



“Sterling and Wilson Renewable Energy Limited
Q3 FY '25 Earnings Conference Call”

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**MANAGEMENT: MR. CHANDRA THAKUR – GLOBAL CHIEF EXECUTIVE
OFFICER DESIGNATE
MR. SANDEEP MATHEW – INTERIM CHIEF FINANCIAL
OFFICER**

Moderator: Ladies and gentlemen, good morning, and welcome to the Sterling and Wilson Renewable Energy Limited Q3 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.

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I now hand the conference over to Mr. Sandeep Thomas Mathew, Interim Chief Financial Officer. Thank you, and over to you, sir.

Sandeep Mathew: Yes. Good morning, everyone, and welcome to our Q3 FY '25 earnings call. It gives me great pleasure today to introduce our new Global CEO, Mr. Chandra Kishore Thakur, or CKT as the team fondly calls him. Mr. Thakur has been with Sterling and Wilson for over 7 years and is an industry veteran who has held leadership roles within NTPC, Lanco and Punj Lloyd previously. At SWREL, he was previously the CEO of Asia, Africa, Europe and Latin America, and a key architect of the India scale up. We also have with us today, SGA, who are our IR partners.

We will start today's call with the key operational highlights for the quarter and industry outlook by Mr. Thakur, followed by the financial highlights, post which, we will open the floor for Q&A. Thank you, and over to you, CKT.

Chandra Thakur: Thanks, Sandeep. A warm welcome to all the participants on this call. Let me begin with a quick update on our business operations and outlook.

Beginning with our order book. We have continued to build on the strong ordering momentum in the domestic market and won 2 new orders in the third quarter amounting to INR1,465 crores. We won a 400-megawatt DC project in Rajasthan from Aditya Birla Renewables who have worked with us in the past. We hope to be able to partner with them in their ambitious PAN-India projects in future as well.

We also received a second letter of award from GIPCL for a 625-megawatt DC BOS project in Gujarat. We are very excited to be working with them again, and provides us an opportunity to showcase our capabilities in the Khavda region, which is becoming a key market for us.

With the 2 order wins announced this quarter, our total order inflows for the 9-month period has touched INR5,679 crores. Of this, the domestic market has contributed INR4,525 crores, comprising 11 new projects.

Looking at the ordering momentum and bid pipeline, we remain confident of achieving our INR8,000 crores order inflow target, excluding Nigeria and RIL projects.

Our unexecuted order value now stands at over INR10,167 crores and continues to provide good P&L visibility for the forthcoming quarters. Over 80% of this order book comprises domestic

Indian projects, while the international UOV comprises primarily 2 projects, each in Europe and South Africa.

In terms of execution, while we continue to scale up our execution capabilities as is evident in the sequential pickup in revenues and the projects continue to progress on track, we have also, in few cases, realigned project time lines as per customer requirements, which is likely to result in execution spill over by 1 to 2 quarters in a few projects.

We have been making progress on some of the execution constraints we have faced in the past quarters, including releasing frozen non-fund based limits and achieving higher open credit terms with the key suppliers. We believe these factors will help us to progress on a sustainable execution growth in the forthcoming quarters.

We are continuing to see a very strong bid pipeline in place for India with over 21 gigawatts of projects likely to be awarded in the next 6 to 9 months. Our pipeline primarily captures projects which have a strong likelihood of coming to fruition in terms of an award. It is also important to bear in mind that in the just concluded third quarter, we have witnessed a fairly heavy project tendering activity, especially by the large PSU like NTPC and of course, GIPCL, where we have turned out to be a successful bidder as well. Thus, the solar EPC bid pipeline is continuously evolving with new projects getting added.

As pointed out in earlier calls by Amit, apart from typically a strong PSU pipeline, we are also seeing a strong pipeline of private IPP projects coming to the fore. In 9MFY25, of the 11 domestic projects we won, 9 projects came from the private sectors. Our existing private customers have exciting growth plans, and we are confident of growing our order book with them.

Simultaneously, a large set of PSU bids are also likely to get finalized between now and June 2025, growing our addressable market. We continue to judiciously evaluate projects in India and overseas and are mindful of having to remain patient in order to target profitable orders.

Our international business development team is also targeting a few select geographies like Europe and MENA regions for a few select projects, which are more strategic in nature and which we shall choose to pursue once our terms are agreeable to our developers.

Moving to the Nigeria project. We are still awaiting final order signing and closure. Also, as has been mentioned in earlier calls, post order signing, we expect the project to take 6 to 9 months to achieve financial closure.

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

Our O&M portfolio outlook remains strong, and our portfolio stands at 8.8 gigawatt as of December 2024. Our large stream of EPC projects, which are nearing completion in the next few quarters, will also feed a good pipeline of new projects for O&M, which should aid a meaningful pickup in revenues in this segment from second half of FY '26.

Moving to industry outlook.

