



Suzlon Energy Limited

H1 FY18

10 November 2017

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FY18: Year of Transition

FY18: Strategy During Transition Period

Volume Uncertainty

Suzlon USP

- Execution of potential PPA backed orders
- Capitalizing strength in captive & PSU customer base
- Stable revenue base from 14+GW fleet under service
- Third party component sale in SE Forge

Suzlon Strategy

- Target high market share of bid volumes through
 - Strategic customer tie ups (25 – 40% Share)
 - Best in class technology and project pipeline
- Targeting >50% market share of Captive Market
- Exploring select international markets on lean cost structure

Declining Tariff, Increased Competition

Suzlon USP

- Best in class technology, execution track record & service
- Turnkey and end-to-end solution provider
- Strong project pipeline across windy states
- Strong & diverse pan India customer base
- Vertically integrated manufacturing
- 22+ years of leadership track record

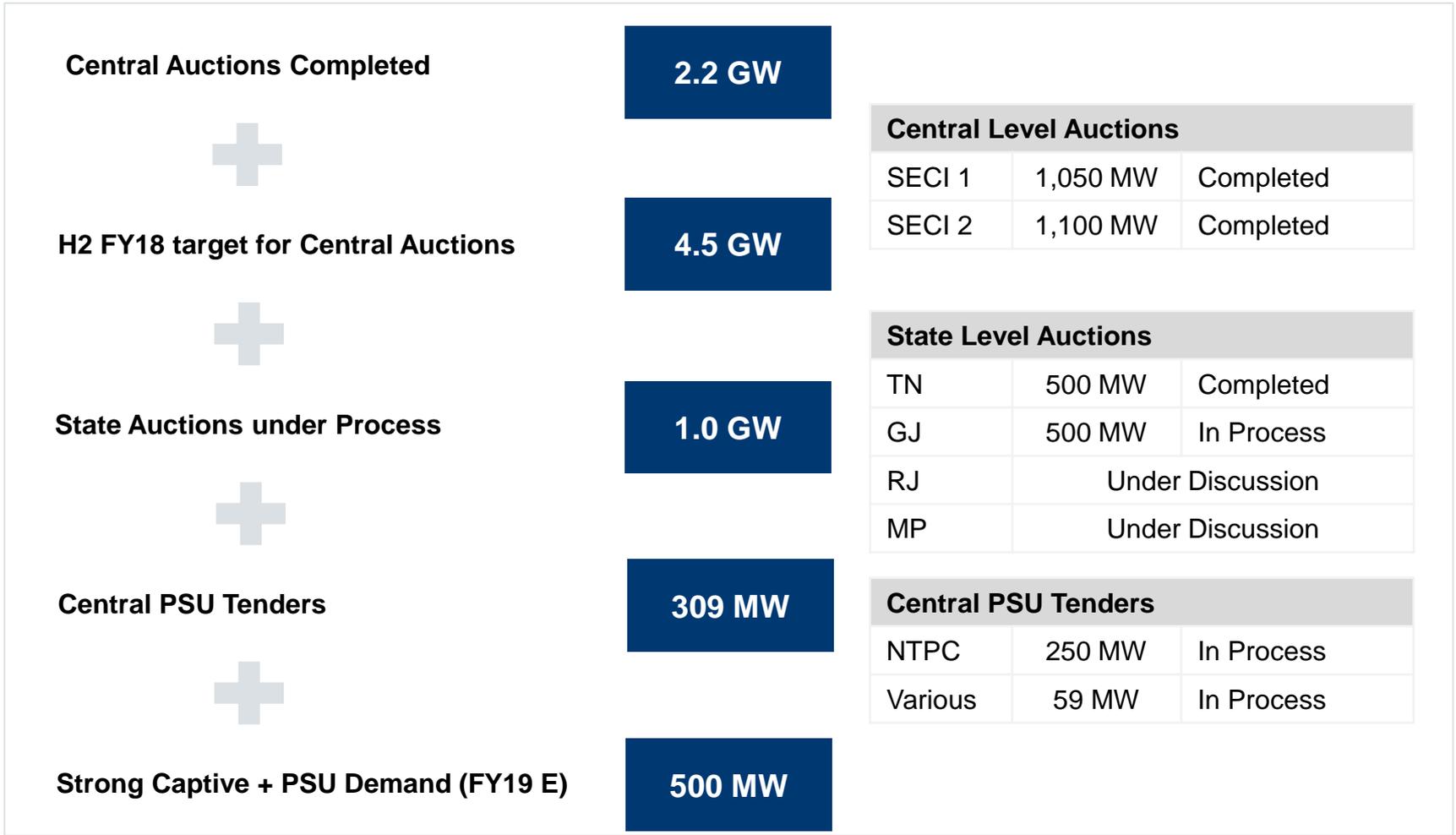
Suzlon Strategy

- 10% LCOE reduction through technology
- Accelerate project pipeline investment
- COGS optimization through technology, value engineering & vendor negotiation
- Focused fixed cost optimization
- Interest cost reduction by refinancing high cost debt

Opportunities from short term adversities

- FY19 volumes expected to be 6+ GW
- Increase in Suzlon market share

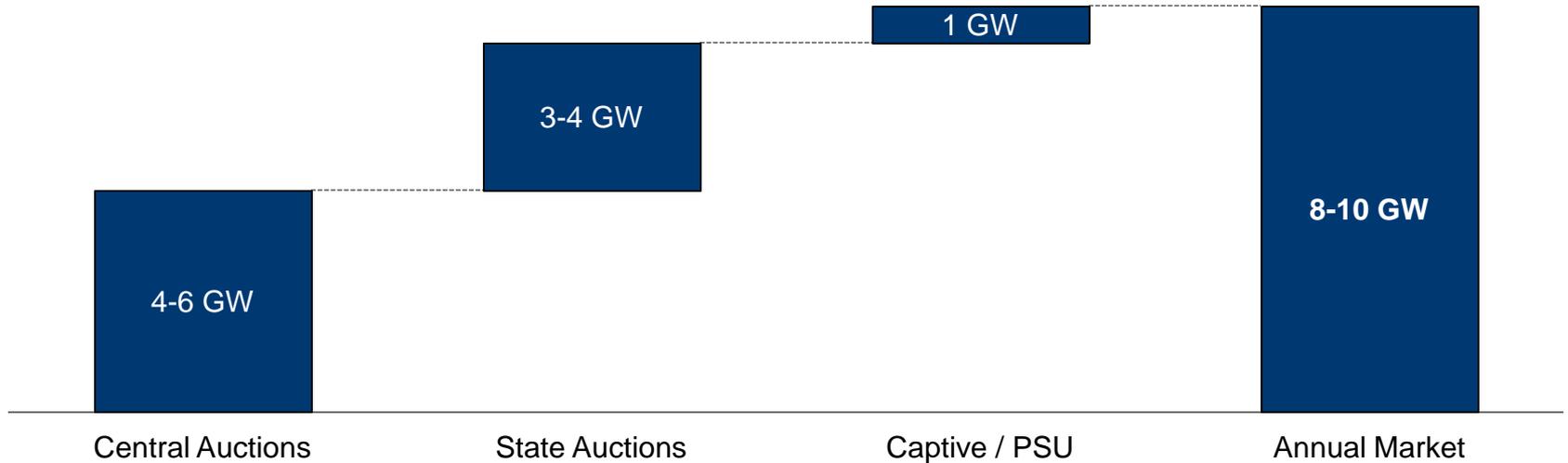
FY19: Strong Volume Visibility



Strong outlook for FY19 (6+ GW) and beyond

Poised To Become A 10+ GW Market

India Annual Wind Market Potential Size and Segmentation



	Central Auctions	State Auctions
Power Consuming State	Non Wind States	Wind States
Project Installations	Windy State	Windy State
Project Grid Connectivity	Central Grid	State Grid
PPA Counter Party	SECI / PTC	Respective State DISCOM
Annual Market Size depends on	Non Windy State Power Demand	Windy State Power Demand

