



INOX Green Energy Services Limited
Q1 FY24 Earnings Conference Call

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CORPORATE PARTICIPANTS:

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Mr. Kailash Tarachandani

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Mr. S. K. Mathusudhana

Executive Officer INOX Green Energy Services Limited

Q&A PARTICIPANTS:

- | | | |
|------------------------|---|---------------------|
| 1. Jatin Chawla | : | RTL Investments |
| 2. Pradyumna Choudhary | : | JM Financial |
| 3. Rahil Shah | : | Crown Capital |
| 4. Rajashree | : | DTCL Capital |
| 5. Utkarsh Somaiya | : | Individual Investor |
| 6. Hardik Shah | : | Individual Investor |
| 7. Akhilesh B | : | Individual Investor |
| 8. Swechha Jain | : | ANS wealth |
| 9. Sumit Chandwani | : | Arth Equity |
| 10. Sunil Shah | : | SRE PMS |
| 11. Shivangi Shah | : | Individual Investor |

Moderator

Good afternoon, ladies, and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to INOX Green Services, Q1 FY24 Earnings Conference Call. As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Bharat Jain from ICICI Securities Limited. Thank you and over to you sir.

Bharat Jain

Thank you. Good afternoon, ladies, and gentlemen. Thank you for joining us today for the Q1 FY24 earnings call of INOX Green Energy Services Limited. On behalf of ICICI Securities, I'd like to thank the management for giving us this opportunity to host this earnings call. Today we have with us Mr. Devansh Jain, Executive Director INOX GFL Group; Mr. Kailash Tarachandani, Chief Executive Officer INOX Wind limited; Mr. S.K. Mathusudhana is Executive Officer INOX Green Energy Services Limited and other senior management members. I will now hand over the call to the management to give their opening remarks. And after that, we will have a Q&A session. Thank you and over to you sir.

S. K. Mathusudhana

Thank you, everyone. Good morning, everyone. A very warm welcome to all, to the Q1 FY24 earning call of INOX Green Energy Services Limited. The company announced the Q1 results at the board meeting held on Saturday, 29th July. The results along with the earnings presentation are available on the stock exchanges, as well as on our website. Let me quickly take you through the financials. We are pleased to announce that INOX Green have turned back positive in the quarter. During Q1 FY24, IGESL has reported a consolidated revenue of INR 65.63 crore versus INR 63.16 crore in Q1 FY23. Console EBITDA in Q1 FY24 was INR 30.36 crores versus rupees INR 18.93 crores in Q1 FY23. While console PAT in Q1 FY24 was INR 2.96 crore versus a loss of INR 11.58 crores in Q1 FY23. I will briefly provide an update on our business operations and outlook before we open up the floor for Q&A.

INOX Green is a stable asset light, long-term annuity, cash generation business. INOX Green primarily operates in the business of providing long-term O&M services for wind farm projects. The company has long-term service contracts with its customers, including comprehensive contracts and common infrastructure contracts with built-in annual escalations, resulting in very sticky revenues and stable margins. IGESL is committed to doubling its O&M portfolio to 6 GWs in the near future through both organic and inorganic means, from a 3.1 GWs capacity at the end of Q1 FY24. We believe that the strong sectoral tailwinds will lead to a substantial increase in wind capacity additions in India, starting from FY24, aided by the central government auctions of at least 10 GWs of wind capacity annually.

State auctions, retail demand, P&I segment demand for their green commitments, as well as demand rising from green hydrogen ecosystem in the medium to the long term will result in overall 100 GWs of wind capacity additions in the next 8-10 years, leading to a massive growth summer 43 GWs of installed capacity. Our parent company, INOX Wind, has targeted to execute at least 500 megawatt of orders per annum from FY24 onwards, which will be added to our portfolio as we enjoy a synergetic relationship. Organically, we expect to comfortably add over 1500 MWs during FY24 to FY26.

On the inorganic front, the opportunities are quite immense. The 10 GWs of unorganized and fragmented small O&M players owning in the wind fleet of distressed OEMs. While we have stated our intention to acquire 1500 MWs over FY24 to FY26, we have already acquired a controlling stake of 51% in I-Fox Windtechnik, which added 250-plus-megawatt to our fleet at the time of acquisition in Q4 FY23. I-Fox is performing much better than our expectations, benefiting from the synergies post appreciation. Both INOX Green and I-Fox are strongly placed to acquire a large number of 10 gigawatt opportunities available in the market. And we are in discussion with several third-party wind-based O&M service providers to acquire their portfolio.

