“Sterling and Wilson Solar Limited
Q4 and FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Sterling and Wilson Solar Limited Q4 FY2021 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Jain, Head of Investor Relations. Thank you and over to you Sir!

Vishal Jain: Good morning everyone. I welcome you all to Q4 and FY2021 earnings call. Along with me, I have Mr. Bikesh Ogra, Director, Mr. Amit Jain, Global CEO and Mr. Bahadur Dastoor, CFO and Strategy Growth Advisors, our investor relation advisors. We will start the call with a brief opening statement from Mr. Bikesh, followed by operational highlights for the year by Amit and finally financial highlights by Bahadur post which we will open the floor for Q&A. Thank you and over to you Bikesh.

Bikesh Ogra: Thanks Vishal and a warm welcome to all the participants on this call. I would like to welcome Mr. Amit Jain who has taken over as Global CEO and will play a leading role in taking Sterling and Wilson Solar to greater heights. He will continue to operate from our Dubai office. Amit is a veteran in EPC sector with over 29 years of experience in various industries such as renewable energy, oil and gas, chemical, process plants, power transmission and telecom infrastructure. He is an engineer from Delhi University and holds an MBA degree in international business. He has been instrumental in developing US and Australia as our key markets for the company as its country head. As Amit takes over the global operations of the company, we look forward to his leadership in bringing a new perspective and generate greater momentum for the company's growth globally.

I will continue playing an active role as director of the company and will focus on business strategy and organization developments and overall growth directions. It is a matter of great satisfaction and privilege that we have all created Sterling and Wilson Solar to be among the leading global solar EPC company with leadership positions across many geographies. I look forward to working in close partnership with Amit in discovering newer paths and solutions to grow our Solar EPC business and dynamically growing newer markets across the globe. Thank you and over to you Amit.

Amit Jain: Thank you Bikesh and warm welcome to all the participants. I am truly honored and humbled to have been entrusted with the opportunity to lead Sterling and Wilson Solar. With exciting long term global opportunity in solar and with our dynamic team, I am sure that we will continue to be a global leader in the solar EPC space.

I would like to give a quick update on the solar industry, post which I shall provide a quick update on our business operations in Q4 FY2021.

The prices of solar modules have seen unprecedented increase over the past few months which has impacted the overall global solar industry. Several module manufacturers are refusing to honor sign contracts, even though the projects are short term in nature and LCs have been opened for the supplies.

Since September 2020 and as mentioned on our previous earning call, there continues to be a disruption in the supply chain due to COVID-19 and upward trend in the prices for the aluminum, copper, and steel along with increase in freight costs.

All these unprecedented factors have created short term headwinds for the solar EPC industry. This is the global phenomena and has cost large losses across the industry. It has also led to customers delaying new projects as they are waiting for the prices to stabilize. While the bid pipeline is very promising we feel that finalization of large contracts will pickup only from Q3 onwards.

On the operation side, there has been slowdown in one of the projects in a particular geography due to a subcontractor going insolvent with whom we had successfully worked in an earlier project. Consequently, we had to appoint an alternate subcontractor at a higher cost due to the labor restrictions due to COVID.

On the market opportunities and industry growth, there have been delays in the finalization of orders since January 2021 due to cost disruptions as explained above. However, we continue to see a lot of traction in key markets like US, Australia, Europe, and South America and expect order finalization to pickup from Q3. We expect the market to grow in the range of 10% to 15% over next three to five years. Our global presence provides us a lot of flexibility in selecting projects globally. Most of our clients are looking at significant capacity additions and we continue to remain confident of the opportunities going ahead. Additionally, solar projects along with energy storage and floating solar are also poised to grow substantially in near future. We have a very strong team and technical partnerships to take up a leading role in the emerging fields as well. With carbon emission production becoming a global consensus the opportunity for solar power industry will continue to remain enormous and keep on growing at rapid pace over the next two to three decades.

We are also expanding our O&M platform and expect to significantly gain market share. Our target is to operate and manage over 14 to 15 gigawatts of projects by FY2024 which will include both projects constructed by ourselves as well as third party projects.

Coming to the performance for the year, we had a strong order inflow of 1.96 gigawatts amounting to Rs.7,936 Crores in FY2021 which is higher by 72% as compared to total restated order inflow in FY2020. However our revenue growth in FY2021 was impacted on account of lower revenues in Q4 on account of COVID-19, prime subcontractor going bankrupt in Australia and delay in opening of LCs for materials.

