

October 22, 2024

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001  <b>Scrip Code: 542760</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza Bandra Kurla Complex Bandra (East), Mumbai – 400 051  <b>Symbol: SWSOLAR</b>
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**Sub.: Investors Call Q2 FY 25- Transcript**

**Ref.: Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)**

Dear Sir/ Madam,

In continuation to our letters dated October 10, 2024 and October 15, 2024, please find enclosed the Transcript of the Investors Call held on Tuesday, October 15, 2024 at 09:00 A.M. on the Unaudited Standalone and Consolidated Financial results of the Company for the quarter and half year ended September 30, 2024.

The same is available on the Company’s website at [www.sterlingandwilsonre.com](http://www.sterlingandwilsonre.com).

Request you to take the same on records.

Thanking you,

Yours faithfully,

**For Sterling and Wilson Renewable Energy Limited**

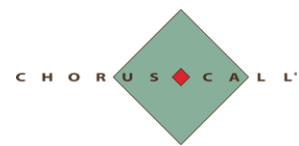
**Jagannadha Rao Ch. V.**  
**Company Secretary and Compliance Officer**  
Encl.: As above



“Sterling and Wilson Renewable Energy Limited  
Q2 FY '25 Earnings Conference Call”

October 15, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 15<sup>th</sup> October 2024 will prevail.



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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Sterling and Wilson Renewable Energy Limited Q2 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 Investor Relations for his opening remarks. Thank you, and over to you, sir.

**Sandeep Thomas Mathew:** Good morning, everyone. Welcome to our Q2 FY '25 earnings call. Along with me, I have Mr. Amit Jain our Global CEO; and SGA our Investor Relations Advisor. We will start the call with the key operational highlights for the quarter and industry outlook by Mr. Amit followed by the financial highlights, post which we will open the floor 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. We have continued to build on the strong ordering momentum of Q1 by announcing an additional INR 2,044 crores worth of new orders in Q2. Our total new order inflow this fiscal have touched INR 4,214 crores thus far, and are happy to report that we remain on track to meet our full year order inflow guidance of INR 8,000 crores.

Our unexecuted order value now stands at over INR 10,500 crores, and it is the highest in the company's history. While Q1 ordering activity saw a mix of international and domestic orders, all our orders in Q2 were from domestic market.

One of our key order wins this quarter was the LOI for 2 x 250-megawatt AC standalone BESS plant at Rajasthan by JSW. This project till date is India's largest battery energy storage project and one of the very few projects of gigawatt-hour scale in single location globally, which shall be executed by 2025.

This project win is a significant development as over the last 12 to 18 months, there have been multiple tenders and bids of projects for either standalone storage or hybrid that is renewable plus storage in India, making it a very important step for us as a company. This win depicts our in-house capabilities and knowledge for energy storage system engineering and execution and places us with a large advantage in the fast-growing solar and storage market.

Additionally, the company has also been awarded a LOI for 20-megawatt floating solar project at Vijaynagar from JSW, which marks the third such floating solar project the company is currently executing in the country.

We achieved a key breakthrough with Brookfield, one of the leading global renewable private IPPs in the country through the balance of system order for its 633-megawatt DC project in Rajasthan, India. Scope of work includes engineering, design, testing and commissioning the PV plant, along with supply and works for a 220 kV switchyard.

Repeat orders are a testimony of a good EPC contractor, and we are happy to have bagged repeat orders from ENGIE and AMPYR for their PV projects in Gujarat and Maharashtra respectively.

The latest order, which we received yesterday was a turnkey project by NTPC for a 250-megawatt AC or 312-megawatt DC project in Rajasthan. With this order, we continue to strengthen our relationship with one of the biggest renewable developers in the country.

In terms of execution, we anticipate a very strong pickup in execution in the second half, as we had indicated in the previous conference call. We have all building blocks in place to meet our revenue guidance of INR8,000 crores for the year. We have significantly strengthened our engineering, execution and support team in India to achieve significant ramp-up in execution in H2.

The recent INR500 crores loan sanctioned by IREDA and the credit rating upgrade received last night, moving us to investment grade, will go a long way in helping us achieve our revenue guidance.

Our unexecuted order book currently stands at INR10,549 crores with approximately 78% constituting domestic orders, while our international UOV pertains to two projects in Europe and two projects in South Africa.

We are continuing to see a very strong bid pipeline in place for India with over 23 gigawatts of projects likely to be awarded in the next 6 to 12 months. Apart from the typically strong PSU pipeline, we are also seeing a strong pipeline of private IPP project coming to the fore.

In H1, 11 out of 12 projects that we have won have come from private sector. Our existing private customers have exciting growth plans, and we are confident of growing the order book with them in H2. Simultaneously, majority of the PSU bids will get finalized in Q3 and Q4, which will lead to a much larger addressable market for us in H2 as compared to H1.

We continue to judiciously evaluate projects in India and overseas and are mindful of having to remain patient in order to target profitable orders.

Moving to the Nigeria project, we are still awaiting final order signing, which we are expecting to happen soon. Also, as I have mentioned in earlier calls, post order signing we expect project to take 6 months to achieve financial closure.

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

Our O&M portfolio outlook remains strong and portfolio stands at 7.8 gigawatts as of September 2024. The benefit of a larger 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 has been our single largest focus market for the past 3 years, and we have been constantly endeavouring to grab a larger pie of the market. We are continuously recalibrating our strategy as market evolves. From only pure play BOS, we have also taken a few turnkey projects strategically and looking to tap into new opportunities like BESS. With a strong balance sheet, we remain well positioned to tap into strong industry growth in both domestic and international markets.