During the quarter, we continued our efforts towards improving the operational and technical performance of our turbines in our portfolio. We continue to strengthen our relationship with our existing clients and are working on building new relationships.

We believe that our journey towards being the leader in asset management and operational excellence will create significant value for all our stakeholders. Our cost-saving and efficiency improvement measures are showing positive results, reducing overheads and increasing productivity. We are continuing towards our digital journey with the implementation of SAP and other digital analytical tools, and adopting best practices in supply chain management and maintenance. Coming to Nani Virani, 50 megawatt SPV has been commissioned and operational. We expect to conclude the sale of the asset, post which INOX Green will become net debt free. Notably, this asset is generating cash, as its EBITDA is higher than interest expense. Our ESG commitment remains strong, and we continue our efforts to improve our ESG compliance. We have received independent assurance from E&Y for our FY23 sustainability report.

I believe that they will be a major catalyst in the goal towards emission reduction, in the value chain where we operate. Being a part of a \$5 billion INOXGFL group, which has 90-plus-years of footprint in fueling India's growth, as well as the parentage of INOX Wind provides IGESL with strong fundamentals and growth visibility. As we continue on our massive growth journey, we look forward to creating sustained value for all our stakeholders. So, we will now open up the floor for Q&A. Thank you very much.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If we have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you

would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. First question comes from Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla

Yeah, hi, good afternoon and thanks for the opportunity for the opportunity. A couple of questions first. So, when I look at your portfolio that you're managing, that stayed constant on a QoQ basis, but still there is almost a 14% kind of increase in revenues on a QoQ basis. So, just wanted to understand what is driving the same. Is this the price escalation? Because it seems slightly higher on the higher side to be just price escalation. So, what else is kind of driving this?

Devansh Jain

QoQ basis our revenue has been increased due to the Nani Virani and operating revenue. The revenue which has been generated from the Nani Virani. So, as per as- what is your second question?

Management Speaker

Is any price escalation?

Devansh Jain

So, as far as the price escalation is concerned, our typical O&M contracts include 5% escalation on YoY basis, which definitely will come into play on YoY basis.

Jatin Chawla

No, actually when I look at your revenue from O&M because-- and thanks for giving this out, you're separating it out properly, INR 56.6 crores is the revenue from O&M, right, this quarter. And last quarter that was close to INR 50 crores, INR 49.74 crore, if I'm correct. So, there is still a 14% increase from March quarter to June quarter. So, my question was, what is driving that increase when the overall portfolio is same?

Devansh Jain

I-Fox, so I-Fox which we have acquired in the last quarter. We had very minimal revenue.

Management Speaker

Because the period when we took over I-Fox the revenue recognition under that till the deal was not done, the full revenue could not be recognized in that period. So, while you saw the megawattage, but the revenue only came in for about 15 to 20 days, as opposed to the whole quarter. Otherwise, yes, you're right, 49 to 56 QoQ, H1, that would happen primarily because of I-Fox.

Jatin Chawla

Understood. And is that the reason also that your margins are a tad softer versus early last year? So, last year, I think on a full year margins are only-

Devansh Jain

I think it's only 50% margin, so you know whether it's 46, or 48, or 54, you know, INR 2 crores, INR 2-2 crores, INR 3-3 crores, INR 4-4 crores is impossible to detail out. Naturally, what happens in Q1 is, it is just before the wind season. So, the whole team is spending more in ensuring the turbines are completely, scheduled maintenance, unscheduled maintenance et cetera are taken care of. So otherwise, on a standard basis, plus, minus 4-5% will keep happening. On a yearly basis will typically be at a 50% EBIT margin. But yes, I-Fox is a small chunk. We had a very big chunk of inorganic acquisitions, to that extent margins are lower compared to our organic operations.

Jatin Chawla

Understood. And Nani Virani in the opening remarks, I didn't catch the timeline that you said in terms of trying to complete the transaction.

Devansh Jain

I think what Mathu mentioned was, in the near future we expect to flip that. In any case, it's a positive EBITDA generating asset, which generates far more money than the interest costs. And given that we commissioned it, in terms of the full capacity only sometime in mid-May. I think, frankly, it's only adding to our profitability. But as we've committed, we will be flipping in the near future, and I think in the meantime we'll add to our profitability.