Despite a very challenging year, we have been able to bag robust order inflows and our gross unexecuted order value (before adjusting for revenues post March 31) stands at Rs.9,348 Crores as on June 30, 2021. Given the steep increase in prices of modules and commodities, there are ongoing discussions with the customers for the revised prices and the timelines and dispatch of orders amounting to Rs. 2,030 Crores. These projects have not commenced and are part of our work unexecuted order value. We expect majority of our remaining outstanding order book of Rs.7,318 Crores to be executed our the next 12 to 15 months.

With this I will ask Mr. Bahadur, our CFO to take you through the consolidated financial highlights. Thank you very much.

Bahadur Dastoor: Thank you Amit and good morning friends. I will take you through the consolidated financials for the year ended March 31, 2021. Before we run through the financials as always, I would like to reiterate that being an EPC company, the revenue, order inflows and gross margins could be different due to geographic mix and stage of execution of the project in any particular quarter and hence comparison on corresponding previous period will not be a true reflection of the performance for the quarter nor could it be a representative for the full year.

Revenue for FY2021 has been at Rs.5,081 Crores as compared to Rs.5,575 Crores in FY2020. Revenue was lower in FY2021 due to lower revenue in Q4 on account of COVID-19, a prime subcontractor going bankrupt in Australia and its related effect and delay in opening LCs for materials.

The region wise revenue breakup is as follows - Australia contributed about 42.5%, Americas contributed 20.6% followed by India which contributed 23.8%, MENA region with 11.3% and balance 1.5% by Africa.

Our O&M revenue has increased by 37% to Rs.252 Crores in FY2021 compared to Rs.184 Crores in FY2020 with an EBIT margin of 39.5%. The contribution of O&M business to total revenue grew to 4.9% in FY2021 as compared to 3.3% in FY2020.

At a company level, gross margins for Q4 FY2021 were impacted by Rs.374 Crores. This includes exceptional items of Rs.208 Crores, COVID related impact of Rs.109 Crores and provision for liquidated damages of Rs.57 Crores.

Exceptional items include a) cost of Rs.102 Crores towards appointment of an alternate subcontractor at higher prices due to a prime subcontractor going bankrupt in a particular geography, with whom the company had worked on previous projects. B) module price increase impact of about Rs.85 Crores due to suppliers not honoring their contracts and c) increase in commodity and freight cost resulting in an impact of Rs.21 Crores. Additionally there has been a COVID related impact of almost Rs.109 Crores due to delay in execution of projects. Further we have made a provision of Rs.57 Crores as a matter of abundant precautions for any likely related damages.

Recurring overhead in FY2021 reduced by Rs.70 Crores to Rs.324 Crores due to cost efficiency measures undertaken along with reduction in travelling cost due to COVID-19. Our recurring overheads as a percentage of revenue reduced from 7.1% in FY2020 to 6.4% in FY2021 in spite of a drop in turnover. We are working on various cost reduction imitatives and expect overheads to reduce further.

Additionally, there have been nonrecurring overheads in FY2021 of Rs.49 Crores which include provision for indirect tax, goodwill writes off on conversion of a partially owned subsidiary to a wholly owned subsidiary and expected credit loss provision on IL&FS.

EBITDA losses for FY2021 is Rs.363 Crores due to lower gross margins and under absorption of overheads.

Coming to other comprehensive income, the group had taken forward contracts including cross currency hedges to hedge the exposure of currency fluctuation in respect of receivables from customers, trade payables and letters of credit. The Australian dollar INR derivative contracts were taken for receivables from customers and Australian dollar to US dollar and US dollar to INR derivative contracts were taken for trade payables and letter of credit payments. The strengthening of the Australian dollar has resulted in the other comprehensive income having a mark to market loss on a notional basis of about Rs.96 Crores. On utilization of forward contracts on the date of maturity, the effective portion of the cash flow hedge reserves previously now recognized in Other Comprehensive Income is recycled into the profit and loss account which would be offset by increase in revenue for restatement on receivables and payables.