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

**Sandeep Thomas Mathew:** Thank you, Amit. We are very happy to report a third consecutive quarter of positive EBITDA, PBT and PAT at a consol level in this quarter. Our operating revenue for Q2 FY '25 was INR1,131 crores. Revenue grew 36% year-on-year and 13% sequentially. Our top line for the quarter was largely driven by domestic EPC execution.

On the margin front, our consol reported gross margin was approximately 10% in this quarter. However, it is important to note that while our domestic margins was lower at 9%, approximately 10% of this domestic revenue that was booked in this quarter was cost equal to revenue in some projects, which were yet to achieve the POCM threshold. If you adjust for the same, the blended gross margin for the domestic segment turns out to roughly about 10.5%. As stated in the previous conference calls, we believe that our domestic gross margins will hover in the 10% range in this fiscal year.

Our O&M gross margin at 28% was higher than average due to lower expenditure that was incurred in Q2. However, we anticipate these margins to normalize due to post monsoon maintenance that is likely in the second half of this year. Recurring O&M margins are trending towards more steady-state margins of approximately 25% that we have guided to previously. On the overhead front, we do believe bulk of the optimizations we had planned have been incorporated and current levels are likely to sustain.

Reported Q2 EBITDA was INR51 crores at a nearly 5% EBITDA margin in this quarter. Our PAT of INR9 crores, while significantly higher both on a year-on-year and sequential basis continues to remain impacted by a non-cash deferred tax asset charge in this quarter as was in the case both in Q4 FY '24 and Q1 FY '25 due to the standalone profitability.

We are very excited to report a key development that has happened overnight, which is our upgrade in the credit rating. Our long-term ratings have been upgraded one notch to investment grade or BBB- from BB+ by ACUITE Ratings yesterday. This is a positive development, which is expected to give a favourable push to our execution plans in the forthcoming quarters, as Amit had alluded to earlier.

Our order book continues to grow rapidly, and we have achieved one of the highest unexecuted order value in the company history at INR10,549 crores. And this provides a higher revenue run rate visibility for forth coming quarters.

With anticipated easing of the liquidity challenges, we still hope to be able to meet our annual revenue guidance, which as we had guided in the last quarter conference call aided by a strong execution pace pick up in the second half of this fiscal year.

We plan to achieve this execution scale up through the new INR500 crores loan facility that we had availed from IREDA, fresh sanctions and restoration of non-fund-based limits with the credit rating upgrade that happened last night, and also through negotiation for open credit with large key vendors.

Now coming to the balance sheet. Our gross borrowings have increased this quarter due to the new INR500 crores loan facility that we had availed from IREDA. Our non-fund-based limits were constrained in Q2 as we had to pay some of our vendors in shorter cycles to ease up limits.

With our long-term rating back to investment grade, we are confident of obtaining fresh non-fund limits to scale up execution, as I had earlier alluded to. Total net debt stands at roughly INR326 crores as of September '24.

On the indemnity proceeds, there are approximately INR109 crores, which has been billed and it is largely expected to take care of debt repayments due in the second half of this fiscal year.

The company continues to remain cash out on approximately INR800 crores of indemnity-backed legacy projects, which we believe will crystallize fully over the course of the next 24 to 36 months.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Puneet from HSBC.

**Puneet:** Congratulations on good order wins. Can you talk a bit about what really do you mean by the LOIs that you won on the BESS project? Are these firm orders? And what should be the quantum and scope of these?

**Amit Jain:** Yes. All the orders announced by us are firm orders, either we have signed a contract or firm LOA has been received. So all the orders have been placed and the order which you are referring to is 2x 250 megawatt AC/ 1,000 megawatt hour or 1 gigawatt hour plant in Rajasthan by JSW.

**Puneet:** And would you be...

**Amit Jain:** And it's a balance of system plant and batteries to be supplied by the client for this project.

**Puneet:** Okay. But you also mentioned that there is some turnkey project that you're now beginning to take as a part of your change in strategy...

**Amit Jain:** Yes, turnkey projects because as you have seen in some past quarters also that some of the projects we have taken, which include the supply of modules. So that's what we mean by the turnkey projects. Some of the projects, which are coming -- being floated by public sector units are including modules. And yesterday, the LOA we have received it is also including the supply of modules. And that's what we mean by that we are now accepting turnkey projects also as a change in strategy. So, we are selectively taking the project both on supply, including module supply as well.

**Puneet:** Right. And can you also talk a bit about what is the competitive intensity in this space?

**Amit Jain:** So as market is growing significantly, there is -- like market is exploding completely. And as market is growing, more new players are also entering into the market. So competitive intensity is going up, but we have been very careful in picking up the orders. So, as you have -- we have alluded in our speech that H2 alone, the domestic market size is 23 gigawatts.

So, market is growing, number of players is growing, competitive intensity is going up, but there is enough space in the market so that we can pick the orders within our defined risk metrics and our expected margins level.

**Puneet:** Understood. And can you also define the size for the first half of the year? What was the market size, for example, 23 is what you claim for second half? What was the first half? And what was your market share there?

**Amit Jain:** Market size was roughly close to -- our addressable market, where we chose to not bid for some of the projects, wherever we bid our success rate was approximately 46% and the complete market share of the addressable market was 27%, the orders which we had won. You can say roughly INR16,000 to INR17,000 crores was the addressable market size.

