



“INOX Green Energy Services Limited Q4 FY24 Earnings Conference Call”

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

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

Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you and over to you, sir.

Mohit Kumar: Thank you, Sagar. On behalf of ICICI Securities, I would like to welcome you all to the Q4 FY24 earnings call of INOX Green Energy. Today, we have with us Mr. Devansh Jain, Executive Director, INOX GFL Group, Mr. Kailash Tarachandani, CEO, INOX Wind, Mr. Akhil Jindal, Group CFO, INOX GFL Group, Mr. S.K. Mathusudhana, CEO, INOX Green Energy Services Limited, and other senior members of the management.

So, without much delay, I will now hand over the call to the management to start with a brief opening remark, which will be followed by Q&A. Over to you, sir, for opening comments.

Management: Thank you. Good evening, everyone. A very warm welcome to all of you to the quarter and full year ended 31st March 2024, earnings call of INOX Green Energy Services Limited. The company announced the results at its board meeting held on Friday, 3rd May 2024. The results along with the earnings presentation are available on the stock exchanges, as well as on our website.

Before we move ahead, let me quickly take you through the financials. During Q4 FY24, on consol basis, INOX Green has reported revenue of INR84.1 crores in Q4 FY24 versus INR60.5 crores in Q3 FY24. EBITDA of INR46.5 crores in Q4 FY24 versus INR23.7 crores in Q3 FY24. PAT of INR21.6 crores in Q4 FY24 versus INR0.8 crores in Q3 FY24.

Machine availability for the quarter improves to 97.05 %. For FY24, on consol basis, INOX Green has reported total income from operations excluding trading income of INR261.2 crores in FY24 versus INR237.5 crores in FY23. EBITDA of INR128.7 crores in FY24 versus INR97.3 crores in FY23. PAT of INR29.8 crores in FY24 versus loss of INR46.5 crores in FY23. INOX Green has achieved a major milestone by turning net cash positive as of 31st March 2024.

Now, I will briefly provide an update on our business operations and outlook before we open the floor for Q&A. At the end of FY24, INOX Green's Wind O&M portfolio stood at 3.3 gigawatt. Machine availability for the entire portfolio FY24 was at 96.1 %age, which is a significant improvement over the past year.

During the year, our subsidiary I FOX Windtechnik, delivered a very strong performance. Its wide-ranging capabilities resulted in yet another order win from the company in Q4, which is for the restoration of 33 WTGs from NLC India, a Navratna PSU. As we move on to FY25, our portfolio growth outlook through both organic and inorganic looks very strong. Today, we are primarily only two companies which offer end-to-end wind turnkey solutions in India.

Being part of INOX Wind, INOX Green has huge visibility for the organic growth. We are also participating in several PSU wind O&M tenders, as well as opportunities for capturing O&M fleets of IPPs, which is being captively managed today. Further, there are other OEMs who currently are only supplying equipment, which presents an opportunity for us to capture this third-party wind O&M fees.

Another large area of opportunity for us is value addition services, offering to our existing and new customers. Through this, we offer several services including performance improvement, restoration activities, booster installations, spare parts supply, vibration monitoring, etcetera, just to name a few. INOX Green is strongly committed to almost doubling its O&M portfolio in revenue terms from current level to 6 gigawatt by FY '26 through both organic and inorganic means.

With this, we will now open the floor for Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deekshant from DB Wealth. Please go ahead.

Deekshant: Yes. The first question is on the exceptional item that we are seeing. So, can you just shed some light on this exceptional item?

Management: Yes. So, in terms of the other income that you are talking about, some of the normal operating income is classified as a other income. So, it is a non-recurring in nature. Some are classified as other income as per the Ind. AS. Further, there are certain debtor written-off -- some debtor written-off which has been classified as other income.

Deekshant: So, this write-off is for the income that you are expected to receive, but we have not received?

Management: Sorry, come again?

Deekshant: Is this write-off regarding to the income that we were expecting to receive, but we did not receive? Was this trade receivable?

Management: No. So, there is no write-off. This is write-back. There is no exceptional item in this company.

Deekshant: Okay. I mean, on the document, there is an exceptional item of 200...

Management: There is no write-off. It is a write-back. We have, in fact, received what we had written-off. If you look at it broadly, we have received about INR10 crores, which was written-off, which we have received back. If you remove that, our normal operating income would be about INR34 crores to INR35 crores.

Management: Exceptional item, there are no exceptional item or something in INOX Green.

Deekshant: My last question here is really on, now that we have turned profitable, what is the guidance for the next one year that we are really looking at? I mean, quarterly volatility aside, what is the larger picture?

Management: So, basically, we have given a guidance for FY '26. So, basically, we will be doubling our capacity. That is the larger picture I want to project, because we are associated with INOX Wind, with a portfolio of 2.7 gigawatt in order pipeline, as well as we are doing inorganic means. So, I cannot give a very precise answer what will be in one year, but possibly, we are giving a guidance for till FY '26, we will be doubling our capacity.