Now coming to the balance sheet. I would once again like to reiterate that as per the amended Articles of Association of the company, it cannot give loans to promoters, or their associates post listing. The external term debt outstanding as on June 30, 2021, is Rs.74 Crores. Decrease in borrowing is on account of repayment of ICDs and cash flow from operations. Since listing we have repaid a total of Rs.2,437 Crores through internal accruals and money received from group companies on collection of inter-corporate deposits. The repayment schedule of term debt is Q2 FY2022 and Q3 FY2022 and involves a payment of Rs.34 Crores and Rs.40 Crores, respectively.

We have a cash and cash equivalent of approximately Rs.220 Crores and a net worth of Rs.658 Crores as on March 31, 2021. As of March, we had a negative working capital of Rs.530 Crores as compared to positive working capital of Rs.178 Crores as of March 2020. Improvement in working capital was driven by combination of higher collections, efficient management of working capital and advance from customers.

Of the receivables due for more than one year as on March 31, 2020, we have been able to collect/settle old receivables of almost Rs.177 Crores during FY2021 and are confident of recovering most of the balance overdue balances.

The total inter-corporate deposits repaid during FY2021 was Rs.447 Crores (including interest of Rs.123 Crores) and additional Rs.162 Crores was repaid post April till June 2021. As on June 30, ICDs stood at Rs.723 Crores including interest accrued, which as mentioned by the promoters will be paid latest by September 30, 2021.

On the cash flow front, during the quarter we had a net operating cash flow from operations of Rs.201 Crores as compared to Rs.338 Crores for FY2020. Cash flow from operations and investing activities have been used to repay borrowings and interest thereon.

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. We take the first question from the line of Avadhooot Joshi from Newberry Capitals. Please go ahead.

Avadhooot Joshi: Good morning. Thanks for the opportunity. I was looking at slide #4 of the presentation, if you look at the geographical diversification, Australia has become a dominant part of our order book from 20.8% now it has become 69.1%, so I would like to know how it has progressed over the period within one year such a sudden increase in the order book from Australia plus we mentioned about our subcontractor going bankrupt, and the second wave that is taking place in Australia so how it will affect our business going further that is my first question.

Amit Jain: Good morning Mr. Joshi. as you have seen we have been significantly growing our operation in Australia and it has contributed significantly to order book and we feel that going forward as well that Australia will be contributing significant portion of orders to our order book and we have a very strong pipeline there and we see even this year going to be a roughly pipeline of 3 gigawatt which we will be targeting in Australia, so Australia is going to be a considerable part of our portfolio. As far as the subcontractor is concerned, we are moving ahead with our project and we have worked considerably on that part, we have increased our due diligence with our subcontractors and we are taking all precautions, so we feel that we have mitigated that risk for our future projects.

Bahadur Dastoor: Just to add we also have one of our fellow subsidiaries in Australia which is involved in labor subcontracting. We have now strengthened that subsidiary to further mitigate the risk of subcontractors not being able to meet their obligations.

Avadhooot Joshi: About the second wave when lockdown going on in Australia how it is affecting our business?

Amit Jain: As far as second wave is concerned, that is limited. Australia has minimum impact of COVID and the impact is limited to big city. So for our project's construction work has not been impacted by the COVID wave in Australia. This current wave is not impacting our construction work so far.

Avadhooot Joshi: During the recent AGM Reliance Industries announced they want to enter into this solar business end to end, so how it will impact us, how it will benefit us in the future, any thoughts about it?

Amit Jain: I think that entrance of big developers like Reliance Industries will widen the market and as far as Sterling and Wilson Solar is concerned we have a huge geographical reach. Within last two years we are present in all the continents across the world. So we do not see any impact on our business so far, but we will see that is the positive step for the industry and it will help in the growth of the industry.

Avadhooot Joshi: Okay. If I can squeeze in with last one, Mr. Bikesh Ogra brought 1% of equity in March, off the market transaction, so what was the value of the transaction if you could provide it?

Bahadur Dastoor: As it was mentioned at the time of filing of the prospectus, Mr. Bikesh Ogra was to be given 1% equity from one of the promoters and it is that promise that has been fulfilled, so it has been a transfer from one of the promoters to Mr. Bikgsh Ogra as was disclosed in the prospectus at the time of filing.

Avadhooot Joshi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Thanks for the opportunity. First question is regarding the margin. So obviously this year we had an impact and we have done a lot of provisions also, one off provisions are also there, So let us say how do you see margins from FY2022 because considering whatever prices of modules or commodities are there today?