**Puneet:** In the first half alone?

**Amit Jain:** Yes. Yes.

**Moderator:** Thank you. The next question is from the line of Rohit from Aditya Birla Sun Life.

**Rohit:** Sir, my first question is more to do with the non-fund-based limits. Earlier, I was under the impression that your non-fund-based limits is quite low, probably that will restrict your execution in the second half. But now as things are improving, as you said in your opening remarks, and you seem to be confident about achieving the guidance or retaining the guidance - - earlier guidance. I would like to understand what exactly has changed in those aspects, especially on the non-fund-based limits. What are we -- at what position we are? And what does this rating upgrade imply? If you could throw more color on it?

**Sandeep Thomas Mathew:** Sure. So, Rohit, see one thing that you have to understand is we have already been doing with the current limits about INR1,000 crores run rate on top line. Over and above this, we have now got a fund-based facility for INR500 crores from IREDA, which came in pretty much at the end of September. So that also gives us now further ammunition.

Now obviously, with the credit rating upgrade, we believe that some of the limits that were earlier frozen and also for fresh limits now that we move to investment grade, we will see a significant interest from banks, and we should be able to execute at the run rate that is required to meet the execution guidance that we have given for the rest of the year.

So that will be a gradual pickup, but we anticipate that things will begin to move very quickly. And the loan that we had also taken in place was a backup plan in case the rating upgrade which happened overnight got delayed like it has had in the past. So that is what has effectively changed. And we will also be relying on open credit to facilitate faster execution. And those are essentially the 3 things that will work for us going forward to be able to execute at a much higher pace than what we are doing currently.

**Rohit:** So I really appreciate these remarks. But just to help me understand the calculation. If I use INR10 billion non-fund-based limits, plus this INR5 billion from IREDA. That is I get a limit of -- I mean total funds, this exposure is INR15 billion, which I churn at 4 times a year, INR60 billion is the COGS and INR66 billion is the revenue. Is that the working? And maybe with this credit rating upgrade and maybe some limits that gets unfrozen, eventually, it could move to that run rate of INR80 billion. That's the way it works like?

**Sandeep Thomas Mathew:** Over and above this, there will also be open credit Rohit, like I alluded to. So that will also come in to the picture. And this INR1,000 crores that you're talking about, those numbers also will move up with the credit rating upgrade that has happened.

**Amit Jain:** So, on top of that, I would like to add that some of our key suppliers, key components, including the module supplier, tracker supplier and some of the most reputed cable supplies in the country are looking at our improving balance sheet and the order book have agreed to offer us very good attractive open credit terms, which will help us significantly ramping up the revenues in next 2 quarters.

**Rohit:** Got it, sir. My second question is more to do with this credit rating upgrade only because we earlier also have had this credit rating upgrade. But the moment this consortium of bankers come on to the table, discuss and get things approved for you, what could be the time line that is from this upgrade to that limit being unfrozen? What is that time frame?

**Sandeep Thomas Mathew:** So, Rohit, I mean, see, we have already been talking to banks. The process has been an ongoing one. But anywhere in the next 30 to 45 days, I think we should be having most of the incremental facilities that we're talking about in place. And like I mentioned, this is not a -- it happened yesterday last night, and then therefore, we are now going to start initiating.

There is already been a continuous dialogue with the banks. They are aware of the developments that are happening, the requirements that we need in terms of non-fund-based limits, etcetera. And we found that most of our bankers have been extremely supportive of our case as well. So, we should start seeing things beginning to pick up very soon on that front.

**Rohit:** Got it. And my final question will be this Nigeria order is a big order. Would it entail any of your parting of this non-fund-based limits to that particular order because it's a big order and



they may also release some guarantees? I mean, advances to you and you may possibly require to submit some -- furnish some guarantees?

**Sandeep Thomas Mathew:** No, no. Not necessarily. There will be separate facilities because this will be done by our US subsidiary, as you may be aware.

**Moderator:** The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

**Aejas Lakhani:** So, Amit and Sandeep, I wanted to understand if you could lay out the execution pipeline to whatever extent is possible because effectively till now, we were constrained with limits, which have now opened up. Order book was always good and enhancing, which has further got better. So could you please outline and nuance the exact execution details that you are going to entail over the next 6 months?

**Amit Jain:** So, as we have guided that revenues for this year were going to be INR8,000 crores. So, we have already achieved more than INR2,000 crores in first 2 quarters, and that revenue guidance for the H2 remains INR6,000 crores. So we'll execute the projects to achieve the guided revenue.

Now all the credit facilities and the rating upgrade has taken place, which will help us to achieve the desired revenue rate, which is required to meet the revenue guidance. Already, the execution teams and engineering teams are in place completely to handle this volume of the projects. So, this INR6,000 crores is the quantum, which we'll be achieving in next 2 quarters.

**Aejas Lakhani:** Okay. Amit, could you nuance that with where are clients in that journey? Where are we? Have the procurement orders been placed? Which are the key strategies...

**Amit Jain:** So, most of the clients as of now are either in Gujarat or Rajasthan. And there are 4 international projects, two of them are going in Spain and two of them in South Africa. The Spain project is also -- both -- all the international projects are also moved ahead, except the one which we got recently for which we got LNTP a couple of weeks back.

So all the three projects are taking off. The orders and engineering has been finalized and the goods have been, like we have started shipping equipment to the sites. In India, the 4 gigawatt of portfolio we are executing in Khavda. So all the projects are in advanced stage, and we are expecting or we are targeting to commission all the projects in Khavda before the next monsoon.