Positive Aspects of Competitive Bidding

Until FY17

Demand from Wind States only

FiT + Incentive Regime
(High tariff uncertainties)
(Reluctance from DISCOM)

Back Ended Volume
(H2 typically 60-70% of full year volumes)
(Inefficient Working Capital)

Moderate scale Order Size (50 – 100 MW)

High Regulatory Risk
(Back ended PPA signing
Tariff depending on commissioning timing)

FY19 onwards

Pan India Demand
(Wind + Non Wind States)

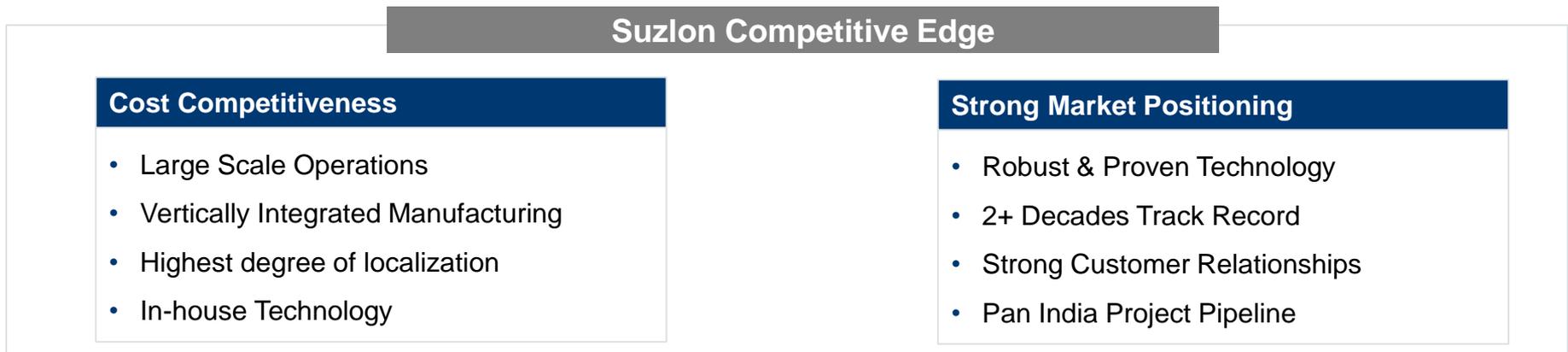
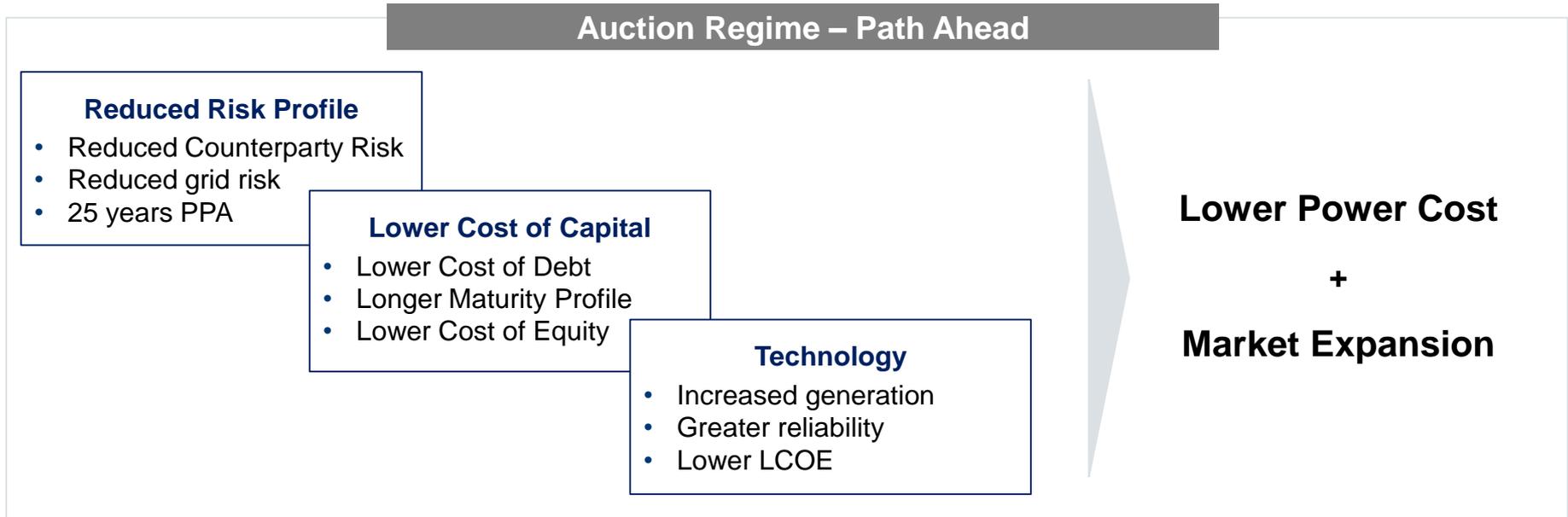
Auction based / Market Based pricing
(Reduced uncertainties)
(Most competitive source of power)

Reduced Seasonality in Volumes
(Optimized Working Capital)

Large Scale Orders (200-250 MW)

Reduced Regulatory Risk
(upfront signing of PPAs and tariff
determination)

Suzlon Best Positioned in Auction Regime



To strongly benefit from market expansion through auctions



Financial Update

H1 FY18 Performance Despite Transition Period

Despite Ongoing Transition period

- 527 MW Delivery Volumes
- ₹ 3,852 Cr. Revenues
- \$76M FCCBs converted (Debt Reduction)

Despite Lower Operating Leverage

- 15.1% EBITDA margins⁽¹⁾
- Rs. 117 crs Reported PAT
- 94 Days NWC (Vs 89 days YoY)

Delivering performance in challenging period

H1 FY18 Result Snapshot

(₹ Crs.)