Bahadur Dastoor: Right now, the COVID impact is still there in few parts of the world, we would be able to provide a better margin guidance when we are coming out for our Q1 call in about 40 days from now - that would be the right time when we would be able to give the correct impact, if the COVID waves have dropped. If not it will be continuing guidance which we will have to keep giving quarter on quarter. Right now, we would not be in a position to specifically answer this.

Dixit Doshi: Thank you. That is it for me.

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

Mohit: Good morning Sir. There are two questions. First is on the write off for the unexpected cost we have accounted in Q4 FY2021, if we see further impact in ongoing quarter or do you think it is largely over?

Bahadur Dastoor: It would be a little presumptive to say it is over. What we have done is we have therefore adjusted our margins. Whatever impact is attributable to FY2021 as a one-off has been considered in FY2021. The margins which were present earlier were higher number have been adjusted on the basis of the module price increases which we have factored in. As of right now, it is very difficult to say if there are further impacts or not, freight prices are still at their all time high. As you would have seen in our presentation, commodity prices have kept going up and of course module prices over the last few months have shown almost 30% increase. On the basis of best available information and future knowledge, the company has already done all its adjustments, but these are very, very uncertain times for me to give an answer whether there would be anything further. As of right now on the basis of best management estimates everything has been considered.

Mohit: Of course I understand that we are negotiating with the customers on the price increases, in your opinion do you think the customers are coming to the table or open to negotiate the prices?

Amit Jain: At this stage I would only like to say that the discussions are going on with the customers and customers are receptive to the idea and they understand the global situation. But I would not like to make any futuristic statement in that regard, but definitely we are engaging, and customers are receptive, and they understand the global situation.

Mohit: And lastly Sir, are our Chinese vendors of solar module, are they asking for higher increase than their contractual commitments?

Amit Jain: Yes, that is correct. So we had signed back to back contracts with our module suppliers, but due to disruption in the module supply chain, they have come back with the higher prices.

Bahadur Dastoor: It is important to note that they were signed contracts with the vendors, so it was not some open ended liability, some of them have reneged on signed contracts.

Mohit: These you are talking about Tier -1 module manufacturers, am I right you are saying that?

Bahadur Dastoor: Absolutely.

Mohit: How do you see the pipeline. Of course you did say that it will start from Q3, but can you comment something on geography-wise outlook for the H2 FY2022?

Amit Jain: We see a very strong pipeline in all the geographies we are in. Australia, US and Europe, they continue to lead the pack. So if you talk about specific number both in Australia and US, we see close to 3 gigawatt pipeline in each of the geography and Europe and the LATAM both put together they also close to 4 gigawatt and in Middle East we have a pipeline of 4 gigawatt and in India we have a pipeline of 6 gigawatt. But as you know there is ongoing turmoil in the market with respect to module prices and commodity pricing, we will get to know how much of this pipeline will go ahead in Q3 and Q4 and how many of the projects will be realized on the ground. So based on that orders will be converted. But as this point of time we will see a very strong pipeline and the projects on the ground across all the geographies – which is approximately 20 gigawatts pipeline across the globe.

Mohit: Thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Asset Management Company. Please go ahead.

Deepesh Agarwal: Good morning gentlemen. My first question is in India, there are some large developers' utility who were looking at setting of the EPC contract that is procuring the equipment and supplying it to the contractor and just awarding the contract on the construction basis, how does this change the addressable opportunity per project for players like us?

Amit Jain: All kind of market exists in India, so they are developers who are providing module minus all construction and supply contracts. There are developers who are awarding the contract on absolutely strip down version and only construction. But we are focusing, primarily on EPC minus module model, which is predominantly our target market in India.

Deepesh Agarwal: So pure construction it is not our target market.

Amit Jain: No.

Deepesh Agarwal: Sir secondly do we have plans to enter into segments like solar rooftops?

Bahadur Dastoor: We already are in solar rooftops in India. But it is a very small segment from us which is not a value add and we are evaluating what we need to do..

Deepesh Agarwal: That is it. Thank you.

Moderator: Thank you. The next question is from the line of Anuj Jain from Globe Capital. Please go ahead.

Anuj Jain: Sir my question is as we have mentioned that we are negotiating with the customers regarding increasing solar prices. We have we taken a hit in this current quarter, so can we expect some kind of write back if we have been successful in those negotiations?