The other projects for most of the private IPP players are in Rajasthan, which most of the -- quite a bit of portfolio is targeted to be commissioned before March. So that's how we plan to execute our entire portfolio and achieve the turnover of revenue of INR8,000 crores before the financial year. And we have over INR2,000 crores of open credit from the large vendors in addition to the credit facility and the rating upgrade, which has happened. So all this put together will help us in achieving the revenue guidance.

**Aejas Lakhani:** That's very helpful. Amit, could you also just sort of nuance the fact that out of the INR6,000 crores of orders that you are likely to do, if it is possible, could you nuance that how much is likely to come from the private sector because that has a certainty of a deadline because, let's say, for any reason, Khavda and PSU could be delayed? Or is there scope for delay because, say,

evacuation sites are not ready or any such event because of which the revenue could spill over even further. So I'm trying to really understand that how tight is that...

**Amit Jain:**

I would like to give you an exact clarification on that. Either the private or like as far as the PSU projects are concerned, even evacuation doesn't impact revenue guidance. So all the projects in Khavda are in advanced stage, the modules were to be supplied by NTPC. NTPC has now finalized all the orders and supplying modules to us.

So, on Khavda, either by NTPC or GIPCL, I don't see any concern there as far as the revenue part is concerned. So we'll be supplying our total part and completing the construction of the project. We are more than 95% - 97% of the revenue line. So on all the PSU projects, we'll be achieving revenue and I don't see any delay anywhere.

And similarly, on the private part also, we are not foreseeing any delay. So as far as the delay, either on account of evacuation or supply of materials, there isn't any concern on that front, and we are very confident of achieving those revenues. So we have carefully gone through all the project status, what can be constrained. And after considering all those factors only, we have given this guidance.

**Aejas Lakhani:**

Okay. I take that. Sandeep, my next question is, could you clarify the adjustment that you made or where you stated that on an adjusted basis, the gross margins would be 10.5%. Could you explain that again, please?

**Sandeep Thomas Mathew:**

Yes. So, Aejas, if you had noticed our total revenue for this particular quarter in the domestic segment, right, EPC segment was INR900-odd crores to which about roughly about INR90 crores of revenue was cost equal to revenue because it had not -- because those projects, we are yet to recognize margin on those because they have not reached the threshold. So till they reach the revenue recognition threshold, we do it on a cost equals revenue basis. So in forthcoming quarters, you will see the margins on those projects come in and effectively your overall gross margins in the domestic segment normalize.

**Aejas Lakhani:**

Got it. Lastly, could you just tell me if it is possible to disclose that how much of the non-fund-based limits have actually got released? And how many were locked on account of the credit rating upgrade which just came through?

**Sandeep Thomas Mathew:**

So no. So, the credit rating upgrade has just happened last night, Aejas. So, give us some time. I mean, I think we'll be able to probably in the next quarter, give you a better clarity on what are the incremental limits that we have got in place. Like we had mentioned earlier, we have total limits of roughly about INR4,000 crores that we have -- we have total limits of around INR6,000 crores and roughly INR4,000, which was utilized. And we are working towards essentially freeing up further limits and also working on new limits. Almost, in fact, we're looking to double our existing LC limits that are available currently at this point.

**Aejas Lakhani:**

Noted. Sandeep, the credit rating disclosure which you put out said that the total quantum was INR7,350 crores and you mentioned INR6,000 crores. So could you explain me the difference?

**Sandeep Thomas Mathew:**

So, this includes unallocated limits for the new banks.

**Aejas Lakhani:** Okay. So what you're saying is you were operating with about INR4,000 crores of limits, INR6,000 is just -- I mean, INR2,000 incrementally is just a release once the upgrade happened plus newer limits that you had -- you were trying to get?

**Sandeep Thomas Mathew:** Correct.

**Aejas Lakhani:** Okay. And how quickly do you foresee the limit enhancements by banks? Is it again going to probably take 1 month - 1.5 months?

**Sandeep Thomas Mathew:** So, see, some of the proposals have already received in principal approval. So, like I had indicated, we should, in the next month or so, be able to start utilizing some of them. We already have some additional limits in place for our international projects as well. So, they are already in play. And as we go along this particular quarter, I think by the end of this quarter, we will be able to give you a much better clarity on where we stand on the fresh limits that we have availed.

**Aejas Lakhani:** Perfect. Sandeep, just lastly, could you share that given that there was a constraint on limits, was that limiting our ability to participate for incremental order book?

**Amit Jain:** No, that was never a constraint for us because we were able to provide all the bank guarantees, which are required for public sector units. So that was never a constraint with us. So we have participated in the bids, which we chose are -- fits our target pipeline.

**Aejas Lakhani:** Got it. All the best to the team for an execution in the second half.

**Moderator:** The next question is from the line of Deepak Purswani from Svan Investments. Please go ahead.

**Deepak Purswani:** Yes. Sir, just wanted to get the sense if you can throw some light in terms of the progress on the Reliance and how the things have been crystallized so far on that order front?

**Amit Jain:** So, as I discussed in my last earnings call that we are working on pilot project for Reliance in which they are testing multiple technologies and multiple combinations, and we expect to complete that project in this quarter. And bigger rollout will take place after that. So, Reliance as it's in public domain is planning a huge rollout and it is expected to roll out either in the last quarter or next quarter. So as and when it gets finalized, we'll let you know. And teams are in discussion on the rollout for that particular big project.

**Deepak Purswani:** Okay. And secondly, sir, given the fact that there has been -- and in terms of the sector as a whole, there has been a sharp revival and there has been huge opportunities opening up. Just wanted to understand from the employee retention program at our end. I mean, how we are seeing it at the current juncture because that is something, which we are seeing across the sector that is a challenge which is faced by all the companies. So, what are our initiatives to retain the talent?