Management: And I think there should be significant growth, given the fact that if you just see the kind of numbers, as Mathu mentioned, what INOX Wind is doing, all of that will flow into INOX Green organically for this financial year, besides the fact that there are various value added service contracts. For example, the INR40 crores revenue service contract, which we just won, actually is worth about 500 megawatts of O&M revenues. Effectively, there are various niche opportunities which are picking up.

So, we cannot put a very clear number, but if you look at what we have guided forward, the fact that we should add about 1000 megawatts, when we were at about 2.7 gigawatts, such that we get to overall 5.7 gigawatts to 6 gigawatts by '26. And I think we are very well positioned to be there, given our organic opportunity as well as a lot of inorganic opportunities we are leveraging on.

Deekshant: Just to follow up here is on the depreciation item. I see that the company is overall looking to reduce its debt. The next item really depends on is our depreciation. So, what's the thought process on how we control our depreciation? Of course, it's a non-cash item for us, but still want to know your thoughts?

Management: In terms of the depreciation that has been depreciated on a straight line basis, this IGESL doesn't require any kind of a capex, right? Whatever the capex which we have done in the past, it is an optical capex which will be depreciated over a period of time. And as such, we are not doing any capex and this gross block will be nullified over a period of time.

Management: Also, it's a net cash entity as of 31st March. So, we don't have debt in this company. So, we're not doing anything to reduce the debt. On the contrary, from operations, this should become a cash surplus company with treasury operations.

Deekshant: Yes, yes. Congratulations, team. Can I just ask one last question here?

Management: Yes, sure.

Deekshant: Yes. So, I'm sure the promoter company would not have liked to sell their stake in the company when they needed the cash now that we would be cash positive. Do we plan to buy back the stock that we had sold?

Management: Look, I think let's get towards achieving some of the strategic objectives we've set up. I think what's been done has been done. I think we need to focus on the significant growth.

And honestly had this dilution not happened, the wind sector and the wind companies would not have been able to leverage the unique position we have in the wind sectors. Point number two, I think these are thoughts which must be getting discussed at the board level.

This is not something which at the operating level we can discuss or debate. I'm sure the board is cognizant of various opportunities. We've been amongst the group level among the highest performing stocks across India. So, I'm sure they'll take the right actions and steps which could enhance shareholder value as we move along the way.

Deekshant: Okay. Thank you so much.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth: So, just one quick question. If you can shed some light on your inorganic plans in terms of acquiring additional capacities and players out there.

I mean, in prior calls there has been some mention of that. Is there any further update or anything specific that has materialized or is in process? If you could shed some light, that would be great.

Management: Look, we're looking at multiple opportunities. And I think beyond that when the time is right, certainly we will make those disclosures, but we're looking at various value-added service contracts. We're looking at various players to acquire, a couple of players on the block globally as well as in India. Besides that, I don't think we can shed more light. But yes, very clearly, the objective is to get to about 6 gigawatts by 2026. And the larger overall vision of the company is to become a 10 gigawatt company in the next 3 years to 4 years. That's what's driving us. That's what the whole team is working towards.

Prit Nagersheth: Wonderful. Thank you.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Thank you for the opportunity. So the first question was on the other services. So for example, you've received a contract from NLC. So can you shed a little bit of light on this? What kind of services are there and what could be the revenue contribution from the services going ahead? How do you look at these?

Management: Okay. So, it was in the market news also, I-Fox which is a subsidiary of INOX Green has won a tender from NLC which is a PSU. So last year, we won a five-year wind-up contract from the same company of the same fleet, out of which 33 turbines were non-operational since beginning of the contract. So it's a special add-on service contract to make them operational. So it's an additional tender they have floated.

In that also, the same iFox successfully able to win it on an e-option basis. And the value of the contract is close to INR40 crores includes sum of taxes and with a pretty good margin. So this contract will be executable within 8 months' period.