Jatin Chawla

Right. Understood. One more question. So, going through your perspective, and from the interactions that I've had with you guys, you mentioned that on the O&M side, the profitability or the margins are

better on or actually the contracts are structured in a way that the margins are better on the common infrastructure, right, versus just the turbine? So, and hence, when we have seen some assets, kind of move from comprehensive to only common infra maintenance, your band had been still able to maintain your EBITDA. Now, my question is that going forward, the structure that we have within the group Resco is going to do the common infra, right? So, in that scenario, how do you see for INOX Green contract being structured and where the common infra maintenance kind of gets captured?

Devansh Jain

Let's not get confused. Fundamentally, I think what's going to happen is, we still have almost 600 and 800 MWs of common infrastructure-built line within Green, which we will keep utilizing, number one. Having said that, going forward, there will be no CapEx, it's an asset, like, there is no investments, there's no CapEx in this business, give or take INR 1 crore in tools, right? Whatever CapEx happens in terms of new common infrastructure which we build are under Resco, they're simply doing the CapEx, and they will become the trustee of that asset. But INOX Green will be the O&M service provider. So, INOX Green will continue enjoying the service revenues and the buildup which it keeps doing. Resco is only going to remain the trustee, there's no profitability at its level in terms of O&M pertaining to that.

Jatin Chawla

Right. And a related question, going forward, it seems we have a lot of larger players, like NTPC or another order that you have announced this quarter, and these larger players might be doing the common evacuation infrastructure by themselves. So, in that case, does that hurt the profitability of the O&M business, given that, that is where, it seems you're capturing higher margins?

Devansh Jain

No. Look, I think, let me first and foremost try and answer this in multiple ways. Number one, there are three segments of the market, there's the retail market, there's the public sector enterprise market and there's the IPP market. The retail market requires us to do turnkey, majority of the public sector tenders require us to do turnkey. When we do turnkey, the common infrastructure is in our control, so we will be leveraging that entire piece in our O&M profitability. To the extent of IPPs, some IPPs are building their common infrastructure, some of them are wanting us to support them to the extent of plain vanilla equipment supplies where they build their common infrastructure, here we'll do the common infrastructure.

But in that case, if we are providing the O&M services, our O&M service charges will be such that we make the same margin in our profitability which we'll do-- which we did in a comprehensive or a non-comprehensive contract. What's happened is, over these five years of the pain period, when certain people went away from various people, we let them go, but at the time of reset, the common

infrastructure charges came up, we increased the common infrastructure charges, so that we make the same profit, which we make in comprehensive vis-à-vis non-comprehensive. And that's happened in certain contracts of INOX Green, in certain contracts it's yet to happen as the renewal will come up. So, to that extent, our profitability will still keep going up. I suppose, I answered your question?

Jatin Chawla

Yes, I got that broadly. Just a follow up to that is, with what frequency do your renewals come out? So, let's say you -- I think you've mentioned that two years is free, right? And thereafter, the revenue start-- the cash flow starts, I think, revenues, you amortize over the full 10-year period. But when does the power plant producer have the option of, let's say, saying, you know, I will not go with INOX Green, I will go with some other O&M supplier.

Devansh Jain

No, let me try, first and foremost we understand. I think PSU tenders, Kailash, we have got 25 years contracts typically, O&M. So, PSU is typically at the time of the tender give you a 25-year O&M agreement. Retail is typically, we sign 10-years, because we use that to reset the pricing. I mean, 10 years is a long period, you need an overhaul or something then that's factored in one-time at the end of 10 years. IPP roles are typically 10-years. Ideally, no one wants to leave an OEM, as long as the OEM is financially strong and robust. Because OEMs have access to the entire supply chain. OEMs have access to all the technology updates, which keep coming up in turbines. What happened over the past five years was an aberration in the sector where virtually every OEM in India was on the verge of bankruptcy. As I mentioned many times, in the past, 30-odd-players went bust, of the five key players in India, two went bust, one survived with a massive haircut.