India continues to be our single largest focus market and one where we have also historically done very well and delivered. Apart from the bid pipeline we have already indicated, which we believe is likely to get awarded over the next 2 to 3 quarters, the domestic EPC market continues to grow and remain very buoyant as we head into FY '26. It should therefore be no surprise if financial year 2026 turns out to be a stronger year than financial year 2025 in terms of EPC awarding.

Another potential growth area for us is the anticipated pickup in BESS projects across the country. There have been multiple BESS developer bids which have already been awarded. And given our headstart of working on the largest BESS project awarded in the country till date, we remain confident to make further inroads in this segment. With a fast-growing market and a strong balance sheet, we believe we are well positioned to tap the growth.

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

Sandeep Mathew:

Yes. Thank you, CKT. Moving to the financials. The company achieved its second highest quarterly revenue ever since listing and the highest quarterly revenue post COVID in 3Q FY '25.

Revenue grew 215% year-on-year and 78% sequentially to INR1,837 crores, primarily aided by higher execution in the domestic EPC projects and the new international EPC projects.

On the margins front, our consolidated reported gross margin was approximately 9.4% in Q3. And for the 9-month period, it is now around 10%. If you look at it segment-wise, domestic EPC gross margins were at 9.7% in this quarter, and this is compared to about 9.1% last quarter and has begun trending towards our target range of approximately 10% for the domestic segment.

In the international EPC, gross margins in third quarter was impacted by a one-time cost, which we incurred to achieve final punch point costs and thereby, achieved project closure in a legacy project. Excluding this cost impact, gross margins in the ongoing international EPC projects is around 11%.

O&M gross margins during the quarter were at 25% and more indicative of the steady-state margins that we've been alluding to in this segment.

Our operational EBITDA, which is operating revenues less recurring overheads, amounted to about INR90 crores this quarter, and has picked up significantly compared to approximately INR23 crores in the second quarter and INR21 crores in the first quarter.

With recurring overhead remaining steady and benefit of operational leverage kicking in, we believe that as execution pace picks up on the EBITDA side, there should be further gains.

Reported Q3 EBITDA came in at INR73 crores at a 4% margin and is about 43% higher on a sequential basis. Q3 profit before tax of INR41 crores has grown about 105% sequentially, or more than doubled.

Our reported PAT was INR17 crores, which is while very significantly higher both year-on-year and Q-on-Q terms, remains impacted by a non-cash deferred tax asset charge, which was roughly INR18 crores in this quarter. And this has been the case, if you recall, since Q4 FY '24 due to the stand-alone profitability. The remaining deferred tax assets on book as of today is approximately INR33 crores.

As CKT alluded to in his opening remarks, we continue to make positive strides in our execution scale up and hope to rapidly build further on the current base we have achieved in this quarter.

Now coming to the balance sheet, our net debt has decreased, by approximately INR150 crores this quarter, as we received about INR109 crores indemnity proceeds from SP Group and Khurshed in November '24, which was, in turn, used to pay down some term debt. Positive cash flows from operations also pushed up the quarter end cash balance.

We continue to make progress on easing up limits on the non-fund-based side. However, the progress has been slower than what we had hoped for. On the positive side, our request to suppliers for open credit has been fairly encouraging. To reiterate our plan for Q4 and beyond, scale-up is being realigned with domestic customer requirements, which has led to some pushout in execution.

We are targeting about INR2,300 crores to INR2,500 crores in top line for the fourth quarter. With this, we can now open the floor for question and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Subash from Value Investments.

Subash: Yes. Congratulations for the great set of numbers, especially on a quarter-on-quarter basis, as you had guided that Q3 is going to be significantly better quarter than Q2. I think you have showed the results. But you said Q4 would be the best quarter of the year. And also, throughout the year, I think everybody were more curious about the revenue guidance that you had given from the beginning.

Even during -- even after Q2, you said that you're very confident of achieving INR8,000 crores revenue, there was no doubt in that. So now when I see the 9 months revenue, it is INR3,800 crores. So -- but I think the last point in which you mentioned INR2,500 crores to INR3,000 crores is the fourth quarter revenue projection. So, if you do only INR3,000 crores, then you will not be able to achieve the INR8,000 crores revenue guidance, right? Am I right?

Sandeep Mathew: So, -- that is correct. I think what we are -- if you sum up the numbers that we have given, you would get to about INR6,000 crores to INR6,500 crores range, which is what is the number that we believe can be achieved. And this is, like I said, primarily a function of 2 factors - One, which is not in our control, which is essentially the customers' requirements, the realignment in the plans as per the customer requirements.

And the second, obviously, the ones which are under our control are on the basis of non-fund-based limits and the increased open credit that we have been getting -- managed to get from the suppliers. Those have been progressing fairly well, and that is where we stand today.

