

April 25, 2024

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Sub.: Investors Call Q4 FY 24- 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 April 17, 2024 and April 22, 2024, please find enclosed the Transcript of the Investors Call held on Monday, April 22, 2024 at 09:00 A.M. on the Audited Standalone and Consolidated Financial results of the Company for the quarter and financial year ended March 31, 2024.

The same is available on the Company’s website at 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

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“Sterling and Wilson Renewable Energy Limited Q4 FY '24 Earnings Conference Call”

April 22, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to Sterling and Wilson Renewable Energy Limited Q4 FY24 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 touch-tone 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: Yes, good morning, everyone, and welcome to our Q4 FY24 Earnings Call. Along with me today, I have Mr. Amit Jain, our Global CEO, and Mr. Bahadur Dastoor, our CFO, and SGA our IR Advisors. We will start the call with the key operational highlights for the year and quarter and outlook by Mr. Amit, followed by the financial highlights by Mr. Bahadur, post which we open up 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 give a quick update on our business operations and outlook on the solar industry. Beginning with our order book, we have been able to build on the **order booking momentum** in FY24 and close the year at approximately INR6,023 crores of order inflows, **totaling approximately 3.3 gigawatts**. New order inflows have jumped 37% in this fiscal compared to a year ago when we booked orders of INR4,387 crores.

Our domestic order inflow continues to remain a key contributor and it has grown approximately 10% to INR4,854 crores compared to INR4,387 crores last year. We won two international BOS orders in FY24 from Spain and Italy respectively and these mark our first international orders after a gap of nearly three years. These international orders are in line with our revised risk matrices and we remain derisked from the module price exposure in these projects.

Looking at Q4 in isolation, we have received two orders worth INR488 crores including being declared L1 for a floating solar project in Jharkhand. This is our second floating solar project we have done this year and the scope of work includes module and EPC work. Our second project win in Q4 was from Enfinity in Italy for a EUR20 million project. This project is of 45 megawatts. The scope of work include design engineering supply excluding the PV module and transformer, construction, erection, testing and commissioning.

While we had anticipated a strong Q4 for new orders in line with our nine month performance last quarter, a few large domestic projects have got delayed pushing them into FY25 pipeline. So we are expecting orders from our repeat customers and some of the PSUs which have now got pushed into April. Our un-executed order book stands at INR8,084 crores with approximately 85% constituting domestic orders.

Our UOV continues to grow rapidly and coupled with a strong balance sheet, we are expecting to be able to capture a large share of the domestic solar EPC market. In terms of the outlook, our active order pipeline which comprises projects with high visibility of being bid out in FY25 looks pretty robust and we look to maintain a strong win ratio in the projects that we bid. We are actively pursuing projects totaling 25 gigawatts in India and 5 gigawatts in other international geographies.

The Nigeria MOU was announced in September 22 and we continue to work with various stakeholders in finalizing the D&EPC agreement for the project. Given the size and the complexity of the project, it has taken longer than expected but considerable progress has been made in last few weeks and we remain confident of finalizing the same in near future. The spillover of orders from Q4 FY24 and the bid pipeline for FY25 give us a lot of confidence that the order booking for FY25 will be higher than what we have achieved in FY24.

With the expected addition of orders from RIL and Nigeria in FY25, we expect the order booking in the year to be very exciting. As stated in earlier calls, we reiterate that lumpiness in order in flow 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 continues to improve and we have seen our portfolio grow to 7.6 gigawatts as of March 24. The benefits of a large portfolio is expected to bear fruit in the coming quarters. Our EPC pipeline will continue to feed a large portfolio of O&M projects over the next 12 to 18 months.

Moving to the industry outlook, India continues to remain a very vibrant market and there are multiple large solar EPC projects beginning to take off with issues around land, transmission, etc getting addressed by the states and central government.

Gujarat and Rajasthan continue to be in the forefront in terms of new large solar projects and we have a strong established base which we hope to leverage on. Module prices continue to remain very low globally and the time remains ripe for more projects to come on stream aided by lower LCOEs which should translate into more work for the EPC players like us.

With a strong balance sheet that has been achieved this year we remain well positioned to tap the strong industry growth in both domestic and international markets. With this I will ask Bahadur to take you through the consolidated financial highlights. Thank you very much.

Bahadur Dastoor:

Thank you Amit. Okay I trust I am better audible now. Despite the challenges we faced in FY24 we are happy to finally move back into profitability which was achieved in Q4 FY24.

We closed FY24 with a top line of INR3,034 crores which was 51% higher than the previous year. Gross margins came in at 10.3% aided by our domestic EPC business which has been the key driver of performance in FY24. With our sustained efforts on reducing overheads we have rationalized overheads to INR333 crores this fiscal and we were able to navigate back into positive EBITDA territory in FY24 closing the year at INR54 crores.

High interest expense in the first nine months affected our bottom line and we closed the year with a loss of INR210.7 crores. Our Q4 results have begun to reflect the execution pace pickup of our unexecuted order book which as of today stands at INR8,084 crores and is almost 65% higher than last year. With liquidity constraints easing post the QIP and a UOV largely comprising new projects with good margin profiles, we hope to maintain our profitability and growth going forward.

In terms of Q4 performance, revenue from operations for the quarter ended March was INR1,178 crores aided by a pickup in domestic EPC execution and our gross margin came in at 10.5%. Our Q4 EBITDA came in at INR59 crores and EBITDA margin of 5% which is beginning to more reflect our steady state margin profile. While our PBT was INR33.7 crores our Q4 PAT was lower at INR1.4 crores due to a non-cash deferred tax charge in our books of almost INR32 crores due to the unabsorbed losses now being absorbed in the standalone which had a profitability of over INR120 crores.