**Amit Jain:** So, we always have been like, I think, good at retaining our teams that the company is like one of the pioneers in this sector, and we have a very strong team. But what we have done is we have developed for the rollout multiple divisions, like there are separate team to execute, like in India, we have two particular teams led by two leaders to handle PSU front. We have developed two

teams, which handled the IPP fronts led by all senior leaders under the leadership of Mr. C.K. Thakur and we have added 1 team to handle the Reliance rollout.

So, we have, in parallel, five execution teams, which are handling and they have been reinforced significantly. So -- and they are being backed up by one of the strongest engineering teams in the country. So, on that front, we are sufficiently well staffed, and we can address the growing market completely. And if we feel need, the teams can be ramped up. So there are multiple fronts. So, we are taking care of employee in annual appraisals. There are retention plans like ESOPs. So, all possible measures, which are there are being taken to retain and motivate the teams.

**Deepak Purswani:** Okay. And sir, also, since we have given the clarity for the FY '25 and we've also seen an improvement in the credit rating and opening above the credit time which will lead to an improvement in the execution for FY '25. But looking at the sector and opportunities of tailwinds and execution, how should we look into the FY '26 at the current juncture for the Sterling & Wilson?

**Amit Jain:** So, see, we expect to open FY26 after achieving INR8,000 crores of order book this year and achieving the revenue. So you can expect that we'll be opening with order book also close to INR8,000 to INR10,000 crores and similar amount of order booking in that particular year. So as on conservative side, excluding Reliance and Nigeria, we can still grow at 15% to 20% CAGR annually on a very, very conservative basis.

**Deepak Purswani:** Okay. And sir, just a final question. If you just can also give some -- just wanted to seek some clarification on the recent sale of shares by the promoter especially in the contract, this year we do not have an indemnity clause liability from the promoter. If you can give some clarification on that part, that would be really helpful.

**Amit Jain:** So, as you must have read in papers, our most active promoter, Mr. Khurshed Daruvala has reiterated his position, that he's going to continue and is a long-term investor in the company, and he's going to be there. And there is no plan of any further sale of shares by him. So, for all other promoters I will not be in a position to comment. But as -- because Mr. Daruvala has stated publicly and this article has been published in all the major newspapers across the country that he is going to be there, and he's reaffirmed his commitment to be the long-term player in the company.

**Moderator:** The next question is from the line of Gautam Gosar from Monarch AIF.

**Gautam Gosar:** So, my question is basically on execution. So, since majority of our order book is domestic, I basically wanted to understand how is the progress going on in the Khavda region as well as in the GIPCL? So majorly, we won these orders 1 or 2 years back, and these orders are of big size of around INR5,500 crores plus INR1,100 crores. So, if you could highlight how the execution has been going on? How much is executed and what is the expectation for the year? It would be really helpful.

**Amit Jain:** Yes. So as far as the Khavda portfolio is concerned, we are well on track to deliver as per the contractual time lines to the client. There have been like initially some delays in the supply of

modules. Projects are on track. And as I discussed earlier in the call that we expect to complete Khavda -- majority of the Khavda portfolio in this fiscal year. And before the monsoon, the entire construction of the entire Khavda portfolio will be completed. So that's where we stand.

In addition to that, the other portfolio, majority of the IPP portfolio -- private IPP portfolio, which is in Rajasthan, will also be delivered before March so that we can achieve a revenue of INR8,000 crores in this fiscal. So all the projects execution plan has been put in place. All the engineering is complete, orders on the suppliers have been placed. So we are well positioned. All the teams have been mobilized to the project site. So, we are very, very well positioned to execute all the projects as per committed time lines and to achieve the revenue of INR8,000 crores this fiscal.

**Gautam Gosar:** Okay. And sir, are there any orders in the order book, which are yet to start the execution?

**Amit Jain:** Yes, we received one order last night. Yesterday, one order was received from NTPC. So just LOA has been received. That will be started now. But as soon as we get the orders, the engineering and ordering on that orders start immediately. That's what our strength is that we are very, very nimble on execution. So before even -- once we feel that we are in the final stages of getting an award, the teams start working on the order.

And as soon as we get the orders, engineering and procurement actions start taking place on an immediate basis. So there is no other order except which was received yesterday. So we are progressing well as per the schedule on all the projects or orders backed by us.

**Moderator:** The next question is from the line of Bhavik Shah from MK Ventures. Please go ahead.

**Bhavik Shah:** The first question is on the Nigeria project. Like are we seeing any challenges there? Is there any chance of the Nigeria project not going through? Or like is it just delayed due to the bureaucracy?

**Amit Jain:** No. Actually, we are -- like Nigeria project is on track, and it is definitely coming. So there is no question of cancellation of Nigerian order. Just to give a background, Sun Africa, our partner, on this model, they have already signed 2 projects in Angola and last week they have -- this week, they're going to sign one very big order in Serbia.

So there were some -- like as you know, there are some particular domestic situation in Nigeria on the political front, which has got like -- we were expecting it to sign it last month, but somehow it has got delayed but we are expecting it to get concluded very, very soon.

The negotiation has been completed with NDPHC, and their new Board also has approved the project. So, there is no uncertainty about the project. Project has big support from the U.S. government as a part of their various renewable energy and support Africa initiative. So there is no uncertainty about the project, and we are expecting to happen it very, very soon.

**Bhavik Shah:** Got it, sir. And this was the final tranche of indemnity right? No further amount is expected?

**Amit Jain:** No, no. Indemnity tranches, I think Sandeep will share more details, but they will materialize from next 24 to 36 months. As and when the funds will get crystallized every year, the promoters will pay as per the crystallized amounts.