We survived with promoter infusion. So, in that period, many of the IPPs have thought, everyone is going to die. So obviously, it's in our interest that everyone survives. Having said that, we had already seen green shoots where various people are gradually coming back to us now that the whole wind business is very, very robust. Yes, INOX Green, independently it's very, very strong. Mathu and his team are continuously working on inorganic growth acquisition, and people are coming to us because they feel we are the strongest player who can serve businesses. I think some of our contracts as they come up for renewal which were non-comprehensive, I think some of them are going to shift back to us in terms of comprehensiveness. So, that's how we see things moving forward.

Jatin Chawla

Got it. Thanks. This is very useful, and thanks for patiently answering the questions.

Devansh Jain

Thank you.

Moderator

Thank you. Next question comes from Pradyumna Choudhary from JM Financial. Please go ahead.

Pradyumna Choudhary

So, the first question would be from Nani Virani, in this current quarter we made around INR 7.3 crores of EBITDA and the interest outgo related to this was INR 7.9 crore. So, would this EBITDA be less than interest costs because it was seasonal, we caught up for us and going forward we expect the EBITDA to exceed the interest cost. Would that be the right way to understand this?

Devansh Jain

EBITDA would be far more than the interest cost. We commissioned this asset sometime in May. While it was partly in March, when we were trying to get a better PPA and we succeeded in doing that. And hence, it actually went into operation later. So, it's not even reflective of the full quarter's revenue, which would have been far more had it been operational in the whole quarter. But on a year-to-year basis, the EBITDA would be far more than the interest cost. So, it should actually be adding to our profitability as we move forward.

Pradyumna Choudhary

Can you tell the exact commercial operation date for this Nani Virani Project? So that way we can get a better result.

Devansh Jain

Yes, exact operationally. March to May. So, we were moving some of the assets we put into open access as well. There were certain different-different timelines in terms of regulatory approvals. But broadly we put it into operation sometime in May.

S.K. Mathusudhana

So, just to add, Mr. Choudhary, actually it's not commissioning, we should say stabilization, some of the actions of stabilization is also happening. So, this is the new fleet, which is recently commissioned, so that

once the stabilization of operation is done, so the generation will be much better and we will make more profits from this asset.

Pradyumna Choudhary

Understood. Thank you.

Devansh Jain

Thank you.

Moderator

Thank you. The next question comes from Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah

Hello, sir. Good afternoon. In your opening remarks, you mentioned, organically, you are expecting to add a certain amount of MWs around 24 to 26. Was it 1,500 MWs?

Devansh Jain

Speak louder and clearer. Excuse me. Sorry. Could you please be louder and clearer?

Rahil Shah

Is it better?

Devansh Jain

I think so, yes.

Rahil Shah

Yes. So, in your opening remarks, you mentioned you're expecting to add a certain amount of MWs between FY24 and FY26. Was it 1,500? 1-5-0-0?

Devansh Jain

Yes. So, it is actually we are expecting 1,500 MWs during period of FY24 to FY26 earnings.

Rahil Shah

Okay. Right, got it. Okay. And secondly, are you able to say any outlook for FY24 in terms of revenue and margins, so, what are you expecting?

Devansh Jain

No, I think we guided for about 50% EBIT margin. I think it's steady states 50% EBIT margins. And, I think we're on track to do that. I think if you look at the fleet, it was about 2.8 GWs as of March, I-Fox, and I think as we put out in the public domain, we intend to add 1,000 MWs every year, a mix of organic and inorganic, so broadly, that will take it about 3.8 gigs. You can do the math, it's fairly easy.

Rahil Shah

3.8, do you say?

Devansh Jain

That's right.

Rahil Shah

Okay. Got it, sir. Thank you and all the best.

Devansh Jain

As we tend to add 1000 MWs annually, so we were at 2.8 and we added I-Fox, which we acquired this year. So, if you add 2.8-plus-GWs, it's broadly 3.2 GWs.

Rahil Shah

Got it, sir. Thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Rajashree from the DTCL Capital, please go ahead.

Rajashree

Hi. I just want to understand, like you said, 3.8 gigawatt is what you would be at, say, 31st March, 2024, right?

Devansh Jain

That's right. We expect to be there.

Rajashree

Pardon?

Devansh Jain

We expect to be at that number by end of FY24.

Rajashree

And this would be entirely organic or more-

Devansh Jain

No, that's a mix of organic and our presentation very clearly says we're looking at adding 1,000 MWs a year for the next three financial years, which will be a mix of organic and inorganic in numbers.

Rajashree

Okay, that's it. Thank you.