Segment wise domestic EPC continues to operate at approximately 10.3% gross margin while international EPC margin was 9.8% in Q4. O&M margins during the quarter was 15%.

Coming to the balance sheet. Fixing our balance sheet in FY24 has been a key achievement for us. Our net debt as of March 2024 was INR116 crores compared to nearly INR2,000 crores net debt in the previous fiscal. We do not have any debt repayments till Q3 FY25 which have not been taken care of by placing fixed deposits and liquidity situation continues to improve. 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 Rahul Jain from JM Financial PMS. Please go ahead.

Rahul Jain: Hi sir. Good morning and thank you for the opportunity as well as congratulations...

Moderator: Sorry to interrupt sir. May I request you to use your handset, sir? Your audio is not very clear.

Rahul Jain: Is it better now?

Moderator: Yes sir. You can go ahead, sir.

Rahul Jain: Yes sir. So sir, congratulations on the profitability in Q4. My first question is on the bid pipeline. So the bid pipeline has declined from 40 gigawatt last quarter to 30 gigawatt currently. So what has been the reason for this decline, whether the orders have been tendered out or is it the actual reduction?

Amit Jain: No. Actually the bid pipeline has not reduced. But we are focusing on the focus market which we will be concentrating on. That has been indicated as a bid pipeline for the company. So it is the 30 gigawatt which we anticipate will definitely be floated out without any delay in this particular year and we will be pitching for this. So the solar market is growing internationally and there is no question of reduction of the bid pipeline.

- Rahul Jain:** Sure, sir. Sir my second question is, so now with the things in the right place, what is your outlook on the international orders? Which countries or regions can see ordering in the next two years and how are we placed in these locations?
- Amit Jain:** So right now, our increased focus is on Middle East, Africa and European markets. These markets are growing strongly and we are going to focus on these particularly three markets in coming two years.
- Rahul Jain:** Sure, sir. On the Nigeria order, I mean what is the -- when I see the Nigerian currency, Naira has depreciated significantly since the time we have signed the MOU. Is this the reason why we are facing delays in closing the negotiations of design and EPC and finalization of orders or is it just there are several moving parts as you said on the finalization?
- Amit Jain:** Yes. No, actually that is -- the movement in Naira is not the reason because our contract was always backed in dollars. So it is a USD contract and nothing has to do with the movement of Naira and it has no impact on us. So there has been some other bureaucratic changes as I indicated in last call also because of the NDPHC got merged with Ministry of Power and some of the other issues which we were sorting out with them. So which all we have, I think we have finalized the contract negotiation with NDPHC. So there is no issue on that part and last few weeks, things have moved considerably and we are very, very confident to finalize the Nigeria order very, very soon.
- Rahul Jain:** So can we expect it by Q2 itself?
- Amit Jain:** So I would not like to give you a date, but we are expecting it to conclude very soon.
- Rahul Jain:** Sure, sir. Sir, my last question will be what are you guiding for in FY'25 in terms of order inflow and will you stick to the guidance of 10%-11% gross margin and fixed cost of around INR250 crores-INR300 crores for the year? Also now onwards, what will be the interest cost?
- Amit Jain:** So I think part of the question will be answered by Bahadur and part I will address. So I think Bahadur, you can start and then I will pitch in.
- Bahadur Dastoor:** See as far as the interest cost is concerned, right now we are having approximately INR400 crores of term debt of which INR25 crores has already been paid, another INR50 crores has been earmarked by fixed deposits. On the remaining IN328 crores, the interest cost would range between INR30 crores to INR35 crores on an annualized basis unless out of free cash flows, we end up prepaying it. This would be more or less the range of interest for the year.
- Rahul Jain:** Sure, sir. And on the guidance on order inflow, gross margin and fixed cost?
- Amit Jain:** So as far as the gross margins are concerned, we will be maintaining our historic gross margins which we have been maintaining in our international and domestic projects. And as far as the order book is concerned, we are expecting close to order bookings of INR8,000 crores this year in FY'25 which we expect to close.
- Rahul Jain:** Order inflow you meant, right?

Amit Jain: Yes, order inflow.

Rahul Jain: Okay. Thanks a lot, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Shiwani from Monarch Networth Capital. Please go ahead.

Shiwani: Hi, sir. Thank you for the opportunity. My first question is on the order book of FY'24, what percentage is the legacy order and what is the margin profile for those orders?

Amit Jain: Can you speak louder? I missed part of your question. Can you repeat again?

Shiwani: Yes, sure. I wanted to ask that the order book that we have of close to INR8,000 crores, what is the margin profile for those orders?

Bahadur Dastoor: Our margin profile would be consistent to the margins that we have declared. And as far as your question in terms of legacy orders, I trust you mean the old orders which were loss-making, they have all been provided for, Shiwani. So over there, the total quantum would be in the region of INR70 crores to INR80 crores in this INR8,100 crores.

Shiwani: Sure. And my second question is on the other financial assets, other current financial assets and other current assets, what amount is the indemnity amount that comprise in such numbers?

Bahadur Dastoor: The total indemnity receivables which are there in various places, which are in trade receivables, other financial assets and other current assets are approximately INR900 crores.

Shiwani: Sure. Okay. Thank you. I'll move the line for the following question.

Moderator: Thank you. The next question is from the line of Kunal Shah from DAM Capital. Please go ahead.

Kunal Shah: Hi, sir. Congratulations on a good set of numbers...