Bahadur Dastoor: So the discussions as Mr. Amit has mentioned is ongoing with the customers. As of right now what we have taken are the downsides. If anything comes in, but it is still early to say, as Amit says the customers are receptive so we do not want to give any optimistic view, but if there are any upsides, they would probably come in the next year, if customers are agreeable to our calls that we have given to them.

Anuj Jain: Okay. Sir can you please explain this higher execution cost due to delay which is roughly of Rs.109 Crores I mean due to delays. I could not get what kind of delay is that and if you think because the COVID, so it is mutually decided between the client and you that it has been delayed, so what sort of delay it is?

Bahadur Dastoor: See there is delay in execution because of shortage of subcontractors, shortage of labor, COVID impact restrictions in cross-border movement. Generally, in contract when there is a force majeure, you get an extension of time, you do not get cost so these are all the additional site related costs that we had to incur for the long gestation that we have spent on these projects due to COVID over the last one year. Once again, we have put claims on some of our customers. We have not recognized any of those. So therefore, these are all the higher execution costs due to delay on account of COVID. This is spread across geographies.

Anuj Jain: Okay in case if situation again some kind of lockdowns are there so we can expect again some kind of execution delays going forward.

Amit Jain: We would not like to comment on that now, but that all depends on upon how the COVID situation unfolds and that is totally unpredictable.

Anuj Jain: Sir one last question I mean with respect to past order, which are in hand, we are negotiating with the clients. So going forward for all the orders, which we are going to bid in near future or in the coming financial year, so how we are building that impact of rise in module prices, future risk and commodity prices, labour shortage and pay and everything. So how we are going to mitigate going forward that in our future contracts?

Amit Jain: So we are working on multiple strategies to mitigate that risks. So going forward, we will be discussing with our clients. Even for the short term contracts we will be having more stringent contracts with Chinese module suppliers and asking for higher amount of guarantees, so that we are more secure and prices are secure and will be building in mechanism for safeguards with our customers as well. So we are working on multiple strategies to mitigate this risk going forward.

Anuj Jain: Okay Sir that is it from my side in case if I have further questions I will get back to you. Thank you.

Moderator: Thank you. The next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Hi Sir, you guys have indicated earlier that we had pass through effectively on all our input costs including panels etc. We just wanted to understand the reason why we haven't a pass-through. We are taking large hits on some of them.

Amit Jain: Actually you are right on the large contracts we have pass-throughs, but on the shorter duration contractors we are signing back to back orders and we are protected till the time we had an arrangement at the time of closing the contract and entering back to back agreement. But in the current scenario the volatility was so high that tier-1 Chinese contractors have gone back even on signed contracts. So we were totally protected but then signed contracts have been reneged by the suppliers. So we were totally protected because the contracts were totally back-to-back and were signed and things were in place, but despite that, the contracts were not honored by the concerned party.

Ritesh Gandhi: Got it and how do we prevent this from happening in the future again? Are we going to effectively tweak the way in which we have the contracts, or not operate with the same suppliers?

Amit Jain: It is mostly, we will try that it is pass through that it gets passed on to the customers and we will also work out on a mechanism with our suppliers for a higher guarantee so that we are protected. So right now we are planning to significantly increase the value of securities we have from our suppliers, so that we were well protected.

Ritesh Gandhi: Are there any legal implications we can take against our suppliers for having defaulted on the agreements and then whatever the action because I am assuming, as the largest EPC players globally, they would not typically like to renege on contract with us.

Amit Jain: Though we have mechanism in the contract that we can take legal action, but we have not yet taken legal action. This is not a problem only faced by EPC players but even the biggest developers in the world are encountering this issue and they are not able to manage module suppliers.

Ritesh Gandhi: Now if look at the end of the day we are the EPC players, so effectively it is going to impact our profits, so shouldn't we sort of taking some legal actions because we are not earning adequate returns and we actually do not take commodity risks in our projects right?

Amit Jain: I understand that and we fully appreciate that situation. But as you know this is a very, very like unfortunate and unforeseen condition where the supplies have gone back on signed contracts and as explained earlier that we are taking it back to the customers also to the extent we can be compensated. So that those discussions are on but this was one off situation and hopefully we will be taking considerable measures to protect ourselves in future against this eventuality.

Bahadur Dastoor: And this has happened with all EPC contractors across the world not just, not just Sterling and Wilson Solar, so the entire solar industry is suffering.

Ritesh Gandhi: Okay thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Abhineeth from Emkay Global. Please go ahead.