Particulars	H1 FY18 Unaudited	H1 FY17 Unaudited	
Revenue	3,852	4,384	Transition period impacted volume
Gross Profit	1,659	1,995	Revenue Mix impacted margins (19% Solar Volume Share)
Gross Margin	43.1%	45.5%	
Employee Expenses	409	514	Result of ongoing optimization efforts
Other Expenses (net)	668	745	
EBITDA (Pre FX)	582	736	Reflection of Gross Profit reduction due to Solar
EBITDA Margin (Pre FX)	15.1%	16.8%	
Depreciation	161	173	
Net Finance Cost	589	568	Due to higher working capital debt
Taxes, Non Controlling Interest & Others	28	17	
Net Profit (Pre Fx and Ex. Items)	-196	-22	
Exchange Loss / (Gain)	141	-3	Primarily Translational
Exceptional Loss / (Gain)	-455	0	Gain on de-recognition of asset and liability and release of foreign currency translation gain on account of overseas business subsidiary
Reported Net Profit	117	-20	

Performance despite temporary industry standstill

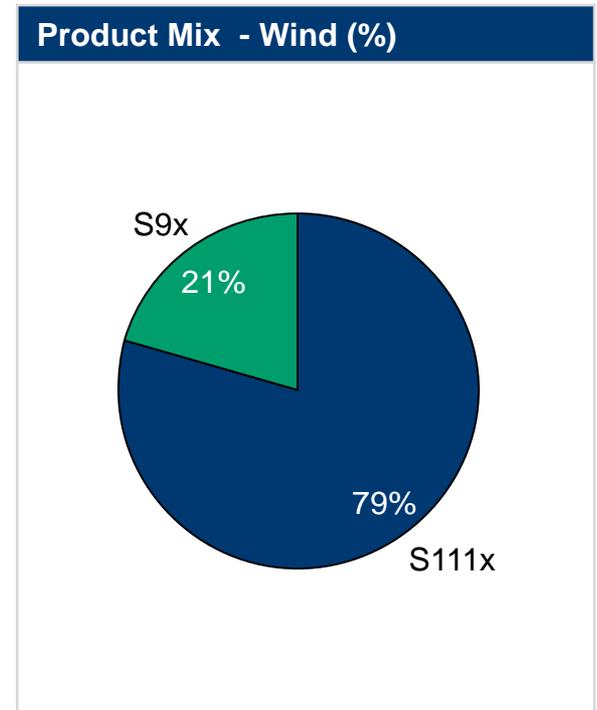
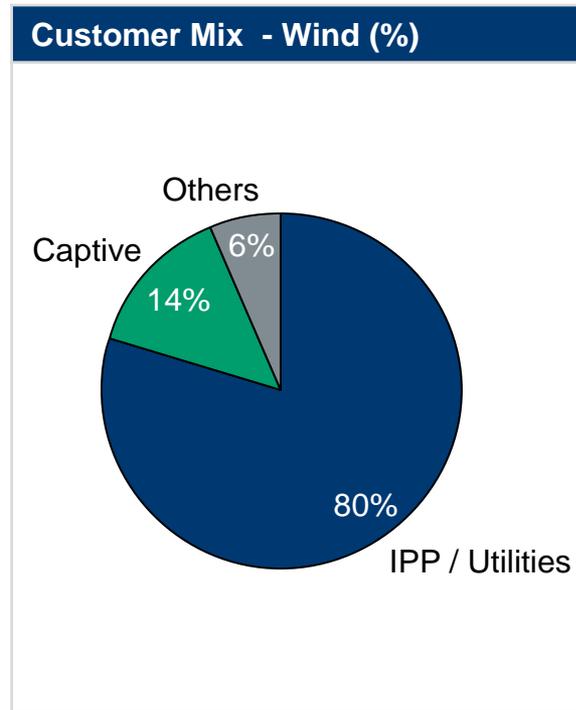
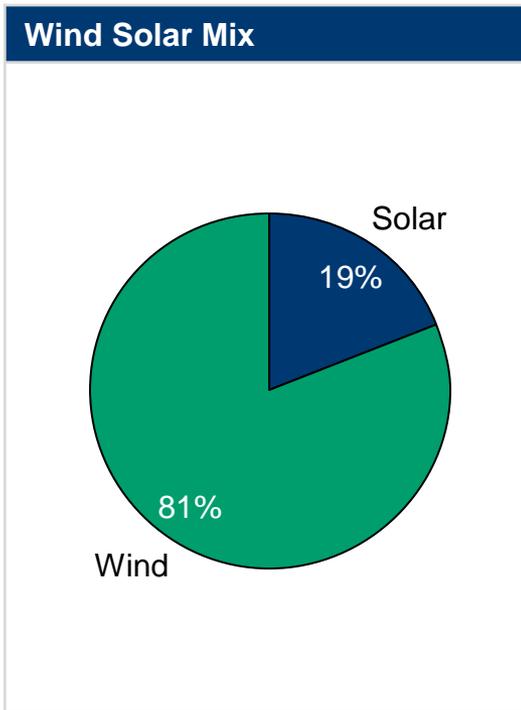
Q2 FY18 Result Snapshot

(₹ Crs.)

Particulars	Q2 FY18 Unaudited	Q2 FY17 Unaudited	
Revenue	1,187	2,736	Transition period impacted volume
Gross Profit	557	1,268	
Gross Margin	46.9%	46.3%	
Employee Expenses	208	257	Optimization efforts + Lower volumes
Other Expenses (net)	242	452	
EBITDA (Pre FX)	107	559	Lower Operating Leverage
EBITDA Margin (Pre FX)	9.0%	20.4%	
Depreciation	79	92	
Net Finance Cost	303	276	Due to higher working capital debt
Taxes, Non Controlling Interest & Others	12	7	
Net Profit (Pre Fx and Ex. Items)	-288	184	
Exchange Loss / (Gain)	99	-60	Primarily Translational
Exceptional Items	-455	0	Gain on de-recognition of asset and liability and release of foreign currency translation gain on account of overseas business subsidiary
Reported Net Profit	68	244	

Transition period impacting volumes

H1 Deliveries



- **>30% volumes from Solar and Captive**
- **New products gaining traction**

Right customer and product mix supports volume and profitability

Order Backlog

Firm Backlog
(As on Date)

**670
MW**

Wind		
SECI I	PPA based	250 MW
SECI II	PPA based	252 MW
Others	Captive	38 MW
Solar		
Solar Projects	PPA based	130 MW

Firm Order Criterion changed from “**Threshold level of Customer Advance**” to “**Certainty of PPA**”