- Subash:** Okay. So, then INR8,000 crores revenue is not achievable this year, right?
- Sandeep Mathew:** Yes, that number, if you add up what we've indicated, will indicate to like I said INR6,000 crores to INR6,500 crores.
- Subash:** INR6,000 crores to INR6,500 crores is also fairly a good number for the year. But I mean as – since -- I was more excited was more excited about the INR8,000 crores, this would be a disappointment. But my main question is about your first point, you mentioned that due to the customer realignment, could you elaborate more on that?
- I mean why -- you said that during -- after Q2 in the Investor call, you said there was no problem in execution. And you are very confident of achieving INR8,000 crores. So, what is it about the customer realignment - could you elaborate on this point?
- Chandra Thakur:** This is CK Thakur. When you say, customer realignment in some of the projects on the -- because of some difficulties on the land acquisitions and the evacuation capabilities getting ready, matching the project requirement. The customers had phased out work for this. And therefore, we have necessarily realigned our -- the complete working strategy and all.
- Subash:** Okay. So, my last question is about the Reliance BESS pilot project that you are doing. You said that you would be able to complete it by end of this financial year. So, is that timeline still good? Or do you need more time to execute it? And also, if you could give an update on the Nigerian project, more details on it, that would be helpful?
- Chandra Thakur:** No. So, I think we are absolutely on track with respect to execution of Reliance pilot projects. I'm happy to say that the first set of the projects is already commissioned. Another set of projects is getting commissioned soon. And the rest of the projects are on -- absolutely on time as planned in this financial year, which will be completing the balance, the remaining portion of the project.
- Sandeep Mathew:** Subash, on Nigeria, procedurally, things are moving in a positive way. Now we just have to wait it out till the actual order gets announced.
- Moderator:** We take the next question from the line of Puneet from HSBC.
- Puneet:** My first question is on potential Reliance business. Do you have any indications of them scaling up? And are you keeping some sort of bandwidth separate for that, which is still driving recurring overheads? Or do you think that recurring overhead itself will start falling from next year onwards?
- Chandra Thakur:** Puneet, most of the information from Reliance is in the public domain, the kind of plan they have and all. Closely, if you follow us, so now there seems to be some traction on some of the projects. We are well poised, and we are in discussion with them. And hopefully, something would be materializing soon.
- Puneet:** And what influence does it have on the recurring overheads? I think that is what I'm trying to understand.

Chandra Thakur: So, I mean, the revenues are increasing, obviously. We will have to add some teams, right, for them. So, depending upon the business scale up and all, but that would be impacting on to the reduction of revenue overhead only, right? So, if the revenue goes up, the overhead, obviously, in the overall business number will come down as a percentage. That would be a positive sign.

Sandeep Mathew: So, Puneet, there are 2 aspects to this. One is on the fixed overhead's part, which is already part of the recurring overheads. Where we have already indicated in the past that up to a certain revenue run rate, which would probably be significantly higher than, let's say, our current quarterly run rate, right, I think till such time, say, about INR10,000 crores to INR12,000 crores or plus, around thereabouts. Our recurring overheads are currently not going to increase till that level of a run rate in all likelihood.

And a fair amount of optimization that we have done in the past has helped us bring the recurring overhead to where it is right now. And probably from here on, I think as a guidance, probably it will increase at the rate of inflation is probably the best guess, given that most of the optimization that we have done has already been largely completed.

Puneet: Understood. That's very clear. Second question is on the profitability and terms of PSU versus private orders. Is there a difference? Do we expect better margins, lower margins from private clients versus PSU clients? And how are the terms shifting there?

Chandra Thakur: So while PSU orders are most competitive. Sometimes you have seen some of the orders getting closed have witnessed a lower margin, of course. But the IPPs since -- I mean, the orders are mostly closed on the merit of the EPC company. And our order books, in the last few quarters, is mostly from the Private IPPs, so we are very selective also in order to decide the order bookings patterns. Whenever if it doesn't match to our requirements of profitability, obviously, then we -- sometimes we decide to shy away.

Moderator: The next question comes from the line of Kunal Shah from DAM Capital.

Kunal Shah: Yes. Now just dissecting this point on the revenue slippage with respect to the guidance. So, what quantum of that slippage can be assigned to projects running slow from a developer side? And what percent due to our banking limit constraints? So just to understand how we can build up FY '26 basically?

Sandeep Mathew: So, Kunal, I think the simplest way to look at it would be that we were targeting about INR6,000 crores over 2 quarters, right? And effectively, a 1 quarter delay or a slippage would essentially imply that you will basically do INR6,000 crores over 3 quarters.

Kunal Shah: No, I'm still unable to understand. Like initially, we were guiding for INR8,000 crores, and now we closed roughly, let's say, between INR6,000 crores to INR6,500 crores. What I'm trying to understand is this INR1,500 crores shortfall versus our initial guidance, how much is due to the developers running slow? And how much due to our own banking limit constraints?

Sandeep Mathew: So, a large part of this -- if you just go by like what I was trying to explain to you, would essentially imply that a large part of this would be on account of the customer realignment that has happened.

