance with respect to order book and revenue of INR8,000 crores plus within this financial years.

With this, I would like to close the call. And you kindly get in touch with Sandeep Thomas Mathew or Strategic Growth Advisors, our Investor Relation advisers. Thank you once again, and have a great day. Thank you.

Moderator: Thank you very much. On behalf of Sterling and Wilson Renewable Energy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.