Devansh Jain

Thank you.

Moderator

Thank you. Next question comes from Sachin Jain, an Individual Investor. Please go ahead.

Sachin Jain

Sir, just one question on your capital allocation strategy. So, going forward, would you be focused on your O&M or you're also going to allocate capital to generating assets?

Devansh Jain

No, I think we're very, very clear. I think the presentation talks very clearly. It's a free cash flow business, a solid annuity business. We intend to add generating assets. We're on the contrary liquidating our last asset and such assets we have sold to Adani earlier and this is the last asset which we expect to flip very soon. Otherwise, we don't intend to add anything on the capex side, all free cash flows from it.

Sachin Jain

Sure. That is from my side. Thank you.

Devansh Jain

Thank you.

Moderator

Thank you. Next question comes from Utkarsh Somaiya, an Individual Investor. Please go ahead.

Utkarsh Somaiya

Hi, thank you for the opportunity. I would like to refer to your note four of the result, which says that the company decided to bear a loss of the uncovered ICD and investment and its associates amounting to INR 30.6 crores and reimbursed bank guarantee invoked by SECI, amounting to INR 68 crore. Can you please throw some light on this? Are we expecting any further losses? And if so-

Devansh Jain

Sir, this was not owned by INOX Green. This was owned by the parent company, INOX Wind, which was provided for in FY23. It has no bearing on INOX Green whatsoever, and that was provided in the previous quarter, not in this quarter.

Utkarsh Somaiya

Okay. And sir, do we expect any further losses?

Devansh Jain

Not at all. Frankly speaking, there was no losses for INOX Green, even if there is hypothetically say INR 1 crore loss, and there's an agreement between INOX Wind and INOX Green when the transfer took place, what is INOX Wind's responsibility will be owned by INOX Wind. There is no impact to INOX Green's shareholders or the company itself.

Utkarsh Somaiya

Okay. So, regardless of who would say-- okay, I get that. Okay. Thank you so much. Thank you.

Moderator

Thank you. Next question comes from Hardik Shah, an Individual Investor. Please go ahead.

Devansh Jain

We cannot hear you, sorry, can you-- hello?

Moderator

Yes. I repeat, next question comes from Hardik Shah, an Individual Investor. Please go ahead. There is no response. And the next question comes from Akhilesh B, Individual Investor. Please go ahead.

Akhilesh B

Hi. Thanks for the opportunity. Firstly, I just want to thank you for listing this asset. I think it's a great idea to have a pure O&M kind of business listed, it's pretty simple to understand also. So, compliments on that. My only question is, you mentioned around 1,500 MWs of organic addition over FY24 to FY26, which might happen. So, given that the first couple of years are usually free period. Is it fair to say that, that edition may not generate revenue for the first couple of years?

Devansh Jain

Thank you for your comments. Yeah, we excited that we've been able to listed as well, and create value and we hope intend to create far more value for all our stakeholders. So, just to-- I'm sorry, I could not hear whether you spoke of organic or inorganic. If its inorganic, in any case, is revenue generating from day one. In the case of organic due to Ind AS, there is straight lining of the revenue. So, let's say it's an eight-year contract-- I mean, let's say it's a 10-year contract, and the first two years are free O&M, you

recognize revenue over the entire 10-year period, not eight-year. The cash flows will be over eight-years. I mean, if we need to understand that better you can get in touch with IR or Finance team, and they'll explain that to you offline.

Akhilesh B

Okay, got it. Thank you so much.

Devansh Jain

Thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Swechha Jain, from ANS Wealth. Please go ahead.

Swechha Jain

Hi, sir. Thanks for giving me this opportunity. Sir, just two clarifications. In your opening comments, you said, INOX Wind is going to add certain MWs per annum, right? So, this will directly come to us. I kind of missed that number.

Devansh Jain

That's 1,500 MWs over three years, FY24 to FY26 was we stated during the IPO . I think conservatively, we believe that's the bare minimum which will kick in from INOX Wind. But keeping in mind INOX Wind owns ambitions as well as the market itself. I think their opportunity could be far larger.

Swechha Jain

Okay. Sorry. You said INOX Wind is going to add 1,500, is it, per annum?

Devansh Jain

Whatever they add, all those O&M contracts come into INOX Green. So, what we mentioned was we'll add 1,500 MWs organically form INOX Wind.