Kunal Shah: Right. And -- okay, understood. And sir, now just this basis where we are in terms of the order book and the banking limits, how should FY '26 sort of shape up on a conservative basis, ex Reliance and ex Nigeria from a revenue perspective?

Sandeep Mathew: So, see, what we have targeting is essentially to -- essentially look at INR2,300 crores to INR2,500 crores exit run rate of Q4. I think it will be a fairly good indicator of what we could look to do in a steady state.

Kunal Shah: Okay. And also just on the CFO appointment, I think last quarter, we were mentioning that we were nearing the finalization of that. Now by when can we sort of zero in on that as well?

Chandra Thakur: So -- we are in the selection process. So, the person has been identified. And he is serving the notice period in the previous company, and he will be joining after serving the notice period.

Kunal Shah: Any timeline here, sorry?

Chandra Thakur: Let's say, 2 to 3 months.

Moderator: The next question comes from the line of Rohit Natarajan from Aditya Birla Sun Life Insurance.

Rohit Natarajan: My first question was on the non-recurring overheads. We have indicated some INR20-odd crores in this quarter. Any color on what exactly is this? And how do we -- I mean, do you still stick to that INR300 crores annual recurring overheads that number? Is that intact?

Sandeep Mathew: So, Rohit, if you look at 9-month period, right? I mean, your total non-recurring overheads would, I think, amount to about INR8 crores. This is because there was a gain, if you recall, last quarter of about other income rather of about INR12 crores, which was an exceptional other income.

And then if you look at historically the numbers, I think in the last 2 years, they have largely been about INR8 crores to INR17 crores for a full year, which is the nonrecurring overhead number. So, I would still think that just overall basis, I think those numbers are fairly in line with what has been the case in the past years.

And I think overall, if you look at what our recurring overheads are, they have still been about INR80-odd crores. So -- and that's where we've been guiding to. So that INR320 crores number still looks -- INR320 crores to INR330-odd crores number still looks very much the case.

Rohit Natarajan: Really appreciate it. My second question has more to do with the interest part. So essentially, we were -- of the thesis that if we have to do some INR8,000 crores, INR70 crores to INR100 crores is what we support through churning of the non-fund-based limits. Now what is the interest -- I mean, the non-fund-based charges that we pay?

I mean, we were in talks earlier to negotiate downwards, I believe. What exactly will it be once that thing gets -- turned out to be true, like, I mean, all the negotiations if it goes through?

Sandeep Mathew: So, the charges will eventually settle at around 50 bps to a 1% Rohit.

Rohit Natarajan: Okay. So that will be -- at least, I believe right line, and what is the amount that you pay right now?

Sandeep Mathew: No, you're talking about the absolute amount that we pay out?

Rohit Natarajan: No, the percentage. That is post negotiation, it will be 0.5%, but what is the outgo, as in the percentage right now for non-fund-based limits?

Sandeep Mathew: So, the moment we had defaulted, I think when rates had moved to card rate, which was higher -- significantly higher, about close to 1.5% to 2%. And since then, we've effectively started re-negotiating them, and they are moving towards the rate that I had earlier just mentioned, which is about 0.5% to 1%.

Rohit Natarajan: Okay. And what was it until 9 months or maybe what was in Q3 that may be possibly a good indicator to see how things unfold?

Sandeep Mathew: Sorry. Can you come again on that?

Rohit Natarajan: The 3Q, what was that charge effectively?

Sandeep Mathew: 3Q charge was about 1%

Moderator: The next question comes from the line of Aejas Lakhani from Unifi Capital Private Limited.

Aejas Lakhani: Congratulations CKT and Sandeep on the elevation. A couple of questions. The first is that, Sandeep, could you call out that out of the INR7,300 crores of sanction limits, what exactly is the limit that is available to the company at present? And when do you expect the additional lines to open up, given that the credit rating has turned investment grade?

In the second quarter, you had alluded to opening up of further limits. Where are we in that process? What has been the reason for the delay? And also, what is the quantum of open trade limits that you are in discussions with from your vendors? Is this a fourth quarter phenomenon? Or is this likely to persist for FY '26 as well?

Sandeep Mathew: Yes. So, 2 things, Aejas. One is that for the target that we've effectively set out to do for the fourth quarter, we really do not need any additional further limits in terms of non-fund. I think what we currently have would largely suffice. The second thing is on the supplier credit itself; I think there has been a fairly large push from our side. And we've actually seen also some of the suppliers respond very positively. One thing that obviously happens with supplier creditors that -- your payment cycles tend to shorten a bit, which is fine. But yes, I mean, I think what we have been trying to do is push more towards on the supplier side and make up for the lack of limits as such, which has been the case.

Chandra Thakur: And Aejas just so most of the open credits payments now we have been paying in 40 to 60 days' time. So that's a good signal basically. So that's where we are getting -- I mean, the push -- we are able to give the push on to the revenue generation side.