- Rohan Vora:** Okay. And are there any more contracts of this kind of work that you're looking at and what could be the percentage contribution just ballpark numbers going forward?
- Management:** We can't be very specific, but a lot of public sector tenders are coming up because a lot of old-age fleets tenders are coming up. So there is an enormous opportunity for us to get a good chunk of it.
- Rohan Vora:** Understood. And just the last question on your margin guidance for the business over the next 3 years, 4 years when we scale up, what kind of operating leverage can one see flowing into our margins?
- Management:** So our EBITDA target will be 50% and we'll be confidently we are poised to achieve that.
- Rohan Vora:** And on a scale can we do better once the operating leverage shows?
- Management:** Look, I think as we keep moving forward I think the team is confident of 50%. Whether we can do better these things will keep happening. I don't think we're going to share more thought around that. At these numbers, I think we are very, very competitive. We are a profit leader. A 50% number is a very comfortable number. We could do better. We could do substantially better. Let's see as we keep moving along the way.
- Rohan Vora:** Great. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sandeep Mukherjee from SKP Securities Limited. Please go ahead.
- Sandeep Mukherjee:** So, sir, actually my question is regarding the merger of INOX Wind and INOX Wind Energy Limited. I couldn't actually get opportunity in the previous call INOX?
- Management:** You can take that offline, you can contact the investor relations and take this offline, but this call is specific to INOX Green.
- Sandeep Mukherjee:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Praduman Choudhari from JM Financial. Please go ahead.
- Praduman Choudhari:** Hi. So, one thing was on the other income. I think you already explained it, but I did not really understand. Could you just explain what is it related to the INR30 crores that we can see in Q4 other income?
- Management:** So, yes. So this includes actually a one-time liability written back and our income of non-recurring nature, and this is around INR15 crores. This may or may not come into the coming quarters, but yes, as of now, it is there of INR15 crores.
- Management:** Out of INR30 crore rupees, INR15 crores rupees as Rahul has said that is a liability written back, and INR15 crores rupees, which is known, you know, not in a non-recurring, but that will keep on happening as Mr. Mathu has emphasized that, you know, we are providing a lot of services,

which will keep on happening on a quarter-on-quarter basis, but you cannot time it on one particular quarter.

Praduman Choudhari: Understood. So, INR15 crores is something we can assume as recurring? Of course, it can be ups and downs, but largely INR15 crores. So how would you say, like, should we add it to the total income to just arrive at the realization, this INR15 crores amount, to get an estimate of the kind of realization we are getting per contract?

Management: So, certain are of 30% margins, certain are of 70%-80% margins, but on a blended basis, as per O&M guidance, O&M revenue guidance also, it will be around 50%. On the all value-added services, you can assume the margin of 50% as well.

Praduman Choudhari: No, my question was more related to the top line, like, margin is fine, but how really to understand from a revenue perspective?

Management: So in terms of revenue, the thumb rule is INR8 lakh per megawatt on whatever the capacity we are doing, the O&M services plus the value-added services, which we are providing.

Praduman Choudhari: Sorry, your voice wasn't clear. What was the number you mentioned?

Management: So on a thumb rule basis, INR8 lakh per year per megawatt is a thumb rule for any O&M contract on a comprehensive basis, right, plus the value-added services which we are providing. So you can do the broad math according to that.

Praduman Choudhari: All right. And currently, the 3.2 gigawatt portfolio, all of it is revenue-generating, like last quarter, all of it was generating O&M revenue for us?

Management: Certain are on the free period, certain are on the delivered period, but as per the Ind AS policy, you need to straight line our revenue. So though it is on a free period, the revenue will start reflecting in our P&L.

Vinay Agarwal: All right, that was really useful. Thank you.

Moderator: Thank you. The next question is from the line of Vinay Agarwal from Shree Venkatesh. Please go ahead.

Vinay Agarwal: Congratulations to the management for a good set of results. I just wanted to ask a question. One of the largest contractor in relation to solar sector has expressed interest in entering O&M business for wind. So, do we have also any interest into entering into O&M business for relation to solar?

Management: No, look, I don't think solar is something which excites us simply because it is a very rudimentary job, operates at 5% to 8% margin, wind operates at about 50% margin. There is no expertise, which is rocket science, barring cleaning panels and some small stuff. We are focused hardcore on the wind services.

If there are add-on, bolt-on things which come along the way because of our hybrid FDRE, RTC tenders, we may do a little bit of solar, but we have no interest otherwise in large-scale solar.

There have been multiple acquisition opportunities, but that's not something which we are looking at. We are focused on growth, but profitable growth. We don't want to grow just for the sake of megawattage and not make any profits.

Vinay Agarwal: Okay. Thank you.

Moderator: The next question is from the line of Ravi, who is an individual investor. Please go ahead.

Ravi: Thank you for the opportunity, sir. Just one question I have. Sir, as per my understanding, INOX Green is a net-debt-free company, right? So I just saw that there is an increase in the finance cost compared to last quarter to this quarter. Am I missing something there or can you just help me understand? There is an increase in finance cost there?

Management: So it is a net cash entity. But if you see in the face of the balance sheet, there are certain debts which are still lying on the books of accounts and there are certain FDs and cash and cash equivalents, right? So broadly, as per the revenue recognition mechanism, you need to book your finance cost in terms of the loans and book your income on the other income in terms of the cash and money that you have. That is the reason one. And secondly, the company has become a net debt as of now. So broadly, over a period of time, the company having a certain debt, which has been repelled early in the course of the year.

Ravi: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Tushar from Retail Investor. Please go ahead.

Tushar: Yes, hi. I have just one question. Can you please tell me the revenue mix between O&M and value added at present? And how can it look like in coming years?

Management: Yes, so value added is an integral part of the O&M. For further clarification and such, you can get it connected offline as well.

Tushar: Okay, fine. That will be all. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Deekshant: Thank you, everyone, for joining this call. We may please close this call now. Thank you, everyone.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.