Moderator: Sir, may I request you to use your handset, please? You're not very audible, sir. The line for Mr. Kunal Shah has dropped. Maybe move to the next participant. The next question is from the line of Deepak Purswani from Svan Investments. Please go ahead.

Deepak Purswani: Good morning, sir. Congratulations for a good set of numbers. Sir, just wanted to understand in terms of the order inflow you mentioned, this year we are looking at INR8,000 crores. And also we mentioned about we are very excited about the order inflow from the Reliance side as well. So just wanted to understand if you can throw some light in terms of contribution from the Reliance in this way. And also this INR8,000 crores also includes some contribution from the Reliance also.

Amit Jain: So actually this INR8,000 crores which we are guiding is excluding Reliance and Nigeria order book. So this is pure play which we are getting from other third parties by bidding in domestic and international markets. So INR8,000 crores doesn't include Reliance and Nigeria at all.

- Deepak Purswani:** Okay. And if you can also give us some understanding in terms of how should we look at the order inflow from Reliance in this year?
- Amit Jain:** Pardon? Can you repeat your question again? Your voice is breaking.
- Deepak Purswani:** If you can throw some -- if you can also give some understanding in terms of order inflow contribution we are looking from the Reliance in this year, how should we be looking to for the current year?
- Amit Jain:** So as we have repeatedly stated on our previous investor calls that discussions with Reliance is in progress and they have a huge rollout plan. But at this point of time, I would not like to guide on any numbers with respect to Reliance. We are expecting to conclude orders soon and it is going to be a huge rollout.
- Deepak Purswani:** Okay. And sir in terms of the O&M revenues, this year we did revenues of INR210 crores. I mean going ahead, how should we look into this O&M revenue trajectory given there has been sharp improvement in the O&M portfolio or order book?
- Amit Jain:** I am really sorry, but I am not able to hear you.
- Moderator:** Sorry to interrupt, Mr. Purswani. May I request you to use your handset? Sir, you are not audible, sir. Your line keeps breaking, sir.
- Deepak Purswani:** Hello. Is it better now?
- Moderator:** Yes, sir. Please go ahead.
- Deepak Purswani:** Yes. Sir, in terms of the O&M revenues, we did revenues of INR210 crores in this year. How should we look into this trajectory going ahead?
- Amit Jain:** We are looking at close to INR270 crores this year in O&M revenue.
- Deepak Purswani:** Okay. And from the tax rate perspective, I think this year we had some deferred tax expenses, tax asset. I mean going ahead what would be the effective tax rate we would be looking at now or this is just a one-time exercise?
- Bahadur Dastoor:** See, we had made certain provisions on unabsorbed losses a couple of years ago. Those reversed because on standalone basis we had a profit of over INR120 crores. This is a non-cash adjustment on reversal of carry forward losses.
- We do not have much carry forward losses now because we have stopped providing for it from FY '23 and onwards. So, this as I mentioned non-cash, it will be significantly lower if at all in the next year. The tax rate continues to be 25 point odd percent and we have carry forward losses which would absorb a bulk of whatever will be our next year's profit on standalone basis.
- Deepak Purswani:** Okay. So, put it all together, sir, what would be the effective tax rate as a whole?
- Bahadur Dastoor:** The effective tax rate for the next year?

- Deepak Purswani:** Yes.
- Bahadur Dastoor:** I am not in a position to give you an exact guidance because the calculation will depend on how much of deferred tax gets charged and that is also on a standalone basis. But suffice to say the actual current tax outflow will not be much due to absorption of carry forward losses.
- Deepak Purswani:** Okay. And sir, in terms of the finance charges, we mentioned on the debt of INR300 crores, there would be an interest expense to the extent of 30% to 35%...
- Bahadur Dastoor:** INR35 crores.
- Deepak Purswani:** Yes. And in terms of the BG charges and other charges, what would be the outflow we should build in?
- Bahadur Dastoor:** BG and LC charges are already built into the project cost. Therefore, the project margins that we have guided is after that.
- Deepak Purswani:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from DAM Capital. Please go ahead, sir.
- Kunal Shah:** Yes. Hi, sir. Congratulations on a good set of numbers. I hope I am audible now. So my first question, you did mention that a couple of the projects were pushed back, which were from Q4 to let us say Q1 this year now. Could you sort of quantify what would be the quantum of those and are those just domestic or international projects both?
- Amit Jain:** So projects are domestic and they're in excess of 3 gigawatts worth of projects we are talking about which got pushed out. So that's because they are with our repeat customers as well as some PSU projects, which we are hoping to conclude in March. But we are now expecting either the end of April or first half of May, we should be moving ahead with those orders.
- Kunal Shah:** You mentioned 3 gigawatts, right?
- Amit Jain:** Yes, yes. That's a pretty big pipeline is there, which got pushed out, so which we hope to get concluded very soon.
- Kunal Shah:** Okay. And this 3 gigawatt again would be broadly what BOS, or end-to-end sort of how to read it like, you know, or a mix of both?
- Amit Jain:** No. most of our orders, which we are pursuing in domestic orders are like BOS.
- Kunal Shah:** Understood. And, you know, if you could just give some guidance with respect to closing order book of this INR8,000 odd crores, you know, broadly, how much would be the revenue conversion in FY'25 from the same?
- Amit Jain:** Yes. So I would give you the revenue guidance in two parts. The first part is UOV. It is INR8,000 crores. So we expect to convert out of this INR6,000 crores to INR7,000 crores of revenue out

of the unexecuted order book. And we expect to, like, we have given guidance of INR8,000 crores excluding Reliance and Nigeria, from which we'll be converting 25% to 30% into the revenue. So the revenue breakup will be in two parts. One is the unexecuted order book, and then it's the book and bill part.