Abhineeth: Thanks for the opportunity. So I have three questions first let us assume hypothetically the freight charges remain at these prices along with copper and aluminum and other parts along with module. So going into FY2022, based on the contract that we have as of now, how much additional hit we will have to take, I am assuming a status quo and everything in terms of prices?

Bahadur Dastoor: If there is status quo in all the prices, we have already factored in the hit by taking whatever additional hits have to be taken in FY2021 and lowered the margin expectation project by project for FY2022. So if there are no further hits, as you have put it, there would be no additional one off. It will be part of the standard project cost that we have factored for the next year.

Abhineeth: Okay, there is no cost increase let us say from gross margin perspective because we are assumed prices remain here, but the only additional cost could be COVID related cost as you had mentioned earlier that anymore elongation of COVID across the globe can have some impact right?

Bahadur Dastoor: One point, which I would like to note and that is the margins would obviously now be lowered for such projects where the additional costs have been taken. All I am saying is the adjusted margin as of March is what will continue in the next year. So it would not be the margin that is at the stage of booking but what is adjusted after taking all the impacts now.

Abhineeth: Any broader sense what that margin could be?...

Bahadur Dastoor: No broad sense at the moment, as we said we are still in uncertain times so we do not wish to give guidance at this stage, we will take it up in the next quarterly meeting and further going forward.

Abhineeth: Okay secondly, see, the Indian market as it looks from the government policy and lot of players announcing their capacities, looks like this market value will range anywhere between 10 to 15 gigawatt and probably running up higher in the coming years. Now what I want to understand in this utility scale number, what typically is our consideration set. I mean there are players of different style as you had mentioned as well, developers who just want an EPC contractors to put in their modules, pricing of the developer or there would be a whole lot of turnkeys - so of the overall market what is our consideration set in this?

Amit Jain: Okay as I indicated earlier, we are the most established player in EPC market in India and we see this market to be growing considerably and continue to be a strong market for us. At this point of time, we see this year has a pipeline of roughly 7 gigawatt which we hope to target and with new entrants we are confident of the growth of the market which we are targeting. So we see market growing and our market share growing in the Indian space.

Bahadur Dastoor: Further to what Mr. Amit as said, in India our general market is without module the rest of the EPC, so we do not engage in strip-down EPC models. Generally in India, the module is taken care of by the developer and the rest by us.

Abhineeth: Okay, thanks.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric. Please go ahead.

Manoj Dua: I understand this is unfortunate unprecedented situation in terms of raw material price increase and the suppliers have gone back on their contract and we are honoring because as part of the business going forward. So we see the suppliers are in very dominant position in these value chain. So I know that situation is not going to come back again and again but how do you see in future these dominance to continue. Because it may hurt us in terms of working capital, credit terms - so how do you see the future on the supplier front.

Amit Jain: Whatever we are bidding at this point of time it is getting factored in our prices and so if the status quo remains we are going to maintain, and we are going to built in the volatility into our prices. As we have said, on the module part if there is unstability and volatility remains in the market, we are going to go with the pass through model and we are going to approach the suppliers with the demand of higher BGs to secure the safety and maintaining the price. Right now the level of the security and bank guarantee which were getting for our module suppliers is around 5% and going forward for the new contracts will be seeking more securities to build in safety feature so that we are fully protected against any such volatility, and we will be working on other mechanisms to protect other commodity price hikes.

Manoj Dua: Okay, thank you.

Moderator: Thank you. The next question is from the line of Shivan Sarvaiya from GHB Securities. Please go ahead.

Shivan Sarvaiya: Good morning Sir one question on the O&M. We scaled it up pretty well. It is at 8 gigawatt right now. Any target what we would like to achieve over the next couple of years?

Amit Jain: So right now predominant portion of the portfolio comes from India, but going forward we are planning to go globally

Bikesh Ogra: We are targeting 18 to 19 gigawatt by 2027 and we will be targeting around 14 to 15 gigawatt by 2024 - that is the broad understanding on how we are approaching the O&M business.

Shivan Sarvaiya: Okay it is approximately 14 to 15 gigawatt by FY2024. Okay and Sir considering we are going to be entering into other geographies, how will the realization and margin turns out to be?.

Bikesh Ogra: So historically margins have been in range of 35% to 40% in O&M vertical. So going forward also that would be the range that we would be targeting. I think that is how we are approaching the O&M business.