Swechha Jain

Okay. And sir, in the previous participant question, you said, if there is an organic O&M, then if it is for 10-year period, the cash flow is for eight-year, so revenue booking happened for 10-years, right? I mean, you'll kind of spread it out, right?

Devansh Jain

Given an example, they are under Ind AS, assuming it's a 10-year contract, right, and the first two-years are free. So, you get paid from year three onwards, the cash flows from year three onwards. But under Ind AS you would recognize revenue on a 10-year basis. So, whatever cash flow is coming over eight-year, you'll divide that over a 10-year period and you start recognize that on a straight-line basis.

S.K. Mathusudhana

Our services start from day one.

Swechha Jain

Thank you so much, sir. Thank you. That's it.

Moderator

Thank you. We have a follow up question from Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla

Hi, thanks for the opportunity again. In the prospectus for INOX Green, you'd mentioned that it has a common infrastructure asset worth 4,000 MWs, out of which 3,000 MWs has been monetized, and the remaining 1,000 MWs will be sold over a period of time and that this can yield INR 20-25 lakhs per megawatt. So, is the understanding right that there is around INR 200 crores that can come into INOX Green once these assets are monetized?

Devansh Jain

Yes, the understanding is correct. This INR 200 crores rupees will come eventually over a period of time, whenever we monetized the 1,000 MWs infra.

Jatin Chawla

Okay. Thanks. I just wanted to clarify.

Moderator

Thank you. Next question comes from Hardik Shah, an Individual Investor. Please go ahead.

Hardik Shah

Hello?

Moderator

Please go ahead, sir.

Hardik Shah

Hello?

Moderator

So, there is no response, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Devansh Jain

Do you know anything Hardik Shah wants to ask a question? It's coming in and out, in and out.

Moderator

Yes, sir. Just a moment. Sir, I'll just check his line. Question comes from Hardik Shah, an Individual Investor. Please go ahead, sir.

Hardik Shah

Yes. Hi. First of all, I would like to congratulate the management for such turnaround performance in INOX Wind as well as INOX Green.

Devansh Jain

Thank you so much, Hardik.

Hardik Shah

Welcome. So, my first question actually pertains to the pace of the acquisition. So, we have been hearing since the IPO meeting that we are in talks with six to eight potential acquisitions, out of which till now we have acquired only one entity I-Fox. So, my question pertains to what has been the progress with other potential acquisition, we have been mentioning in our investor presentation that there's a fleet of 10 GWs being managed by inactive players. So, do we have potential to acquire 30-40% of this pie or 10 GWs? So basically, my question doesn't pertain to ability of INOX Green to acquire these players, but just about a pace of acquisition, how quickly can we acquire?

Devansh Jain

Hardik, thank you for your comments. I think, yes, we're in talks with multiple players. But I think what's also important which Mathu mentioned in his opening comments, we are also focused on growing I-Fox. It's growing steadily, far better than what we thought. I think in the near future, we should be making more announcements around that. Having said that, we have very stringent norms in terms of the price we are willing to pay and the terms at which we are willing to buy. As you may have noticed, INOX Wind is just turned around or on the cusp of a massive breakout. INOX Green has been PAT positive in this quarter. We have various strategies which we can deploy to pick more and more capacities. These are unorganized players. We have the financial might and the muscle to go out and pick up more volumes.

But sometimes deals take longer or the terms and conditions which are very stringent for us internally may take some time. You may just have a very large deals which may come along the way. And the three-year goal which you set for ourselves, the 1,500 MWs we're broadly at say 300 MWs today. Mathu and the team pick up a gigawatt asset in the next eight to nine months, then frankly, they would have achieved the entire goal we've set out for ourselves inorganically over the next three years. I think organically, we have a target of 1,500 megawatt if we set out for ourselves over the next three years, but looking to what we understand INOX Wind is doing and the market potential I think that's going to be far larger. And as we keep moving forward, various opportunities come up, what we must also realize is INOX Green is the first pivot one company listed globally.

So, a lot of people are now coming to terms with the fact that an asset exists, which has created value, which is monetizable, and people can combine and make this platform much larger. So, we're somewhere around there. Of course, we've picked up I-Fox. But there are various other strategic things we're doing at this point in time which possibly will bear fruit as we move forward.