Framework Agreements

>1 GW

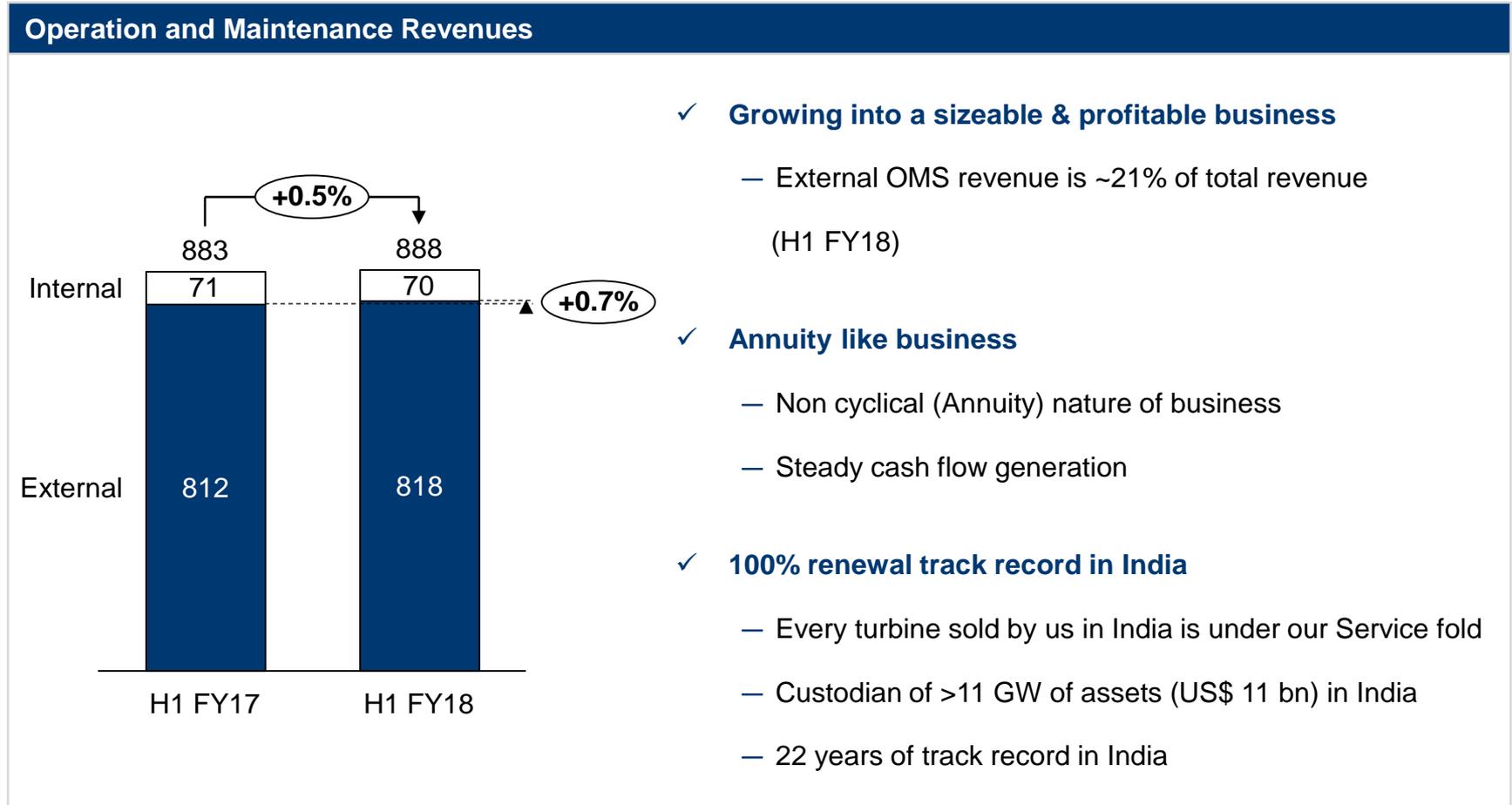
- **Orders contingent upon projects getting PPA**
- **Key PPA Developments:**
 - **AP:** PPAs cleared by Cabinet, tariff ratification pending
 - **KN:** Rs. 3.74 / unit tariff notified, PPA process underway
 - **GJ:** Pre-bid tie up with customers participating in bid

OMS and SEFL order backlog not included in the above

Strong customer tie ups in place

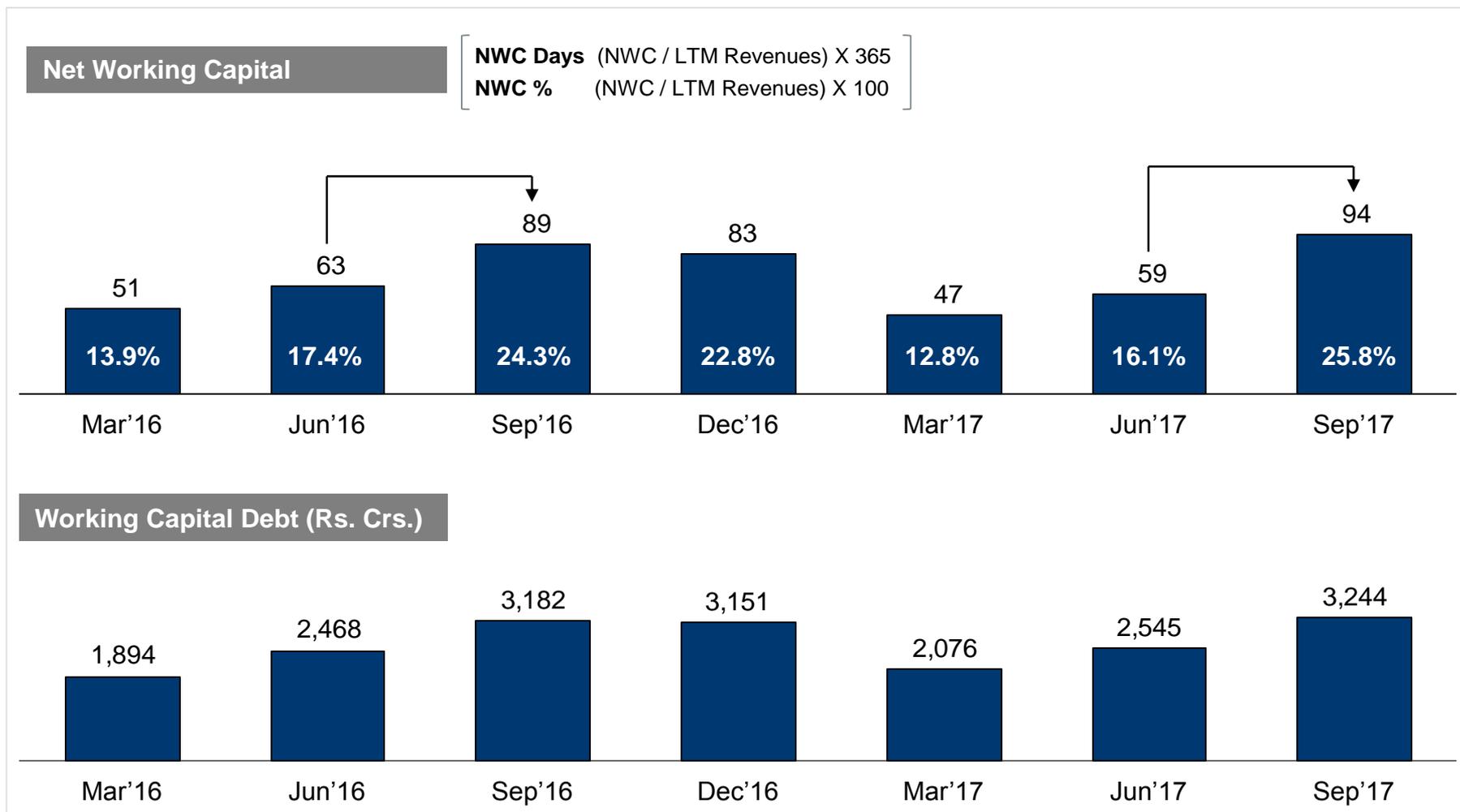
Steady Growth of Service Business

(₹ Crs.)