- Aejas Lakhani:** And out of the INR7,300 crores of limit, could you just answer what is the actual limits that are available to the company at present?
- Sandeep Mathew:** About INR4,500 crores, Aejas.
- Aejas Lakhani:** Okay. I think last quarter, this was closer to INR3,500 crores. So INR1,000 crores of additional limits have opened up from the existing bank?
- Sandeep Mathew:** Well, so some of the limit has increased post the investment-grade rating upgrade.
- Aejas Lakhani:** Okay. So, are you saying that the limit is no longer INR7,300 crores? It's higher?
- Sandeep Mathew:** No, no. The ones that are available for use, Aejas.
- Aejas Lakhani:** Okay. But the total sanction limits were about INR7,300 crores. Is that number broadly, correct?
- Sandeep Mathew:** Yes, that number is still broadly correct, yes.
- Aejas Lakhani:** Okay. And out of that, you have INR4,500 crores that you can draw today?
- Sandeep Mathew:** Correct.
- Aejas Lakhani:** Okay. And does the INR7,300 crores include that IREDA INR500 crores? Or IREDA INR500 crores is over and above?
- Sandeep Mathew:** No, that is over and above.
- Aejas Lakhani:** Over and above. Okay, fine. The other one is that -- so what I'm now understanding, given that you've had an additional improvement sequentially in limits, your call out is that it's really the delay from the client side and the realignment from their side because of evacuation pressures that has led to this revenue shortfall. Is that broad understanding correct?
- Chandra Thakur:** Yes, Aejas. Your understanding is correct.
- Aejas Lakhani:** Okay. So, sir, then I have 2 questions on that. One is that the PSU pack, which you were expecting to sort of close out in this year, had a delivery deadline date, right? And if we did not meet that, there were implications that are there in clauses and contracts. So, will there be -- could you just explain that on account of all of this, what will be the impact beyond the revenue shift that will take place from 4Q to first Q? Will there be any additional impact to us?
- Chandra Thakur:** No, Aejas, because it's basically that you have to align with the customer requirement and it's basically the constraints imposed by them. So therefore, together, we decided to pace out the work. And contractually, there won't be any impact.
- Aejas Lakhani:** Okay. And sir, secondly, from a fungibility standpoint, see if money was not a constraint, you had enough C&I orders as well that you could have executed executed to cover this shortfall and you could have realigned resources. So, could you just expand your thoughts on that?

- Chandra Thakur:** No. So IPP project, if we see, except a few projects where there had been initial land disputes, and that has really pushed the project progress. Other than that, we are almost on track. Every single project is on track. There is no delay.
- Aejas Lakhani:** Okay. And sir, just one last observation from my side that fiduciaries like ourselves, which are completely reliant on the management to provide us with business outlook. In that light, sir, your guidance keeps -- there's a consistent pattern of overpromising and underdelivering on that front. My request is that, sir, if you could introspect into this aspect and help us if you need to, in this matter a little more firmly sir?
- Sandeep Mathew:** Thank you, Aejas. We'll definitely take your feedback into account.
- Moderator:** The next question comes from the line of Shiwani from Monarch Network Capital.
- Shiwani:** I wanted to understand about the pending litigation matter. What are the developments? And how confident we are of closing some of the litigation? So, some thoughts on that would be helpful?
- Sandeep Mathew:** So, Shiwani, I'll start off and maybe CKT can add. I think one important development that has very recently happened is the Andhra Pradesh High Court had ruled favorably in a GST case that we've been fighting in the courts, where they have ruled that it's not to be taxed at 18% as the initial order was.
- So, we are now planning to effectively contest this across the other states as well. And hopefully, if we get a positive development on this, we should be able to recoup some of the amounts that are currently stuck in those case -- in that particular GST-related case. Over and above this, there have been some positive developments in one of our Australian projects as well. And we should, hopefully, in the next quarter, have an update for you there on that as well. And anything else C.K. that you can think of?
- Chandra Thakur:** It's okay. Yes.
- Sandeep Mathew:** Yes. So those have been 2, I think, important updates that have happened. And as for the others, there things are moving procedurally. And I think we are fairly confident of our position on all the litigations that we are involved in.
- Shiwani:** For the projects you mentioned about, what is the corresponding amount that we're looking at?
- Sandeep Mathew:** So, we are about -- I think the total amount is, if I recall correctly, about INR170-odd crores.
- Shiwani:** Okay. And the one in the US arbitration that is pending, no updates on that as of now?
- Sandeep Mathew:** Things are moving procedurally like I mentioned. Nothing incremental as such to report over here.
- Shiwani:** Sure. Also, could you quickly elaborate on the gross margin impact for the international project, which is to do with the legacy projects?