Hardik Shah

Okay. My second question pertains to down selling of Nani Virani. In this current quarter earnings investor presentation, we seem to have dropped this line from the investor presentation, where we used to mention that we expect to realize INR 300 crore from the sale of the project. I just wanted to confirm that I just hope that it still holds right even though not mentioned in the presentation.

Devansh Jain

It's in their public domain that we will be selling Nani Virani. We just didn't want to keep repeating the same thing. But yes, ballpark will be INR 300 crores on selling Nani Virani.

Hardik Shah

Okay. And in last quarter con-call we had mentioned that we had some around INR 40-45 crore receivable from Resco which we were to receive in Q1. So, just if you can give an update whether if it's received?

Devansh Jain

Yeah. So, these receivables have been received from Resco and that as the money lying in INOX Green.

Hardik Shah

So, net debt of INOX Green would be now close to INR 300 crore?

Devansh Jain

Sorry, can you repeat?

Hardik Shah

So, after receiving money from Resco and INR 200 crore warrants which have been issued, is the net debt in INOX Green close to INR 200 crore now, sorry 300 crores?

Devansh Jain

No. So, the net debt was about INR 300 crore earlier. After receiving the INR 40 crore, we'll be at approximately INR 260 crores.

Hardik Shah

Okay. Sorry, one last question-

Devansh Jain

For this transaction, we've just converted long-term money to ensure there is further promoter backing and we don't need to take it back from INOX Green, because we don't want to take money back from Green. We would rather make it an annuity ESG dividend yield play as we move forward.

Hardik Shah

Agreed, that's the right strategy. Just one last question. In the notes to the result, we have mentioned that there's certain O&M revenue of INR 123 crore which had to be billed for which service has already been rendered. Can you explain in simple terms, what does this pertain to?

Devansh Jain

Because you do straight lining of O&M revenue over a period of life of the asset. So, this note revolves around the straight lining of the revenue only.

Hardik Shah

Okay, fine. That's it from my side. Thank you.

Moderator

Thank you. Next question comes from Sumit Chandwani from Arth Equity. Please go ahead.

Sumit Chandwani

This question is related to the straight line of revenue. So, two questions pertaining to this. One is, do you expect your EBIT margins to go down? Because effectively you are earning revenues for eight-years, but the carrying costs for 10-years. And the other duty or receivable provision because-

Devansh Jain

Sorry. Can you please be louder? We can't hear what you're saying.

Sumit Chandwani

No, I'm saying this is pertaining to the straight lining of revenue.

Devansh Jain

No, we didn't get your question. Can you just repeat what you said a little louder, please?

Sumit Chandwani

Hello. Can you hear me?

Devansh Jain

Yes. That's better.

Sumit Chandwani

This is pertaining to the straight lining of revenues. So, my question is, do you expect your EBIT margins to go down in future because you'll be carrying cost for 10 years, but you're earning revenue for eight-years, because first two-years of free.

Devansh Jain

Margins will not go down. The costs are already reflected on a year-to-year basis. Because even if we're giving free O&M, the costs for that are already reflected in the P&L and our 12-year track record typically has been 50% plus EBIT margins, and we expect to be at that.

Sumit Chandwani

Right. And then what happens to the receivable? Again, we'll be having receivables for first two-years.

Devansh Jain

No, there are no receivables for two years, that's a straight lining. That's how you see this INR 123 crores, which is the straight lining revenue. Actual receivables, once billing starts in terms of not Ind AS straight lining, typically payments from within 30 days of the invoices being reached. This is not a working capital-intensive business. It's a very, very simple, straightforward service business.

Sumit Chandwani

Got it. Because you'll be booking revenue in the first two-years.

Devansh Jain

That's the reason you see the INR 123 crores of a straight lining revenues, the notes to accounts, which was questioning in the previous question, that's what you see on the receivable side, which is other assets. Because that's something which we have to book under Ind AS on a straight lining basis. Otherwise, when we start the actual billing, in terms of the pay period, receivables are typically 30 days.

Sumit Chandwani

Got it. Thanks for the clarification.

Devansh Jain

Thank you so much.

Moderator

Thank you. Next question comes from Sunil Shah from SRE PMS. Please go ahead.