Net Working Capital And Working Capital Debt

Seasonal build-up of working capital in lean quarters for strong execution in Q4



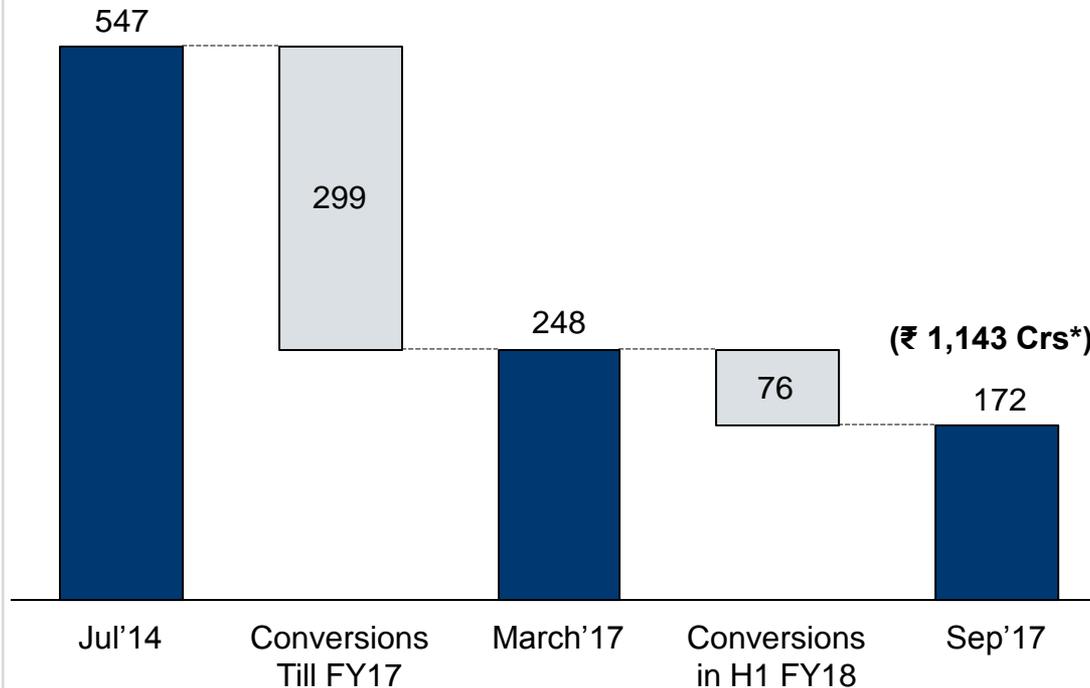
Seasonality to normalize under auction regime

July 2019 FCCB Series Overview

(US\$ Mn)

FCCB Principal Value

31% of opening bond balance converted in H1 FY18



No. of Shares (Crs.)

Current Outstanding	532
Pending Conversion	67
Post Full Conversion	599

Conversion Details

Price (Per Share)	₹ 15.46
Exchange Rate	₹ 60.225

69% FCCBs already converted till date

Debt Profile

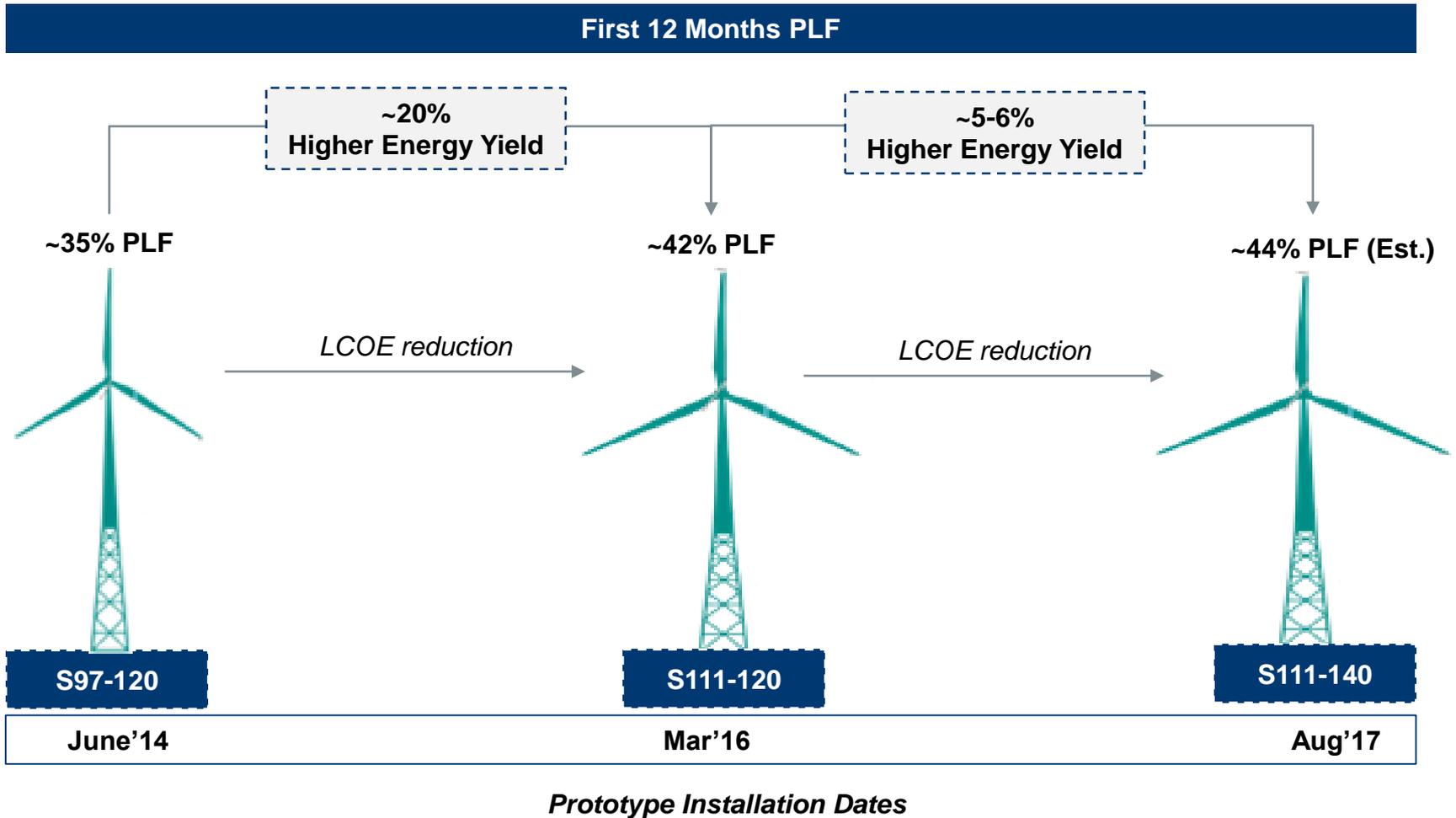
(Excl. FCCB)	30 th Sep'17	5 year Maturity Profile												
SBLC Backed AERH Debt	₹ 4,068 Crs.* (US\$ 626 M)	<ul style="list-style-type: none"> • Current bullet maturity of March 2018 • SBLC facility lenders consented to SBLC extension till 2023 • RBI approval received 												
Other FX Term Debt	₹ 456 Crs. (US\$ 70 M)	(₹ Crs.) <table border="1"> <caption>5 Year Maturity Profile (₹ Crs.)</caption> <thead> <tr> <th>Fiscal Year</th> <th>₹ Crs.</th> </tr> </thead> <tbody> <tr> <td>FY18</td> <td>78</td> </tr> <tr> <td>FY19</td> <td>388</td> </tr> <tr> <td>FY20</td> <td>565</td> </tr> <tr> <td>FY21</td> <td>731</td> </tr> <tr> <td>FY22</td> <td>814</td> </tr> </tbody> </table>	Fiscal Year	₹ Crs.	FY18	78	FY19	388	FY20	565	FY21	731	FY22	814
Fiscal Year	₹ Crs.													
FY18	78													
FY19	388													
FY20	565													
FY21	731													
FY22	814													
Rupee Term Debt	₹ 2,860 Crs.													
Solar Project Debt	₹ 168 Crs.	<ul style="list-style-type: none"> • Non recourse project loan • Project SPV to be divested 												
Gross Term Debt	₹ 7,552 Crs.													
Net Term Debt	₹ 6,747 Crs.													