**Bhavik Shah:** Okay. So, what is the amount you can expect over the next, say, 12 months approximately?

**Amit Jain:** I think I will pass it on to Sandeep to share that exact figure.

**Sandeep Thomas Mathew:** Bhavik so right now, what we have indicated is that INR109 crores has been billed as of September 30, which will be received by 30th of November. So that is the amount that is going to be received by us in this particular quarter. Now over and above this, there are multiple cases, which are essentially in various stages of settlement. Some of them we are trying to look and settle with the client.

In those cases, we will be able to achieve faster closure in which case, we will either receive the amounts from the client directly or like we have always indicated in the past, the promoters are finally just backstopping it. So if it's not from the client and the settlement happens, then the promoters will come in and backstop.

Now if we take the legal route, however, and go through the arbitration process, those tend to be slightly more time consuming. And that is why we have said that for full crystallization of the INR800-odd crores, which are still money that we are currently cash out, it could take a period of 24 to 36 months for full realization of the amount. It's very difficult to put a number at this point on what will exactly materialize -- crystallize in the next 12 months apart from what has already been billed to the promoters.

**Bhavik Shah:** Got it. And sir, what is the interest rate on the loan we have taken from IREDA?

**Sandeep Thomas Mathew:** About 11.6%.

**Bhavik Shah:** 11.6%. And sir, last question, so on the -- how are our margins on the RIL pilot project? What kind of gross margins do we have there?

**Amit Jain:** So margins are the same as we are like the project of similar nature in the market. So our margin on Reliance also are aligned with the margins of similar projects in the open market.

**Bhavik Shah:** Okay. And sir, say for FY '26, do we expect our gross margins to improve from the current levels?

**Amit Jain:** Yes, we do expect to improve because overhead is practically we have stabilized overhead, and we are continuously working to improve the overhead numbers but revenues will go up significantly. And rather, I would say, not even the next quarter onwards, revenues will be ramped up significantly. And you will see better like the gross margins will remain same but EBITDA numbers will improve significantly going forward in all the quarters.

**Sandeep Thomas Mathew:** Bhavik, just to add, I think on the domestic projects, we have already indicated that we will be targeting the 10% to 11% gross margin range. And we have our O&M projects where we have

said that the target steady state margins around 25%. So those are numbers that we have already indicated to you. That's where the gross margin number will be.

I think on an EBITDA margin front, since overheads are likely to remain the same, once you have higher revenue, there will be operational leverage that could kick in. And your EBITDA margin, therefore, may improve significantly. That is what has to be noted as we go ahead.

**Bhavik Shah:** Yes. So, one question, 7.8 gigawatt of O&M portfolio, can be ramped up to what gigawatt in say FY '26?

**Amit Jain:** So roughly more than 8 gigawatts of projects under execution. And if we say like in FY '26, majority of them will be commissioned. And in addition to -- on top of that, there will be third-party orders. So, all that will be added to our O&M portfolio.

**Moderator:** The next question is from the line of Mayank Chaturvedi from HSBC Mutual Funds.

**Mayank Chaturvedi:** Sir, just on this strategy change now that we're going for more turnkey projects, although it is largely from PSUs. And I understand that the prices for the modules in the Indian context, pretty much stabilized post this ALMM rollout that has happened. But how are you thinking about a possible price decline that might happen with the capacities that are coming up? And how are we protected in the turnkey orders that we are taking up from these PSUs because we have already suffered before, so I'm assuming that...

**Amit Jain:** So, there is one major change in strategy. Because earlier, the modules for the turnkey projects we are taking, we were procuring in international markets from China. Now we are buying all the modules from Tier 1 Indian suppliers. So the contracts are very, very strong with Indian suppliers, and they are enforceable.

Second, our relationship in the market is strong. And we are firming up the -- our orders with the module suppliers immediately, very, very soon after we are receiving our contract. So we are not taking any risk there. So, we are back-to-back protected. So as soon as we get our contracts, we are -- on that basis at those price levels prevailing in the market based on our -- on which we have submitted our bids, we are finalizing our orders.

So, there is no speculation there, and we are not exposed to any risk. And even either the rise or fall in the module prices does not impact our business models because bids are submitted on prevailing module prices in the market.

**Mayank Chaturvedi:** Okay. And these turnkey projects are only restricted to PSUs? Or are we also extending that...

**Amit Jain:** Right now, the market model in India is such that they are coming -- being floated by PSUs only. So far, no IPPs are not coming out with -- they're not asking for module supply from EPC. But if they come out with that, we can strategically at that point of time, we can take a call. But as of now, it is restricted to PSUs only.