Kunal Shah: This is very helpful. And also in terms of this commodity cost going up, you know, in the recent times, so one, is there any impact on the current ongoing orders? And two, will there be recalibration in terms of future bids, you know, considering those?

Amit Jain: So whenever we bid, we take current prices into account. So all of our bids, when we bid out, are based on the current prices. And as soon as we receive the orders, the orders are placed immediately.

So when we book, there is no impact. We take current market, prevailing market prices into account. And as soon as we receive the order, so we are totally protected from those metals or other price fluctuations in the market. And I don't think it is going to impact us at all going forward, or there will be any major recalibration of the prices.

Kunal Shah: Understood. And one last one from me. So in the last call, you had mentioned that there was some challenges in terms of the ability to tap non-fund-based limits, you know, during the early part of the year, given the balance sheet positioning, which obviously has improved now. But because of those constraints, is there any sort of timeline delay to commission the order backlog, which was in the starting of FY '24, or everything seems to be on time?

Bahadur Dastoor: So I will start off and then Amit can join as far as the commissioning aspect is concerned. We had expected a rating upgrade to happen during the quarter. Unfortunately, that has taken longer than expected.

The rating upgrade is expected shortly, which will be a significant improvement over the previous one is what we believe. However, that has taken the entire quarter, post which there will be discussions with banks for limit upgrades, and we are quite positive on that front. But this entire rating remaining in D for the quarter has caused constraints in terms of revenue, which could have been accomplished in Q4. As far as how it has affected the progress of projects, I'll just let Mr. Jain comment on that.

Amit Jain: So as far as the project revenues, we were expecting to realize more revenues in Q4, and which got impacted, but we expect that moving forward, that will be sorted out.

Kunal Shah: Understood, understood. And just one last one, if I can just push in, you know, we've spoken of this O&M business particularly, but you know, over the last four or five years, whatever be the conditions, you know, the portfolio has been between this 6.5 gigawatts to 7.5 sort of gigawatts, right? I mean, the O&M portfolio. So going ahead, you know, how do we sort of see this scaling up in that sense? And also, do we start targeting the wind O&M bid as well from here on?

Amit Jain: Yes, so I will answer both the parts. So as you see, our domestic EPC order book is growing. So as far as the domestic order book is selling and major contribution is coming from big PSU bids, which contains the provision for three years of compulsory O&M.

So when our Khavda portfolio, which is 4 gigawatts, when it comes into action, it will straight away contribute huge chunk to our O&M portfolio. So you will see a significant growth in O&M portfolios because year-on-year, we'll be delivering projects and adding it to this portfolio. So if you presume that every year, and it's a cycle of three years, so the portfolio will be constant, at least for a period of three years, and every year we are getting multiple gigawatts into that.

So this O&M portfolio is going to grow significantly. So you will see a rapid addition to our portfolio. So in the next year, if we commission four gigawatts of Khavda portfolio, that means straight away added into our O&M portfolio.

And next, this year we are targeting again a huge pipeline. So year on year, this will keep getting added, and portfolio is going to grow significantly. As far as wind O&M is concerned, we are working on that part, and we are considering it very, very seriously, how to enter O&M wind segment. So that we are seriously planning to enter.

Kunal Shah: Understood, understood. This is really helpful. Thanks a lot, and all the best.

Moderator: Thank you. The next question is from the line of Faisal Hawa from HG Hawa and Company. Please go ahead.

Faisal Hawa: So sir, in the previous cycle, have you seen any kind of orders increasing due to solar panel prices going down, and does the crude prices going up also have an effect on solar panels, solar projects being sped up for bidding and project execution?

Amit Jain: Can you repeat again, Mr. Hawa? Last part of your question.

Faisal Hawa: So have you seen some connection between, you know, crude prices also going up and solar panels, projects being sped up for bidding?

Amit Jain: So actually, the first part when you're saying about the module prices going down, so definitely this is a very, very positive change, and LCOEs have come down. So whatever we are seeing, that project rollout or the project closure is getting expedited, and we see the market for the numbers which we are putting in, they definitely are going to go up. So we are going to see far more project closure.

As far as the crude prices are concerned, we said this journey, the renewable journey has started, and irrespective of crude prices, it will keep moving. However, from the energy security perspective, for more geographies which are getting impacted by higher crude prices, we will see far more momentum in this direction. So energy security, along with the green revolution or the renewable energies, both the factors put together is going to drive the market towards the higher trajectory.

Faisal Hawa: So, sir, why is our guidance for order inflow so tepid? It's only like INR8,000 crores. I know that it is ex-Reliance and Nigeria, but it's still looking very tepid, because fact remains that we are almost the only player or one of two players who can do 1 GW regular projects in India. So any comments on that?