Back ended maturity profile; Sufficient headroom for operations



Technology Update

S111-140 First Turbine Commissioned



Tallest all steel hybrid tower offering in India

S111-140: Most Competitive Across Suzlon 2.1 MW Series



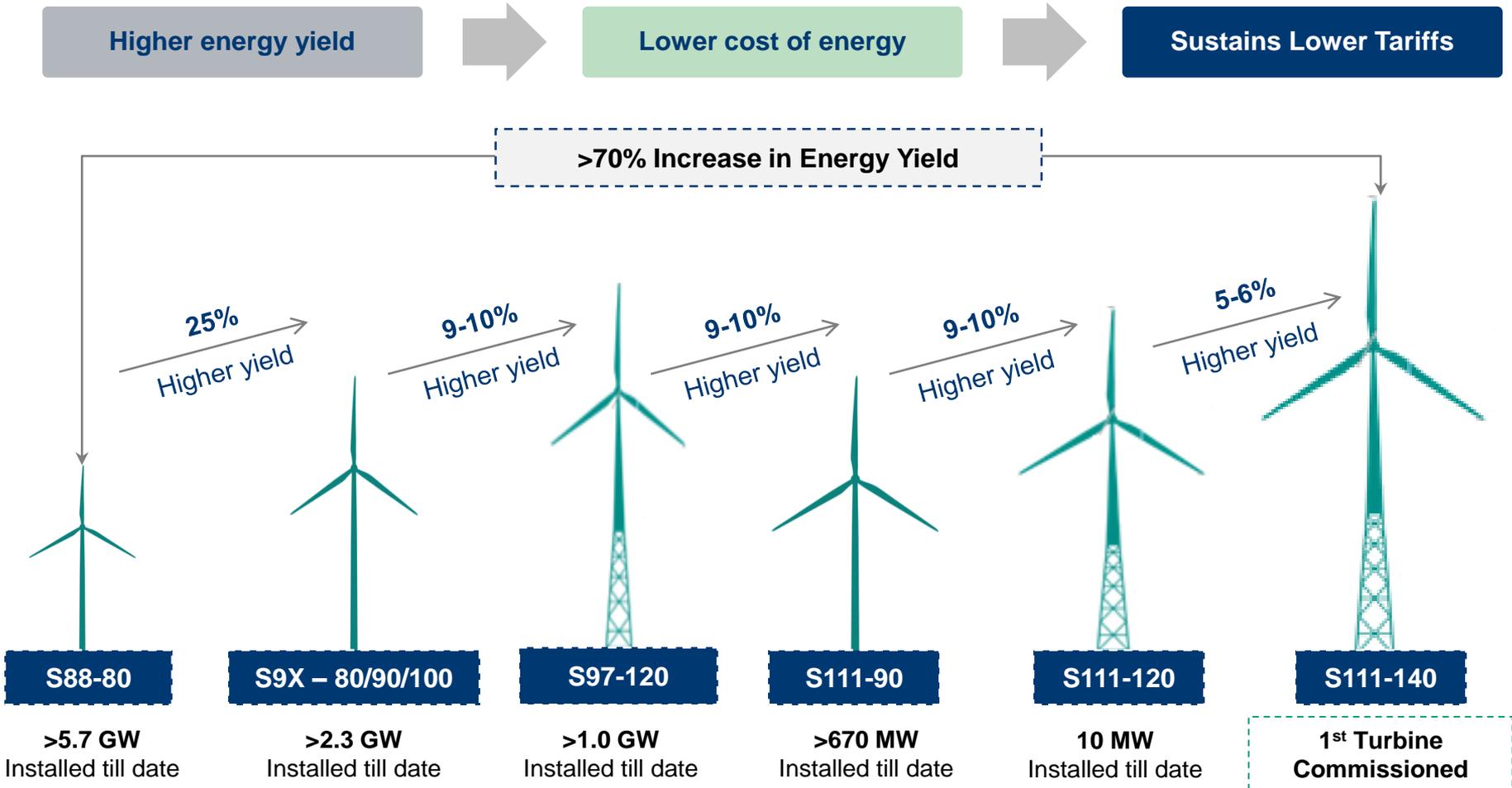
- **17% higher hub height enables:**
 - Accessing better wind profile;
 - Increasing the attractiveness / viability of the low wind sites
 - Unlocking unviable sites
- **Award winning tubular-lattice tower:**
 - Enables to achieve higher hub height at optimized cost
 - Reduced steel requirement; reduced overall weight
 - Lower foundation cost
 - Simplified logistics
 - 24 sq. m. base enhances stability and strength of the structure
- **Product Development Update**
 - Received Type Certification from TUV NORD
 - First turbine commissioned at the Gujarat

Surpassing its own benchmark of installing the highest 120 M tower

Tower height greater than 40 storey building

Lowers LCOE further; Strong competitive edge

2.1 MW Series: Proven Platform with >100,000,000 Operating Hours



Over 4,500 turbines of 2.1 MW platform across 17 countries

Global In-House R&D Capabilities

Suzlon Technology Locations:		
Germany	Hamburg	<ul style="list-style-type: none"> - Development & Integration - Certification
	Rostock	<ul style="list-style-type: none"> - Development & Integration - Design & Product Engineering - Innovation & Strategic Research
The Netherlands	Hengelo	<ul style="list-style-type: none"> - Blade Design and Integration
India	Pune	<ul style="list-style-type: none"> - Design & Product Engineering - Turbine Testing & Measurement - Technical Field Support - Engineering
	Vadodara	<ul style="list-style-type: none"> - Blade Testing Center
	Hyderabad	<ul style="list-style-type: none"> - Design & Product Engineering (BOP team)
	Chennai	<ul style="list-style-type: none"> - Design & Product Engineering (Gear Box Team)
Denmark	Aarhus Vejde	<ul style="list-style-type: none"> - SCADA - Blade Science Center



Hamburg



Rostock



Hengelo



Pune



Aarhus



Vejle

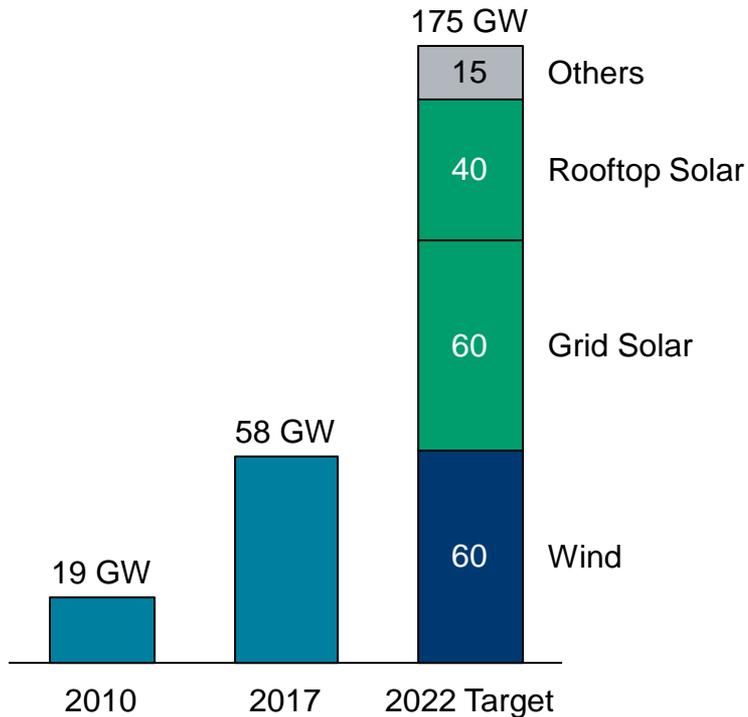
Best match between skills & location – Efficient leverage of R&D spending