Sunil Shah

Yeah. Thanks for the opportunity. Sir, my question is very simple, and some kind of a back of an envelope kind of a calculation. Sir, March 23, we were at 2,800 MWs kind of thing and we are talking about 1,000 MWs of incremental for the next three years. So, if I look myself three years down the line, we will be actually doubling the O&M work on hand, roughly. And on the current O&M that we have done, that's like 2,800 MWs, we have done an EBITDA of about INR 97 crores, so roughly about INR 100 crores. Now, if we're doubling our work on hand in the next three years and if we get operating leverage kicked in, is it safe to assume that three years down the line our EBITDA could be in the vicinity of like INR 250 crores, INR 275 crores or thereabouts.

Devansh Jain

That's right. And also, what's going to happen is in terms of the existing fleet, they have built-in escalation clauses of 5%, so that's going to add to the profitability as you move forward.

Sunil Shah

Okay, great. So, INR 275-300 crores is back of the numbers-

Devansh Jain

Not guiding for numbers. I'm just giving you in terms of-

Sunil Shah

Yeah, absolutely. Absolutely. Just the directional call. Yes.

Devansh Jain

I'm not getting to exact numbers.

Sunil Shah

Fair enough, sir. And second point, the Nani Virani assets that we have, if we are encashing that, as you stated, will be completely off debt in our books. Is that correct?

Devansh Jain

That's right. In any case, Nani Virani is a positive EBITDA generating asset. So, frankly speaking, we are only adding to our profitability. I mean, we will be flipping it. But there is absolutely no negative impact. There's, in fact, a positive impact for INOX Green, because they're making more money than the interest thing on that asset.

Sunil Shah

Great. Thanks so much. We all just hope that the pains of the last five years just don't come anywhere close in the next three years. Thank you very much, sir.

Devansh Jain

The pains were due to the OEM business. The operations and maintenance business has never faced this thing. And now we will not face this thing, simply because this is an annuity business. The contracts, which you already have, say they're married to her for 10, 20, 25 years, so irrespective of whether we sell one

megawatt of 1,000 MWs every year and the INOX Wind level, the INOX Green business is a steady state annuity business, which would only keep growing in terms of profitability.

Sunil Shah

Sure. Sir, my just thought is that if INOX Wind as a parent faces any hiccups on the on the foreseeable future, it will percolate down to us in one way or the other. So, I'm just hoping that we don't, both get the Wind level as well as the green level, we don't come across such lines. That's the only thing.

Devansh Jain

Wind in itself has a very, very robust way forward and I think, given the fact that Wind has announced its intention to be net debt free by year end. It's frankly negative breakeven company. So, in all respects, I don't think God willing, we should be seeing any collating down to this company whatsoever. But thank you for your wishes.

Sunil Shah

Thanks, sir. Thanks for addressing our questions. Thanks, from the entire community. Thanks so much.

Moderator

Thank you. We have a follow up question from Akhilesh B, the Individual Investor. Please go ahead.

Akhilesh B

Yeah. Hi. Thank you for the follow up. In one of our prior interactions, you had mentioned that once we sell down Nani Virani, basically our EBITDA would be our profit, because we also have accumulated losses from the prior years of the pain period. So, can you just quantify how much accumulated losses there might be in the company?

S.K. Mathusudhana

Broadly we have around INR 600 crore of unobserved losses as of now in income tax.

Devansh Jain

And again, by selling Nani Virani there is no profit, broadly. I mean, there could be a profit of INR 10-15 crore. But assuming we sell it at a thumb rule INR 300 crore, that's basically the equity infused and the

debt more pertaining to that asset. So, in all sense, we have about INR 600 crores of brought forward losses, which will offset operational profitability for the next couple of years.

Akhilesh B

So, almost in FY26, we may not need to–

Devansh Jain

Possibly and this will still a faster.

Akhilesh B

Okay, sir. Thank you.

Moderator

Thank you. Next question comes from Shivangi Shah, an Individual Investor. Please go ahead. I repeat question comes from Shivangi Shah, an Individual Investor. Please go ahead. There is no response, sir. That would be the last question for the day. Now, I hand over the floor to management for closing comments.

Devansh Jain

I thank everyone for the call and it was a very insightful and I hope you got the message and INOX Green is coming up very, very strongly. And we are getting into a multi-plan business, so this asset lite free cash flow business will grow much faster. And thanks for everybody's time, and questions were very elaborate and it give a very message to every investor and we feel that we grow this business much beyond our expectation. Thank you so much.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.