- Amit Jain:** So we want to be like that, frankly speaking, we have been very conservative whenever we are giving guidance, and that is based on INR8,000 crores now we have guided. So whatever the current bids are there, but we are expecting to beat this number. So this is the guidance for the time being from our side.
- Faisal Hawa:** Secondly, there are now some players, who are having the ambition to go above 1GW also. So are we seeing any kind of pressure on, our personnel being poached or, some attrition, because we did see some announcements during this quarter, sorry, the last quarter on, our one or two resignations at our end, and also, we are hiring some more people for the Kutch projects.
- Amit Jain:** Yes, so we have a very robust leadership pipeline, and our execution and engineering staff continues to be very, very strong. So as far as manpower and organizational stability is concerned, we don't see any threat or any pressure on that side. So we have well-placed mechanisms in place with respect to the supplementing and developing manpower to carry out the volume of work and the growth path or the growth projections we have.
- So there is no concerns at all on that front. We are fully geared up, and our systems are based on our projections. We keep adding and keep developing the organization accordingly. So we are pretty well-placed on that particular front.
- Faisal Hawa:** So, sir, just as a vision, and I will not hold you to that on any kind of figures, but what do you see could be a potential revenue that Sterling Wilson could be having three to four years down the line?
- Amit Jain:** We can, conservatively again, we can expect a growth of 15% to 20% on CAGR basis every year. This again, so this is the guidance we have given for the revenue as well as the order book this year, and on that basis, you can expect. But we are going to see the market expansion significantly in coming years.
- Bahadur Dastoor:** So, this what Amit is alluding to is without Nigeria and Reliance, sir.
- Faisal Hawa:** Yes, okay. So 15%, 20% CAGR for next three to four years, provided we do not get any orders from Reliance and Nigeria.
- Bahadur Dastoor:** Yes, lets not put it so negatively. It is just putting a positive statement of fact here.
- Faisal Hawa:** Yes, yes, no, I understood. And secondly, sir, is there any progress on, this battery storage and, any R&D that we are doing or we have any kind of inputs from the Reliance side on how to execute these projects?
- Amit Jain:** So, actually the company already has capability to execute EPC project for battery energy storage systems. We have executed similar projects in Africa and we were bidding for these projects in multiple geographies, and we expect this market to come up significantly in India, for which we have, which has not been factored into our projection so far.
- We expect this market to grow significantly and we have in-house capabilities to address this market. So, because we started working many years back on this particular BESS part and we

are technology agnostic and we can address BESS projects, including any technology in any geography, so we are fully geared up for that.

Faisal Hawa: Sir, will we remain negative working capital for even this 15%-20% growth in the next three, four years? Or we may need more infusion of funds through equity?

Amit Jain: Business model will remain same. We are going to be asset-light and negative working capital dependent.

Faisal Hawa: And definitely no equity additions.

Amit Jain: Pardon? I think business that percentage...

Moderator: May I request you to rejoin the queue for follow-up questions, please?

Faisal Hawa: Yes, sure. Thank you so much.

Moderator: Thank you, sir. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Thank you so much. Apologized I joined a bit late. Is there any indication from Reliance as to when the work will start flowing to you? And will you be the sole executor for those projects?

Amit Jain: So, I think I have already answered that question in the beginning of the call. That discussions are going on with Reliance and we remain the front runner for the execution of the portfolio. And we expect the significant portion of the complete rollout to be done by Sterling Wilson. And work should start soon.

Puneet: Okay. And would you also be executing wind for them?

Amit Jain: Pardon?

Puneet: Would you also be executing wind projects for them?

Amit Jain: Yes. So, all the options are under discussion. And as and when we finalize, we will inform you around that.

Puneet: Okay. Understood. My second question is, if you can talk about, availability of modules, given that ALMM is now in place, is there any risk to execution or pace of execution, given that there could potentially be a shortage of capacity on the module side?

Amit Jain: A significant capacity addition is happening in India. And I don't see any challenge on that particular front, with respect to EPC rollouts. Because whatever order is in hand, all the developers have secured modules. Even PSUs have secured modules. So, I don't have any concern, or I don't see any impact coming on our execution portfolio.

Puneet: Understood. That's very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: I got dropped from the call earlier. I'm not sure that you've answered this question. So, sir, what portion of our current 30 gigawatt of pipeline is hybrid projects?

Amit Jain: Is which project?

Nikhil Abhyankar: Hybrid projects?

Amit Jain: Hybrid projects. So, hybrid projects, right now, I will not put a number to that. But we'll see that that particular portfolio growing in coming years.

Nikhil Abhyankar: So, right now, there is no number? It is not included in the pipeline?

Amit Jain: Right now, it's part of the pipeline. But I would say, like, I would not like to put a number, because developers are also taking a call on various factors, how much wind, how much battery. So, based on the various configurations, that number keeps changing. So, that's why we have not put a number to that.

Nikhil Abhyankar: Sure. And also, sir, are we also looking to get into pure wind EPC, because some of the OEMs are sticking to more of an equipment supply approach only. So, is there an opportunity which you are seeing and which we can look at?

Amit Jain: So, we will do wind without land. And of course, the OEM will be supplying the equipment. But we will not be taking any responsibility for the land, which is rare. So, we'll be going only and only where the land risk is not in our portfolio.

Nikhil Abhyankar: Okay. The land is not in it. So, will we be bidding in the PSU bids? Something like NTPC or someone?

Amit Jain: So, all the PSU bids, we take one from case-to-case basis. So, how is our competitiveness and how well we are placed and whether all the risk matrices are getting complied to. And then, accordingly, we decide for every bid. So, this is decided on bid-to-bid.

Nikhil Abhyankar: Okay. And so, just a clarity on the revenue guidance that you gave earlier. So, you mentioned that out of the INR8,000 crores order book that we have, around 60 to 70 will get executed this year. Am I right?

Amit Jain: No, no. Not INR60 to INR70. INR7,000 crores from the unexecuted order book will be executed this year. We are expecting to book INR8,000 crores of order this year, out of which 25% to 30% will be converted into revenue. And all the numbers are excluding Reliance and Nigeria.

Nikhil Abhyankar: Okay. So, without Reliance and Nigeria, around 90 to 95 billion of revenue guidance for next year.

Amit Jain: Yes. So, whatever you desire. I'm not putting a hard number to it, but I have given you the broad range.