Industry Update

Government Strongly Committed to Renewables

Fastest Growing Segment in Power Sector



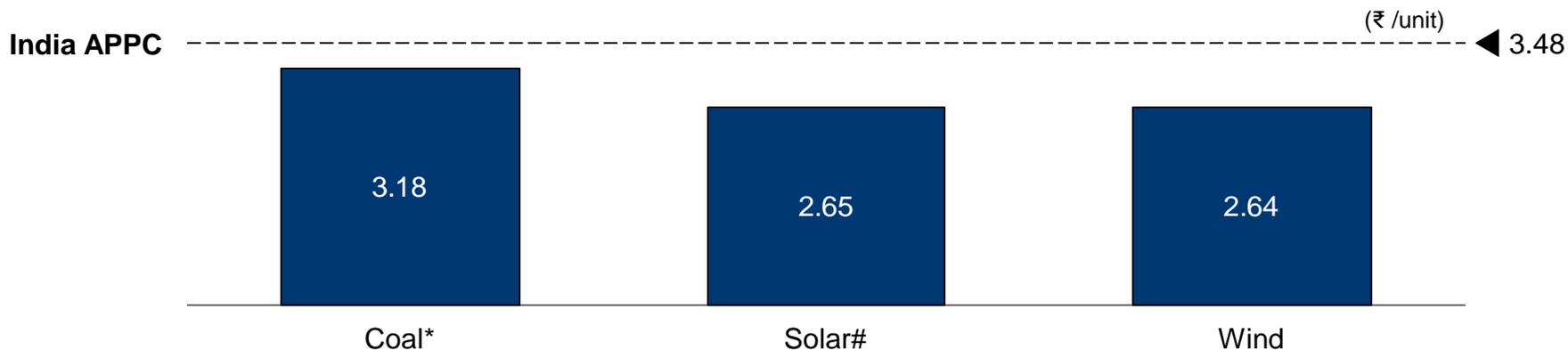
Strong Government Backing due to:

- **Sustainability:** Clean Power
- **Scalability:** Short execution cycle and quickly deployable
- **Affordability:** At Grid Parity (Cheaper than thermal)
- **Energy security:** Self Sufficiency; No import dependency
- **Attracting Foreign Investments:** Drawing Investments, Pension funds, SWF, Multilateral
- **Green Commitments:** 33-35% emission reduction by 2030

Annual renewables capacity addition exceeding that of conventional

Wind Emerging As Most Competitive Source Of Power

Tariff Levels



Equipment	Domestic / Imported	Largely Imported	“Made in India”
Fuel	Domestic / Imported	No Fuel Cost	No Fuel Cost
Tariff Stability	Variable	Constant for 25 years	Constant for 25 years
Set up Time (Scalability)	~4-5 years	~6-9 months	~6-9 months