- Sandeep Mathew:** Yes. So, I think we had to take about AUD3 million cost that we incurred this quarter to achieve final punch points in one of the large projects that we had to essentially hand over in Australia. The client was, very honestly speaking, unreasonable or acting very unreasonable in our view. And contractually, our legal team is very confident of winning the case as well. But we didn't want to pick up another legal battle and -- so we just decided to take the cost and complete it.
- Moderator:** The next question comes from the line of Nikhil Abhyankar from UTI Mutual Fund.
- Nikhil Abhyankar:** Sir, in this year or last year, we had done a BESS listing of 1 gigawatt from JSW. I think for that, the tariff hasn't been approved. So how are we placed over there? I mean, will we be incurring any losses for the amount that we have already spent?
- Chandra Thakur:** Can you come back again, please?
- Nikhil Abhyankar:** We have won a BESS order from a private company for which the tariff wasn't approved much recently?
- Chandra Thakur:** Yes. So, you're talking about the BESS order from JSW. So yes. So, the tariff adoptions by the regulatory commission has been questioned and sent back to SECI. SECI and JSW, they are in discussions because the project has substantially picked up. And that could be -- that will be prejudice status at their end. Other than that, we have been not asked to -- I mean there is no termination kind of the situation at this stage.
- And in fact, on the civil front for some of the portions which is long lead items kind of things, the project is still on.
- Nikhil Abhyankar:** Okay. So, we don't expect this to be a standard project going forward?
- Chandra Thakur:** As of now, yes, no, we don't expect.
- Nikhil Abhyankar:** And sir, how do you see at this risk? I mean, we are also witnessing that a lot of tenders are being bid out, but the PPAs are not being signed. So, can you just elaborate, I mean, how do you look at it going forward? Will it impact our execution as well?
- Chandra Thakur:** No. So not really. So, all those orders that we have, the PPA is already signed. So that will not be impacted in any case. For the next financial years, I mean all those orders, which are expected to be out for EPC contract, part of them are gradually being signed, and our expectations with the mix of the opportunities from PSU and IPPs, our growth potential for order bookings will remain as projected.
- Moderator:** The next question comes from the line of Aashish Urganlawar from InvesQ PMS.
- Aashish Urganlawar:** Yes. I just wanted to get clarity on this non-fund-based limit that have been talked about. You said the INR4,500 crores is the usable limits. And would that mean INR2,000 crores or INR2,500 crores of top line is the max that can be achieved with this as of now? I mean just sort of understanding would help here?

Sandeep Mathew: No, no, that's not entirely true. So effectively, INR4,500 crores of non-fund-based limits comprises limits which are used for bank guarantees. These include both advanced bank guarantees and performance bank guarantees, and also for letters of credit, which are LCs, right?

Now, obviously, in the case of older projects, once we complete them, the bank guarantees which were given, they come back. For new projects, we need to give them. So, it is essentially a pool with where there are projects coming in and going out. And at the same time, we also need to manage what effectively are these letters of credit as well. So, what really impacts us over here from the non-fund-based limits is essentially the letters of credit number. And there, we -- I mean, like I said, sometimes if BGs gets vacated, then we can utilize that facility for LCs and so on.

So INR4,500 crores, effectively, what we had indicated last time, with INR1,000 crores of LCs, we should be able to churn it around once every quarter, at least that was the ballpark estimate that we have done -- we had given. Over and above that, you know that we already have taken a INR500 crores IREDA loan, which also will ease some of the cash flow constraints.

Our projects, in general, are negative working capital as well. So sometimes they throw up excess cash, which can be used for execution. And over and above that, you have the support from the suppliers in terms of open credit. So, all these combination of factors are what eventually leads to the final execution run rate.

And basis what our current clients' requirements are and where we stand, we believe, like we had earlier indicated, we should be able to do about INR2,300 crores to INR2,500 crores next quarter, which we hope will now become sort of an exit rate for the forthcoming quarters.

Aashish Uppanlawar: Okay. And the progression that you would see going ahead on easing of these things? I mean you said that something is in the works and that would help probably. So, anything to share on that on the limits getting enhanced?

Sandeep Mathew: So yes, I mean, like I said, so this is a continuous process. The fact that today, we already have INR7,500 crores worth of limits and only INR4,500 crores is usable. So, our attempt will be to try to get back to a higher number, right, than what we have currently. But that is a continuous dialogue with the banks that we are having on the side. And as soon as we have updates over there, we will keep you guys posted as well.

Aashish Uppanlawar: So, the net number of INR1,000 crores between September quarter and now, that is the addition that we've had, right? I mean someone questioned on that. So, is that the right understanding?

Sandeep Mathew: So, these are essentially the unfrozen units. That's currently about INR4,500 crores, yes.

Aashish Uppanlawar: And that was INR3,500 in September?

Sandeep Mathew: We'll have to check that number. But yes.

Aashish Uppanlawar: Okay. And sir, I wanted to check on the overall scenario as well, because is competition coming in decently big, though the kind of macros for our business seems to be pretty good in terms of

order inflows typically for the sector. But how is competition shaping up in that? And because we've seen one of the players, I mean, reporting not so great numbers. So, I just want to check on is anything changing on that competition or the macro basically?