Nikhil Abhyankar: Sure, sir. No problem. Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.
- Aejas Lakhani:** Yes. Hi, team. Thanks for the opportunity and congratulations. Could you specifically speak about the receivables, the surety bonds that had got enforced by the contractor, the invocation of those bank guarantees of about INR400 crores, the litigations that were going on, and could you specifically state where we are in that journey?
- Bahadur Dastoor:** All of those items are presently lying as current assets. The management has taken legal views or expert views to determine whether there is any provision required, and the decision was that there is presently no provision that is required against each of those matters.
- Aejas Lakhani:** Okay. But could you tell me what is the update in the courts because you're fighting this battle in the courts? Has there been a hearing? When is it likely? When can we expect the fructification of this? By what timelines?
- Bahadur Dastoor:** Amit, would you like to take this question since you're handling this.
- Amit Jain:** Yes. So as far as the timelines are concerned, so we are expecting because the legal process is always a lengthy process. So some of the cases are coming up for hearing in second and third quarter and some are coming in the Q4.
- So that's how it is panning out. But there are always development and there can be some delays with respect to that. But as Bahadur alluded to earlier, we have consulted or hired law firms, most reputed law firms, international law firms for all of our cases. We have taken opinion of legal and technical experts and we are very, I think, favorably placed in all those litigations.
- Aejas Lakhani:** Okay. The next question is earlier participants had asked about the need for maybe another fundraise in the next year, your thoughts on that. And if you could just provide some clarity that when Nigeria comes through, because you've stated that you're confident, how should we understand the order booking in that the conversion to revenue, the timelines associated, the cost, the scope of work if you could just give some more understanding of that?
- Bahadur Dastoor:** As far as the fundraise is concerned, we do not see any need for any fundraise. Working capital is negative, operations are profitable. There is cash flow from operations, if you see the cash flow that we have presented. So we do not see any need for a fundraise. As far as Nigeria, I think Mr. Amit has already answered the question. But in case, Amit, you want to just follow up anything I leave it to you.
- Amit Jain:** No. So as Bahadur has alluded, we have already answered the question that we are working very closely with Nigerian authorities, very positive developments have taken place in last few weeks, and we are expecting it to conclude very soon.
- Aejas Lakhani:** Okay. Could you quantify that over what period because the timelines have moved, so over what period will we execute this? Will it be still spread out over 2 years? What will be the quantum that we may get in the first year, second year? Could you give some more color on that?

- Bahadur Dastoor:** We will give color once the order is finalized. As of right now, it is a 2-year project. It continues to remain so.
- Aejas Lakhani:** Okay. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Subash from Value Investments. Please go ahead.
- Subash:** Hello, sir. Thank you for this opportunity and also congratulations on the numbers. So my first question is about I mean you mentioned that there would be an upgrade on your rating upgrades?
- Moderator:** Sorry, I request you to use your handset, sir. There's a slight disturbance from your line.
- Subash:** Are you able to hear me now?
- Moderator:** Yes, sir. Please go ahead.
- Subash:** Okay. So you mentioned about the ratings upgrade happening soon. So I wanted to know after the ratings upgrade, I think there will be no need to pledge the shares, as the promoter shares because in the last quarter to get some loans from the banks for the projects, I think there was some pledge.
- Bahadur Dastoor:** Firstly, that is incorrect. There are no shares of the promoters that have been pledged to take any loans from the banks in the last quarter pertaining to this company.
- In fact, in the last quarter after the QIP we have gone and reduced debt. The rating upgrade is expected shortly and as soon as it is there we will make the announcement to the stock exchanges.
- Subash:** Okay, sir. And also on the segmental revenue, I see you have EPC business and also the O&M operation and maintenance. So do you have any plans to build your IPP portfolio, like individual power production?
- Bahadur Dastoor:** I will start off. We are not developers. So we are essentially in the space of EPC whether it is EPC for solar, EPC for a hybrid project and O&M. We have no plans to be an IPP.
- Subash:** Okay. Thank you so much. And also my last question would be on the conversion of revenue on your order book? So you mentioned that 30 to – or 25% to 30% of the INR8,000 crores will be converted to revenue. So do you mean that is only for FY25. I could not understand clearly. Can you please explain what is the conversion of revenue?
- Amit Jain:** So let me correct you on that one. On the revenue conversion part there are two parts. I will state again. One is the unexecuted order book value, which is like INR8,000 crores is our UOV. Out of that INR6,000 to INR7,000 crores will be converted into revenue. The fresh order inflows which we are expecting to the tune of INR8,000 crores out of that we expect 25% to 30% will be converted to revenue.

So revenue conversion will be of these two parts. One is the order book which is in hand, and other is what should be booked during that year. So these two put together will constitute the revenue and this is excluding Reliance and Nigeria.

Subash: Sir if I could push just one more question so about your margins. I see that your EBITDA margin is 5% and the net margin is a little bit lower. So compared to the smaller EPC players who show net margins of over 10%, do you have plans to improve the margin? I clearly understand this is a very good turnaround considering the losses that you have posted previously, but I would like to understand about the future margins?

Amit Jain: So as we stated, we will continue to maintain our historic margins and with the economies of scale and portfolio going up. Definitely, there will be improvement on the margins. But I will not like to comment on other EPC players, but we have been in this market for long and we have consistently delivered margins, which we will continue to do so in the domestic market revenues.

Subash: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Hi, sir. Am I audible?

Moderator: Yes, sir. Please go ahead.

Darshil Pandya: Yes. Sir have you paid any debt in this quarter?

Bahadur Dastoor: We have paid out. You are talking of debt repayment?

Darshil Pandya: Yes.

Bahadur Dastoor: Yes. So whatever was the debt repayment which was scheduled, which was a commercial paper of INR100 crores and a term debt of 25 crores has been paid on time.