- Mayank Chaturvedi:** Okay. Great, sir. And sir, just the second question on the Nigerian order since the U.S. entity is involved pretty much. And so do you expect that the signing of the order could be delayed post the elections of the U.S.A. and not much further?
- Amit Jain:** There is no possibility of risk of elections. So we have met senior EXIM Bank officials, senior other U.S. officials in this regard. U.S. Congress has committed funds of \$120 billion for the EXIM Bank to support renewable energy projects in Africa. So this is kind of credit for the -- related to energy projects, which is available to U.S. EXIM Bank. The Congress has that support. The projects have been mandated to EXIM Bank. So we don't see any impact on the projects even post elections because it's the amount, which have been already being sanctioned by the Congress.
- Moderator:** The next question is from the line of Karan Sanwal from Niveshaay. Please go ahead.
- Karan Sanwal:** We have two questions, like any major reason for increase in other expenses and other income this quarter?
- Amit Jain:** So other -- there is one agreement with the SP Group that we have a particular gross charge to them, which has been charged in this particular quarter and that has led to extra income. And I think further clarifications can be given by Sandeep on that.
- Sandeep Thomas Mathew:** Yes. So, the onetime nonrecurring income that you have seen in the P&L that was uploaded in the investor presentation is the amount that Amit just alluded to.
- Karan Sanwal:** Okay. And also, if the interest cost, if you could guide how could it shape for the full year like we are obviously ramping up the execution. So, we've been taking more non-fund-based limit or maybe more working capital limit. So, if you could guide what was the full year interest cost for us?
- Sandeep Thomas Mathew:** Okay. So, see, I had already mentioned that for the INR500 crores facility that we have availed, the interest cost is 11.6%. Now over and above that, we have roughly about INR380-odd crores of -- INR350-odd crores of term loans. Now part of these will be repaid with the indemnity proceeds that we will be expecting this quarter. So, an amount of the tune of almost INR109 crores is what that amount will be. And yes, so this is what at least fund-based facilities are there at the moment. And roughly around 10% to 11% is what will be the number on the interest cost for that.
- Moderator:** The next question is from the line of Aashish from InvesQ PMS.
- Aashish:** Sir, just to clarify, there was quite some discussion on this bank guarantees limitations that we had. So, till now, the reason why we are stuck at INR1,000 crores odd was that we had that much of limits available. Is that the right way to look at it? Or there were certain other things also which constrained us from achieving our target for the last 2 quarters?
- Sandeep Thomas Mathew:** No. So see, I mean, execution has been progressing as per plan. You should recall that Q2 is a seasonally weaker quarter as well because of the monsoons. And just like Amit had earlier mentioned, that bulk of our execution currently happens in Khavda, right. So we were expecting



-- and we had also guided in the earlier calls that, that execution will be second half heavy, which is what we are anticipating at the moment.

Thankfully, we do have now the ratings upgrade in place as well, which will ease up limits for us going forward and make execution and elongate credit cycles to some extent as well. So that is another thing that will happen and help our execution apart from the availability of limits open credit from vendors, etcetera, which we have already worked upon.

So, from -- at the start of the year itself, we had guided that it will be second half heavy, which is the case that is likely to happen with execution. And like Amit said, we are on -- pretty much on track for that.

**Aashish:** So, given we have achieved around a couple of thousand crores on the top line in H1, you're saying that maybe INR2,000 crores in Q3 and INR4,000 crores in Q4, something like that would happen in the next 2 quarters? and that's pretty heavy to -- basically for us to understand. So you're okay with those kind of numbers you mentioned, right?

**Amit Jain:** No. We will not guide you to those numbers. Q3 will be much, much -- significantly better than Q2 and Q4 will be our best quarter. Beyond that we will not because all the projects will be executed as per their execution plan and the commitments made to the client. So we will not like to delay anything. So, but Q3 will be a strong quarter and Q4 will be our best quarter. Beyond that, I will not like to guide you on particular numbers for any quarter. But the final guidance for the revenue remains intact.

**Aashish:** Okay. One more thing on the notes to accounts and auditors' remarks INR2,800 crores number that is there in some subsidiary. Just some clarity on that would help. What is it regarding? What is the note regarding?

**Sandeep Thomas Mathew:** Could you clarify what was the note number, please?

**Aashish:** Note number I'll have to check, but there's an amount of INR2,811 crores in -- put in some subsidiary and there's some remark around that, both in your notes and your -- in terms of matter by the auditor. Some clarification would help. So that's what it is, the number is recent.

**Sandeep Thomas Mathew:** This would be, I think, in the standalone that you are referring to, right, not on the consol? This is the loan to FZCO, which is a subsidiary INR2,800 crores.

**Aashish:** Sorry, subsidiary this?

**Amit Jain:** FZCO, Sterling and Wilson Free Zone Company, which is our entity in UAE.

**Aashish:** Okay. So -- okay. So, it's normal business funding from the parent to the subsidiary for carrying on the business, is it?

**Sandeep Thomas Mathew:** Correct.

- Aashish:** Okay. Fine. Yes. And sir, anything to put remarks on the CFO exit that happened and the promoter selling and you have clarified on the promoter's thing, but -- what's it regarding with the CFO exit in this quarter?
- Amit Jain:** I think our CFO, Mr. Bahadur Dastoor, has been a very valuable and long-term associate with the company. He has contributed in all the aspects of the functioning. But it's a part of, I think, one's personal aspiration, personal reasons and career growth, I think, which he has taken. He has cited a personal reason for moving ahead in his personal and professional journey.
- So that would like to say that he has spent quite a long time with our company. And I think as a part of his personal plan, he has chosen to move ahead and company highly appreciates and value his contribution to the company.
- Aashish:** Okay. And the replacement for him right now, are we looking for outsiders? Or we have some plans in place from that?
- Amit Jain:** Yes. So, we are like working on -- we are working on mandate and looking for candidate from outside though a very strong internal team is in place, but CFO, we are looking from outside, and shortlisting will be completed fairly soon, and CFO will be resuming in coming months.
- Moderator:** The next question is from the line of Shubham Shete from Jefferies Group. Please go ahead.
- Shubham Shete:** Yes. So, my first question is on margins. Pardon me if this question has been taken before. So, I just want to get a sense like what sort of margin profile that we have for domestic versus international EPC similar for O&M business?
- Amit Jain:** Our gross margins for domestic remains between 10% to 11%, and similar margin profile is there for international projects.
- Shubham Shete:** And what sort of EBITDA.
- Amit Jain:** On O&M margin is around 25%.
- Shubham Shete:** Okay. On blended, we can expect like 11% to 12% on the overall?
- Amit Jain:** You can expect 10% to 11% gross margins.
- Shubham Shete:** Okay. At EBITDA level, what can we expect?
- Amit Jain:** EBITDA level, I think our -- we are considerably improving our overhead numbers. And EBITDA will depend on that. So, we can expect between 7% to 8% EBITDA number going forward because heavy rationalization on overheads are going on. And we'll come back with exact numbers when the heavy revenue quarters will be there in the next 2 quarters. We'll come back with revised estimates on EBITDA numbers from next quarter.
- Shubham Shete:** Okay. Can we expect this 7% to...?