Chandra Thakur: Yes. So, I mean market is quite competitive. That is true. So many new players have come, but there are enough opportunities. As per our business models, we are selective on to the project qualities, both from the PSU and the IPP side. So as far as our target seems to be there and looking at the market opportunities, we don't feel that we are constrained upon achieving our target number.

Aashish Urganlawar: And any impact on our profitability of competition or maybe aggression in that sense? Because we've seen gross margins are a bit lower compared to maybe it's because of the mix or anything you could just highlight?

Chandra Thakur: No. So even in the intense market, we have been able to grab some of the projects at a fairly good margin, like GIPCL recently, we have won this order. This had fairly good margin. And this was again a very competitive bid, right? So sometimes it's all market specific and the market is obviously competitive. But our business model says that at what business time, the margins we have to operate. We are, I mean, fairly trying to work around that only.

I don't think that because of this, I mean there is going to be a huge pressure to the margin because ultimately, I mean it's a question of -- some quarters could be good scenario, some quarters could be probably too intense. But then we have to position ourselves to see that we are as per our own business understanding.

Aashish Urganlawar: Okay. And lastly, nothing to add on the Nigeria bit, given the elections in the US are over. So, any sense further that you're getting into it? Or we are status quo on what's been happening over the last 2, 3 quarters?

Sandeep Mathew: So, like I earlier alluded to, in -- on Nigeria, things are procedurally moving in a positive way. So just -- we'll just have to wait it out until we actually get the order.

Moderator: The next question comes from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: Just taking the question of the previous participant. The ordering inflow for some players and even for us, probably is slightly slower than what was expected. We still stand to a guidance of INR8,000 crores of order inflow. So, are we expecting maybe some order wins in the export market to bridge the gap in Q4?

Chandra Thakur: Alisha, so basically, if you see the quarter -- up to the 9 months order booking position, so we can say we are almost on track. So, we have INR2,000 crores sort of our -- the target. This quarter, the quarter 4 in domestic market, it is still very robust, both from the IPP -- mostly from the IPP and also from the PSU bids.

Obviously, we are very selective on to the overseas market. We don't want to be, I mean, just for the sake of reaching the target to grab any orders. We are very selective. We are working on

a few of the projects very seriously. Some of them may materialize, but we are confident of achieving the target which has been set forth.

Alisha Mahawla: In light of that, assuming that we close our order book at INR10,000 crores by the end of FY '25 and like you mentioned in the call that customer realignment and delays from the customer end, how should one understand the execution period of this order book now?

Chandra Thakur: So typically, in Indian market, for the project size of say, 300 and above megawatt capacity, is around 9 to 12 months. So, all – I mean, some of the orders which have been booked up to, say, quarter 2, those would be -- part of them would be commissioned by March and a few of them can spill over as per the project timelines. The orders which we'll be booking now that definitely commissioning will go in the next financial year.

Alisha Mahawla: So, basically we still believe that we can execute this order book in 9 to 12 months despite the fact that currently some customers are requesting for a slower execution?

Chandra Thakur: Yes. So, whatever there would be -- I mean, the work has been phased out. So there, we will be getting time extension and all. So, the 12 months, may shift into 15 months in a few cases. I mean that is as per the input requirement for the project commissioning which could be mean, evacuation delays and all such kind of stuff.

Moderator: The next question comes from the line of Suraj Malu from Catamaran Ventures.

Suraj Malu: Yes. My question was more like it might be repeat, but just to clarify, like the current order book, that is to be executed over what time frame exactly? Like is it 12 months or 15 months or 18 months?

Chandra Thakur: So that's what I was just telling the last question I was just responding to. So, the project timelines is highly -- depending upon the scope of the works and the complexity of the project, it all depends between 9 to 15 months in the domestic market, India market. So, few of the projects are with the time-lines of 15 months, few of them 12 months, few of them 9 months so like that.

Moderator: The next question comes from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Yes. So just to understand some bit of clarity on the -- you have indicated in Q4, you are expecting INR2,000 crores worth of orders. But going into next year, considering the pipelines and competition, which currently you are working on, can you throw some light that what sort of order intake that we can target in FY '26? Because if we see the numbers which are going to throw from different sections of the market are going to be significantly higher.

We have done almost 30 gigawatts in FY '25 in terms of solar installations in the country. And hopefully, in FY '26, those numbers are going to be upwards of almost 40 gigawatt. That is what broadly the industry is talking about right now. So, under that parlance, what sort of order intake that you can think of considering the -- and also the banking lines. You've already indicated we have been able to get INR4,500 crores of bank limits right now in terms of LCs and BGs.

So, considering the banking constraints and clarity -- some bit of clarity on that for FY '25 will be really helpful?