Darshil Pandya: You mean to INR125 crores of debt has been paid?

Bahadur Dastoor: Yes. But that was anyway earmarked with fixed deposits. So you'll not see a change in the net debt situation.

Darshil Pandya: Okay. And any guidance for overheads for this year, what will be the overheads for this year?

Bahadur Dastoor: No, we do not. We will keep it consistent. We don't want to give any kind of guidance at this stage.

Darshil Pandya: Okay. No worries. Thank you so much.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hello. Hi. Am I audible?

Moderator: Yes, sir. Please go ahead.

Rahil Shah: Hi, sir. Just one question on the EBITDA margin, sir. What can we expect going forward for FY25?

Moderator: Sir, may I request you to speak up, sir? Your audio is very low.

Rahil Shah: Just a moment. Hello. Is it better?

Moderator: Yes, sir. Please go ahead.

Rahil Shah: Yes. Just one question on the EBITDA margin, sir and what can one expect going ahead for FY25? And it would be really helpful if you could explain the improvement quarter-on-quarter as well. How does the company see the margin shape up?

Bahadur Dastoor: So as we have given a revenue guidance and a gross margin guidance, we are not presently in a position to give an EBITDA guidance because we wouldn't want to do so. You can fairly well calculate it. How it flows quarter-on-quarter will depend on the pace of execution of various projects across every quarter.

Rahil Shah: Okay. So please can you repeat the gross margin guidance I joined the call late?

Bahadur Dastoor: Yes. The gross margin we said would be consistent with the gross margins which we have reported.

Rahil Shah: For the entire year?

Bahadur Dastoor: Year and quarter are fairly consistent.

Rahil Shah: Okay. All right. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Danesh Mistry from Investor First Advisors. Please go ahead.

Danesh Mistry: Hi. Congratulations for a good set of results. I just had one question. It was regarding our working capital. If you were to see the consol working capital, there's been a great improvement. Just want to understand, there's been an increase in the trade payables a bit versus last year. So is this something that we can expect as an ongoing basis or is it just project end date kind of balance sheet year kind of number? That's it from my end?

Bahadur Dastoor: Sure. Thank you. You will see that a lot of the revenues have happened in this quarter and especially in the month of March leading to an increase in trade payables. Similarly, there is an increase in trade receivables plus unbilled, which lies in my other financial assets.

If you see the two of them in combination, it is consistent with what is there even in the previous year. So the reason for whilst one is shown on the face and the other is shown in a schedule in the receivable side the trade payable shows up straight on the face which is why it looks inconsistent, but which is not the case.

- Danesh Mistry:** Okay. All right. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Parth Agrawal from Bastion Research. Please go ahead.
- Parth Agrawal:** Hi. Thank you for the opportunity and congratulations on a good set of numbers. My one question is, so what has been your historical order book win ratio, if you can highlight that part?
- Amit Jain:** See historic win ratio in the domestic market what we have seen when the trend in last few quarters is market share is 30% and our PSU strike rate is close to 50%. So we have been very successful in wherever the big PSU tenders we have participated, more than 50% and overall market, our addressable market share is 30%.
- Parth Agrawal:** So if you're bidding for 30 gigawatts of project this year and with a win ratio of...
- Moderator:** Sorry to interrupt sir your audio is not clear. May I request you to speak up, sir?
- Parth Agrawal:** Is it better now?
- Moderator:** Yes, sir. Please go ahead.
- Parth Agrawal:** Okay. I'm saying that with the 30 gigawatts of order book bid that you're going to do this year in FY'25 and with 30% of success ratio of win ratio that you have. So don't you think your, probably your 8,000 crores of order inflow should be more than 12,000 crores, 15,000 odd crores?
- Amit Jain:** So see, the majority of the domestic market is BOS, in which like it is 1 crores per megawatt, approximately with fixed tilt and 1.3 crores per megawatt with trackers. So this is the dominant market with some tenders coming out with modules. So with respect to that, we have estimated the number and given out to you. This number can like significantly improve as we go along the year. But we have, we kept the guidance to 8,000 crores at this point of time.
- Parth Agrawal:** Okay. Thank you. That's helpful. And just last question from my side. So in a pre-COVID, your gross margins used to be 14%, 15% level. And as you guided that, you're expecting around 10%, 11%, which you currently have clocked this quarter and this year. So any reason why you're expecting a gross margin to be lower than what historically it has been?
- Bahadur Dastoor:** Our gross margins have always been historically in the 10% to 11% range. 14% has been when we have gone opportunistically into certain geographies where we have made high margins. However, if you go consistently year from year, it has always been in the range of 10% to 11% and not 14%.
- Parth Agrawal:** Okay. Thank you. That's all from my side and best of luck for the future quarters.
- Bahadur Dastoor:** Before the next question comes up, since this is being asked repeatedly, I thought I'll just reiterate the whole thing. We do not have any equity funding planned for future. And just again, to put out the revenue expectation out of the UOV of 8,000 crores, we expect to close 6,000 crores to 7,000 crores. And out of the new order inflow of 8,000 crores, coincidentally, both are 8,000.

The second 8,000 is without Reliance and without Nigeria. We expect to close between 25% to 30% of that. Hence, you can say out of the UOV and book and bill, the revenue right now that we are expecting is between IND8,000 crores to IND9,000 crores, other than Reliance, other than Nigeria. I just thought I will summarize this, because this is being asked repeatedly. Thank you.

Moderator: Thank you. Our next question is from the line of Dhyey from Niveshaay Investment Advisory. Please go ahead.

Dhyey: Hello, am I audible?