Shivan Sarvaiya: Okay Sir that is it from me. Thank you very much.

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

Puneet: Thank you. My first question is what gives you confidence that these orders will come back in Q3. Do you foresee a risk that module prices remain high Q3, Q4 and the entire execution might be pushed back by another six months.

Amit Jain: No, we do not expect that. We have high visibility of our order pipelines in next quarter, but we do not expect that to happen.

Puneet: Is there any indication that module prices are coming down in Q3, that should be key monitorable right?

Amit Jain: I will not like to take a futuristic call on that. We would not like to answer that question because though we expect market to be normal, but we will be able to make a better assessment in next quarter.

Puneet: Okay understood. My next question is like in India lot of large developers have now taken to do EPC themselves. Are you seeing any of these trends in the global market as well?

Amit Jain: We do not see that happening because globally the project financing models are very different and they require complete wrap from EPC contractors. So we do not see that happening in our predominant geographies of US, Australia, and Europe.

Puneet: Okay understood that is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Sagar Parekh from Deep Financial Consultants. Please go ahead.

Sagar Parekh: Thank you for taking my question. My only question is on this, as you said that you had bank guarantees of 5% with the module suppliers in China or from anywhere where you source. Why have not you looked at encashing that BG if they have defaulted or if you have refused to honor their contracts?

Bahadur Dastoor: The bank guarantees while on the case of the vendor side is 5%, let us not forget that at the same time our customer holds our BG for a much larger value. Projects have to be completed on time and therefore this becomes a matter of negotiation. As we have mentioned earlier, therefore to balance this risk, we are now going to seek an equivalent high bank guarantees from our vendors going forward such that the risk is equally felt by them - which right now when you are having a 30% to 35% price increase, 5% bank guarantee is not going to be very significant to deter them to honor their contract.

Sagar Parekh: In the new contracts if you say that you are going for higher securities, they should be willing to accept that. So has that willingness has come from them?

Bahadur Dastoor: There is ongoing negotiation right now. So we are fighting on several fronts. Talking with our customers also as Mr. Amit explained, as well as talking with our vendors. It is matter of ongoing discussion. We were asked as to how it is risk mitigation, so this was our proposal. And most EPCs will not take the risk.

Sagar Parekh: Okay sure. Okay that is it from my side and thanks.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: Thanks for taking my question. I have two questions. So one is can you give some color on order book - what is the size of the short-term contracts where price fluctuations are on our head and secondly against whatever last year, one-time hit we have taken, how much claims aggregating we have put forth which may or may not materialize. Thank you.

Bahadur Dastoor: So I will answer the first question. I would not in the moment want to answer the second. Claims are a matter of ongoing discussions with various customers so whilst we have put in we would not want to quantify that value right now. As far as the short-term contracts versus the long-term contracts i.e. the module versus non-module risk, for the next year the carry forward orders would be roughly in the range of 50-50.

Nitin Gandhi: And out of 50 where which are long-term contracts, we are having some cost hit on our part?

Bahadur Dastoor: So the cost hit has been factored in majorly to the extent knowledge is available with the management as of date. If there is anything further, if it comes in, yes, it will be once again a matter of discussion.

Moderator: Thank you. The next question is from the line of Pallavi from The Consulting Point. Please go ahead.

Pallavi: Yes Sir. Thank you for taking my question. Just wanted to know what the time period for our fixed price contracts for us?.

Amit Jain: Most of our contracts are between 12 to 15 months duration and the longer term contracts are for 18 to 21 months.

Pallavi: Right so I was asking in terms of bifurcation in terms of fixed price with no escalation clause.

Bahadur Dastoor: All our contracts are fixed price contracts.

Pallavi: Okay Sir and secondly would be open to taking on strategic partner in terms of promoters diluting their stake, incase you know the growth opportunities are very big.

Bahadur Dastoor: So that is something only may be the promoters can answer. We as management cannot answer that question.

Pallavi: Thank you that is all from my side.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Amit Jain for closing comments.

Amit Jain: We would like to again thank everyone for joining this call and for your continued support all the while. I hope we have been able to address all your queries. For any further information kindly get in touch with Mr. Vishal Jain or Strategic Growth Advisors, our investor relations advisors and thank you once again and have a great day. Thank you.

Moderator: Thank you on behalf of Sterling and Wilson Solar Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.

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