Chandra Thakur: So, in the pure play EPC space, if you see the opportunities are coming up, it's large. And assuming that our CAGR should be, say, 15% to 20%. So, this year, I suppose we will be closing at INR8,000. So, our target for next year could be safely around INR10,000 crores. And looking at the -- I mean, the banking constraints and all, if you say that without the limit being enhanced, today we are able to do this, say, this quarter, say, we are between INR2,300, INR2,500 crores. If that is the exit rate, so fairly, you can then expect that the -- our revenue target will also go substantially high. So, targeting a INR10,000 crores order bookings from the execution capabilities and looking at the other constraints -- I mean, is the fair ask.

Bajrang Bafna: So, the similar will be the revenue run rate, considering 12-month execution cycle. So, the exit rate of INR2,300 to INR2,500 for Q4, looking at the current scenario next year, we would be targeting INR10,000 crores worth of execution also in terms of domestic market. And over and above, if we get anything from Nigeria or Reliance, that will be additional. That understanding should be okay for the time being?

Chandra Thakur: So, I think you're understanding right. So, we will be working on INR10,000 crores of project execution. So, we'll be working on that kind of thing. Revenue numbers, obviously, all of them will not be commissioned in the next financial year, a few of them will spill over. So, the revenue numbers will accordingly be adjusted.

Bajrang Bafna: No. But right now, you will be exiting, let's say, with INR8,000 crores order book, and you will be targeting INR10,000 crores order book in next year. So, you'll be having the execution of INR18,000 crores. And even if I assume 9 to 12 or maybe 15 months execution cycle, achieving INR10,000 crores top line should not be an issue in FY '26.

Chandra Thakur: Yes. So, when I say the INR10,000 crores order book -- fresh order booking next financial year, that would be, I mean, is spanned over 4 quarters, right? So, say, even 50% of that. So that means we will be starting our financial year '26 with INR8,000 crores to INR10,000 crores -- INR10,000 crores of order booking like UOV, another INR4,000 crores to INR5,000 crores will be adding.

So, we'll be working say on -- at different stage of the project, we will be working on around INR12,000 crores to INR15,000 crores, right? So, with this and the exit run rate of the revenues that we have, I mean, discussed now in the last quarters, it would be, I mean, safe to achieve approximately INR8,000 crores of order and revenue numbers next year.

Bajrang Bafna: Okay. Got it. And margins will be in the same range of 10% to 11% GP margins, that is what you're achieving right now? Correct?

Chandra Thakur: Absolutely right.

Moderator: The next question comes from the line of Bhavik Shah from MK Ventures.

- Bhavik Shah:** So, we understand like the Reliance trials are completed or are in progress and they have been positive on that. So, do you think it will take 1 year for the orders to come in? So, you are not building in anything in FY '26. So, is that understanding correct?
- Chandra Thakur:** I don't think so, Bhavik. So, I mean I have told you that the pilot projects are -- would be definitely over in this financial year, and they have started working for a few other projects. Overall, I mean, the development plan is in the public domain that you can see. But in my understanding, now the movement seems to be there, and we are well-positioned. So, we are under dialogue with them to get some of the orders.
- Bhavik Shah:** So, we are in financial closure at that -- at this moment? Or we are still awaiting that?
- Chandra Thakur:** A few projects are cleared by their Board and that discussion is going on.
- Bhavik Shah:** So, what I can understand is we get Nigeria as well as Reliance may be towards the end of FY '26 or in FY '27. So, do you think we have a bandwidth to execute both these projects together?
- Sandeep Mathew:** So, we've been talking about this in the past as well, right, that we will scale up as we go and as order inflow comes in. We will ramp up their teams to what we believe will be a sustainable level that is required. Specifically, for Nigeria, as such, we do not, at this point, see any need for additional overhead. For Reliance, as and when, depending on the scale of those projects, we will take a call once we have more clarity and visibility on the steady-state run rate over there.
- Bhavik Shah:** Sir, this INR10,000 crores of order inflow for FY '26, this is excluding Reliance and Nigeria, right?
- Chandra Thakur:** True. That's true.
- Moderator:** The next question comes from the line of Amit Mehendale from RoboCapital.
- Amit Mehendale:** All my questions have been answered.
- Moderator:** The next question comes from the line of Eshwar from ithubought PMS.
- Eshwar:** I just had a clarification on the slide that you've given. So, you said that the future scale up of the company has been realigned to the requirements of the domestic customers. Can you talk a little bit more on that, please?
- Sandeep Mathew:** We've already fairly in detail explained this. Is there anything specific that you would like to -- like us to add?
- Eshwar:** No, sir, is there any difference between the requirements of, say, North American customer or a Middle Eastern customer and a domestic Indian customer?
- Sandeep Mathew:** No, no. So, this essentially, just refers to largely our domestic customers, the realignment that we're talking about. And these have been, like CKT had earlier alluded to as well due to land acquisition related issues that they have been facing at their end. In certain cases, it has been transmission issues and so on.

Moderator: Thank you. Ladies and gentlemen, that was the last question. 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.