Moderator: Yes, sir. Please go ahead.

Dhyey: So, I had this question on the EBITDA margin side. So, what is the EBITDA margin that we earned in this quarter in the international markets?

Bahadur Dastoor: We don't give EBITDA by region. The overall EBITDA is about INR 54 crores, which is what has been earned for the year, and which is fairly similar to what we have got in the quarter as well.

Dhyey: Correct, sir. I also wanted to understand on the fixed cost. So, let's say our revenue increases by a certain percentage. What are we expecting that number to be in terms of employee cost or other expenses? Can there be a multiplier to it?

Bahadur Dastoor: Our employee cost and other costs are not related to the increase in revenue, and we are not expecting the overheads to go up significantly from what has already been given for the current financial year.

Dhyey: Correct, sir. I also had this doubt related to the ALMM. There were problems of unavailability of good quality modules when ALMM was initially introduced, and that is why it was deferred. Do we expect to face any similar problems going ahead?

Amit Jain: Could you repeat again, please?

Dhyey: So, when the ALMM was introduced initially, there were some issues related to the quality of the ALMM modules. So, are we expecting any similar kind of situations in the future?

Amit Jain: No, I don't expect any such question. I already answered this question. So, with respect to ALMM, because all the big industrial houses and fairly reputed manufacturers are coming into market, and their modules are being produced with the latest technology. So, I don't have any concern on availability or quality of the modules, and it will not impact project execution going forward. So, there are no concerns on that front at all.

Dhyey: Correct, sir. Also sir...

Moderator: Sorry to interrupt you today. May we request that you return to the question queue for follow-up questions, as there are several participants waiting for their turn. Thank you. Our next question is from the line of Aaryan Mehta from Mehta Investments. Please go ahead.

Aaryan Mehta: Hi, sir. Congratulations on the great quarter. Looking at the balance sheet, the other current liabilities have nearly doubled year over year. What is the reason for this? Thank you.

Bahadur Dastoor: Mr. Mehta, I'll just answer your question shortly. If you have any other question, you can ask in the interim.

Aaryan Mehta: No, no more questions.

Bahadur Dastoor: So, I'll take the next question, and I will give you an answer shortly.

Aaryan Mehta: This is the only question I have.

Moderator: Okay, sir. Mr. Mehta, the management will answer your question. We move to the next question. The next question is from the line of Raj Rishi from DCPL. Please go ahead.

Raj Rishi: Yes, hello. There was a report which suggested that annual opportunity for solar...

Moderator: Sir, may we request you to use your handset, sir?

Raj Rishi: I'm using my handset only. Hello.

Moderator: Yes, sir. May I request you to speak a little louder, sir? Thank you.

Raj Rishi: There was a report recently that suggested that the Indian EPC solar opportunity from now till 2032 is around 65,000 crores per annum. Do you agree with this kind of report, this kind of opportunity?

Amit Jain: It's an opportunity. It can be like the valuations are arrived at considering various values. So, what we project is the BOS value for the project for this market. But I don't know on what basis this number has been calculated, but we expect market to be significant in the range of 25 gigawatts growing 15% to 20% annually. So, from that basis, we can calculate the number. So, I don't know whether that EPC has been calculated on the turnkey basis or the whole project cost. So, that is very difficult to comment on that particular number.

Raj Rishi: So, sir, like your assessment of your opportunity, the market addressability from your side would be what from now till say next seven, eight years per annum in India?

Amit Jain: At this year, what we have projected, we are projecting around 25 crores to 30 crores, 25,000 to 30,000 crores and growing 15% to 25% CAGR, depending upon how the whole system, ecosystem is panning out.

Raj Rishi: This is the Indian opportunity for you?

Amit Jain: This is the Indian opportunity we are talking about.

Raj Rishi: Which includes everything, Reliance and everything?

Amit Jain: No, no. That is excluding Reliance and like and other. So, Reliance, whatever the numbers we are talking about here, whether our own projections or the big pipeline is excluding Reliance.

- Moderator:** Thank you. May we request you to rejoin the question queue for follow-up questions, Mr. Rishi?
Thank you.
- Bahadur Dastoor:** I will just answer Mr. Mehta's previous question. The increase in other current liabilities is essentially because of advances received for projects to the tune of almost INR900 crores.
- Moderator:** Thank you. The next question is from the line of Ashish Soni from Family Office. Please go ahead.
- Ashish Soni:** Sir, what are the few challenges you foresee in the execution in the next couple of years?
- Amit Jain:** Come again. Could you repeat your question?
- Ashish Soni:** Challenges, what do you see in terms of execution? Because everything I see is looking great in terms of tailwinds and everything. But what, according to you, are the challenges you might face during executions?
- Amit Jain:** Execution challenge, like what we had foreseen, that the talent market is going to be little bit on talent, so which we had already started addressing. So, with respect to even the field workers as well as our staff, the training initiatives which need to be taken. So, we are carrying out the technical development of our people and the project execution people.
- So, that part is already happening. But I don't see, with respect to any other thing, we are fully geared up to handle the pipeline which is growing. And I don't see any significant challenge on that particular part.
- Ashish Soni:** And one more question, regarding geographies, international geographies, any reason you are not focusing on US?
- Amit Jain:** US and Australia, basically what we are finding that these markets where we are strong and the portfolio is growing significantly. So, we have chosen to address domestic market in a big way and markets in Middle East, Africa and Europe, where we can have far better contracts and much better margins. So, that we have decided for the time being in the short term to focus on these markets.
- Moderator:** Thank you, sir. Ladies and gentlemen, that is the last question for today. With that, we conclude today's conference call. 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.