**Sandeep Thomas Mathew:** Just to clarify, so we've already indicated that overheads have -- most of the rationalizations in overheads have been completed. So, like Amit just mentioned, gross margins are 10% to 11% in domestic and similar for our international EPC business. For O&M it's 25%. Now overheads, what you have seen in Q1 and Q2 on a blended basis, I think, similar numbers are likely to continue heading back into the second half.

So, depending upon, obviously, what your top line is, there will be, like I mentioned earlier as well, that operational leverage kick in. And therefore, given that your overheads are likely to remain at a similar level, higher revenues will lead to higher EBITDA margin as such.

**Shubham Shete:** So, to what level can this be upshift at?

**Sandeep Thomas Mathew:** Sorry?

**Shubham Shete:** So, to what level can this margin can be pushed to, say, the north of 12%, 13%?

**Sandeep Thomas Mathew:** No, no. Gross margins, 10% to 11%. That is what we have indicated. So obviously, EBITDA will be lower than that, right, given that you have overheads as well.

**Shubham Shete:** Okay. And you see sustainability of this EBITDA margins at the level of 7% to 8%?

**Sandeep Thomas Mathew:** So, once we reach a steady state in terms of execution, yes, you can expect EBITDA margins to stabilize at those levels. So, depending on top line.

**Shubham Shete:** Okay. So just a question, like why is this like a bit lower than what is there for the other peers, which are listed, like say, if I take an example of Waaree Renewables, they have a bit greater margins on EBITDA?

**Amit Jain:** So, I would like to clarify something here because we have our own addressable market, and there are projects, which are open in the market come with land and the ROW acquisition risk. We are not including that in our addressable market, and we are not executing such projects because we see a great risk associated with that. So, so far, we have not picked up those projects, and they are not part of our order pipeline.

Typically, the EPC players, which are taking projects with land and another associated ROW risk, they get usually higher margin, but it can lead to substantial losses as well. So as a part of risk mitigation practices or our risk metrics, we are not accepting or taking those projects. So our margins are normal EPC margin based on either BOS or turnkey projects, excluding land. So that's where they are. And we are choosing our projects very selectively. So I think we are operating at best-in-class margins in the industry.

**Shubham Shete:** Sure. So, Amit, do you have any hybrid project in your portfolio, solar...

**Amit Jain:** As of now, no, but we are working on standalone BESS projects, but we are working on multiple hybrid projects in India and abroad foreign markets, international markets, which will materialize soon. But as of now, we are on working on the largest standalone BESS project in India.

- Shubham Shete:** And would that give any further expansion to your margins?
- Amit Jain:** That depends on how the market grows. And usually, the margin level are still 10% to 11% in EPC space, but we'll see how the market evolves. But as of now, the gross margins will remain 10% to 11%.
- Shubham Shete:** Okay. Just one last question on battery storage business. Like, how is it going? And any plans on ramping up?
- Amit Jain:** So, market is growing. We have seen multiple bids in the last few quarters, and it is going to ramp up. As you see on IPP side, also the SECI and all the NTPC, everybody is coming out with bids for BESS, standalone BESS or hybrid. So, we see that market growing considerably, and it will form a good part of our portfolio in coming quarters.
- Shubham Shete:** Okay. So, what percentage of revenue can it be by FY '27?
- Amit Jain:** So, in that -- on that particular part, I will not be able to give you any specific number or revenue guidance particular to that. That depends on how many projects are floated and what is our hit rate for those particular projects. So, I think as the market evolves next in a quarter or 2, we'll give you a better guidance for those particular numbers related to BESS projects.
- Shubham Shete:** Okay. And we can expect the similar kind of margins for this business.
- Amit Jain:** Yes, sure. You can expect either similar or better margins for those projects.
- Moderator:** The last question is from the line of Deepak Rao from Qber Asset Advisor. Please go ahead.
- Deepak Rao:** Just wanted to get some light on the line item related to exchange differences translating in the financial statements. That seems to be there at every quarter and as a percentage of profit and revenue, it is high. So, can you throw some light on what it is? Are you controlling it or you having hedging strategies, etcetera?
- Sandeep Thomas Mathew:** No. So these primarily relate to the projects in the international subsidiaries and effectively, the forex differences that arise on account of those projects. There isn't necessarily any requirement as such to hedge these. But yes, the forex differences translation that you're seeing is essentially on account of the branches and subsidiaries that we have in our international business and the projects that they are executing.
- Moderator:** Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Amit Jain for closing comments.
- Amit Jain:** I would like to thank everybody for joining the call. For any further information, kindly get in touch with Mr. Sandeep Thomas Mathew or Strategic Growth Advisors, our Investor Relation Advisors. Thank you once again, and have a great day. Thank you.
- Moderator:** 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.