Source: CERC, NTPC, SECI and State bid for Solar

* Coal tariff is of NTPC’s average coal plant tariff for FY17

Solar tariff for Gujarat state bid for 500 MW, received after ₹ 2.44 SECI tariff

Renewables is now an affordable “mainstream” source of energy

Suzlon Strengths in India Wind Market

Full Turnkey Solution
Provider

Pan India Presence

Target



Technology Leadership

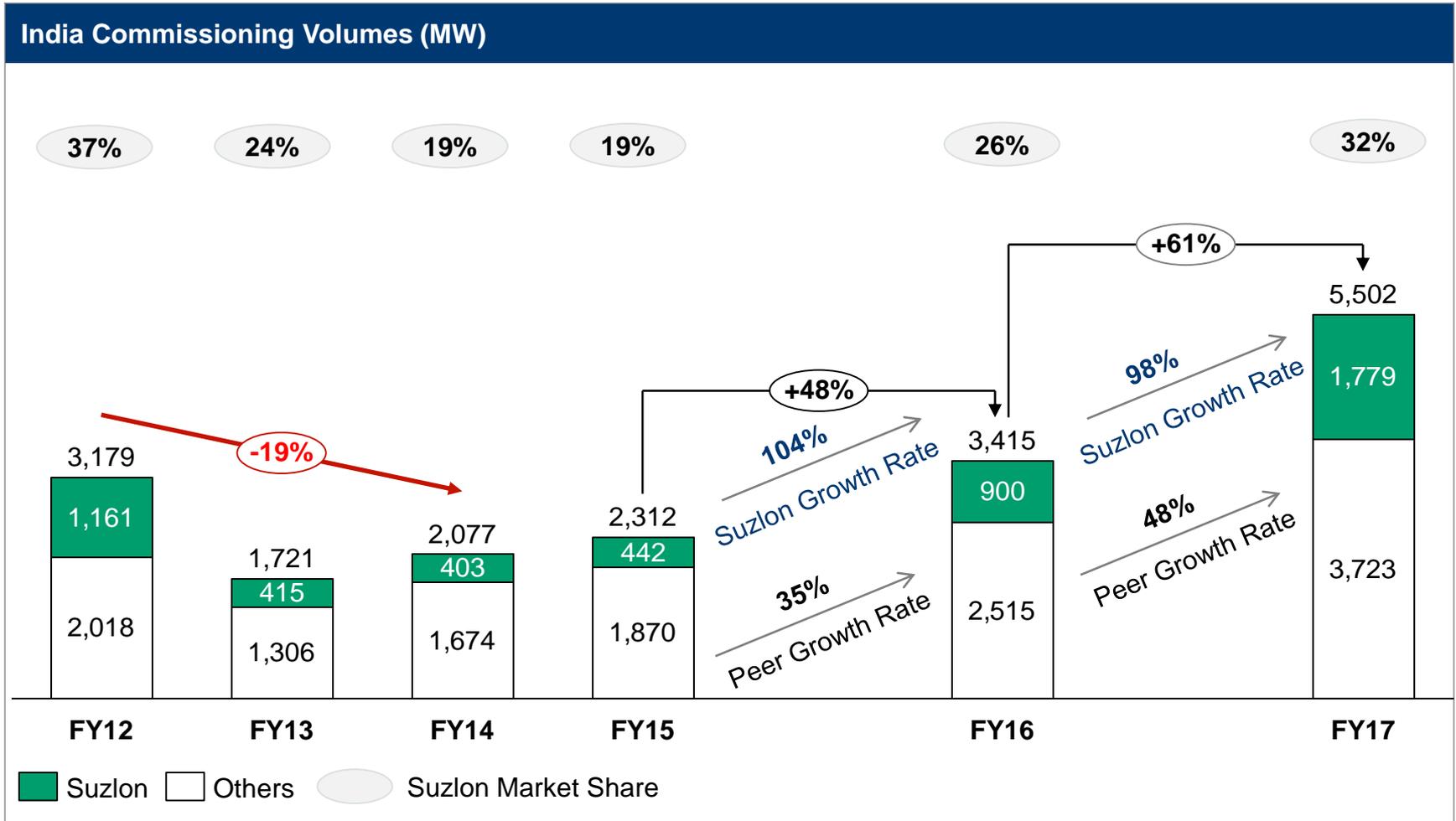
Strong Customer
Relationship

**REGAIN
50%+ MARKET SHARE**

Best In Class Service
Capabilities

22+ Years Track Record

Increasing Market Share in Growing India Market



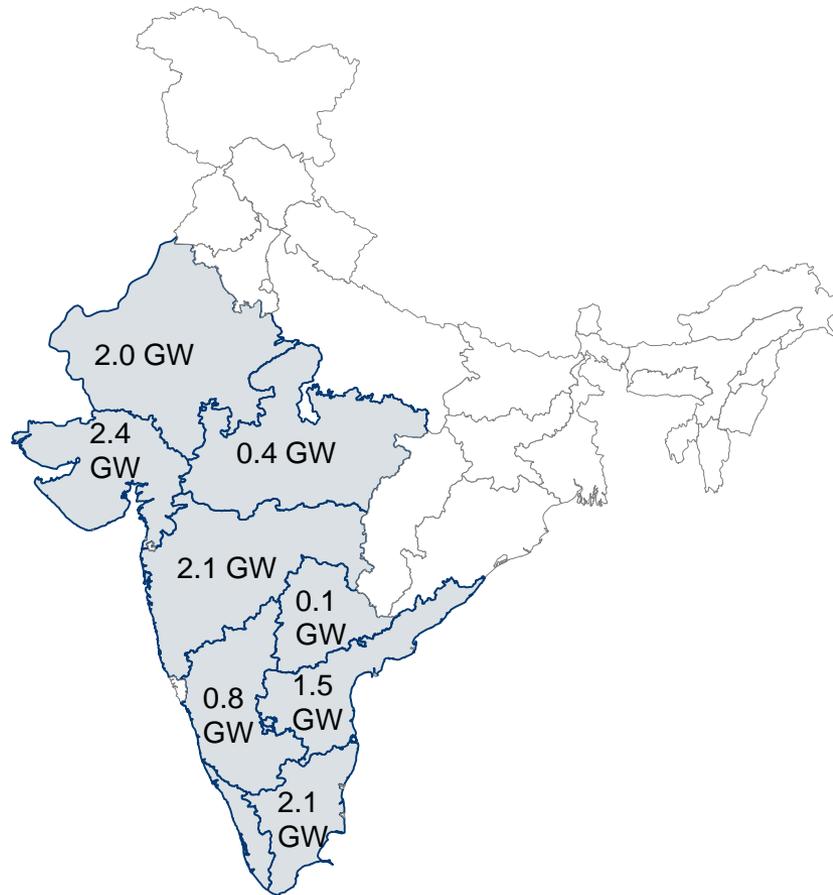
Source: MNRE

Growing faster than market and peer group

Surpassed 11 GW Wind Energy Installations In India

Ranked **No. 1** in Renewables Sector
 Ranked **No. 2** in Power Sector

Largest fleet under Operation and Maintenance fold in India



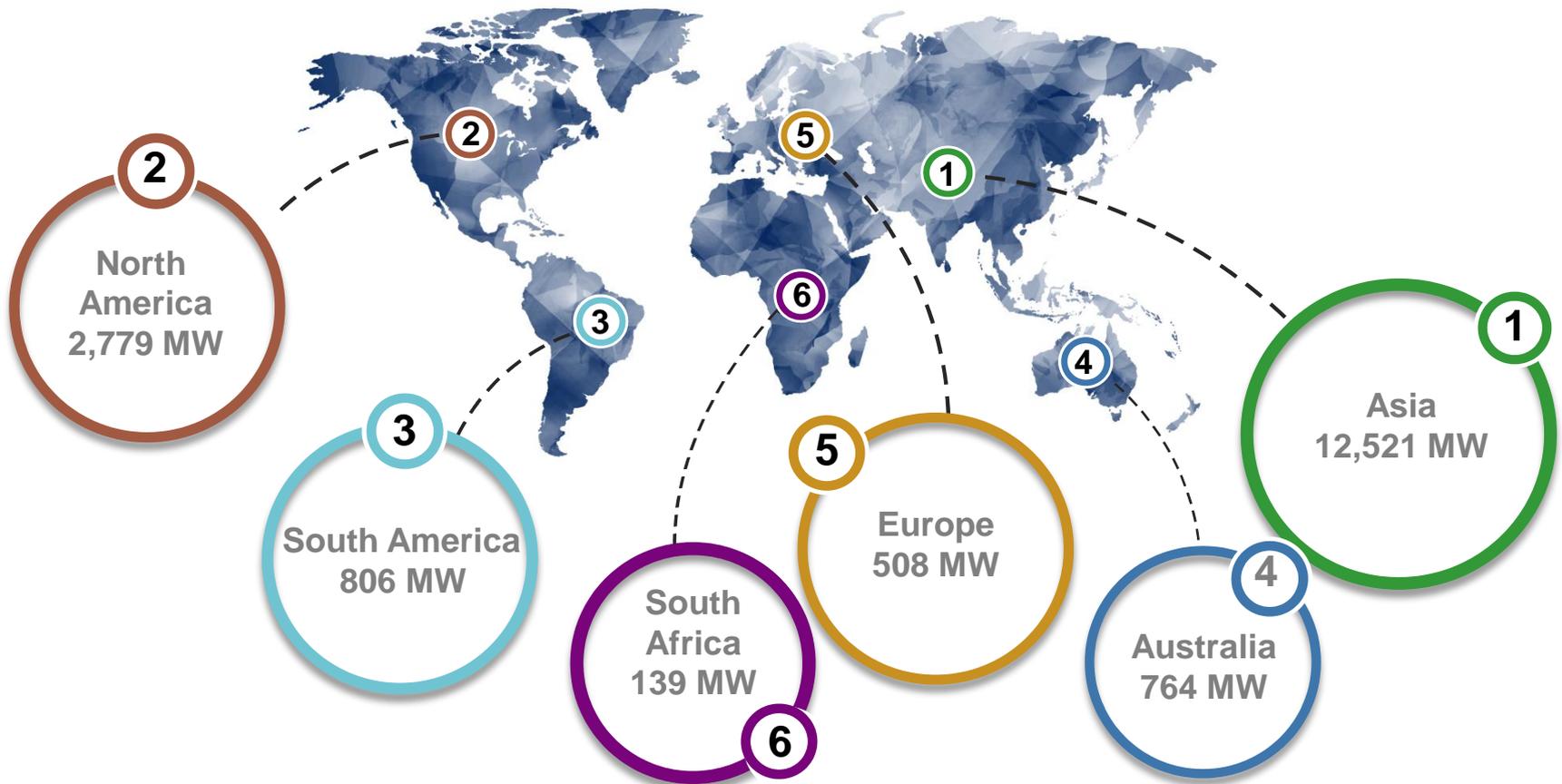
(31 st Mar'17)	# of Turbines	MW
<= 1 MW	1,678	777
>1 MW < 2 MW	4,268	5,774
=>2 MW	2,258	4,742
Total	8,204	11,293

- **35% - All India installed wind capacity**
- **~20% - All India installed renewable capacity**
- **~1,800 customer relationships**
- **22 years of operating track record**
- **25 TWh estimated of annual clean energy;**
 =2,030 mn trees planting p.a.
 =~18.5 mn tonnes coal avoidance p.a.
 =~24.4 mn tonnes CO2 emission savings p.a.

Custodian of 2nd highest installed power capacity (from all sources) in India

Suzlon's Global Presence

As on 30th Sep 2017



Suzlon's strong relationships across regions positions it well

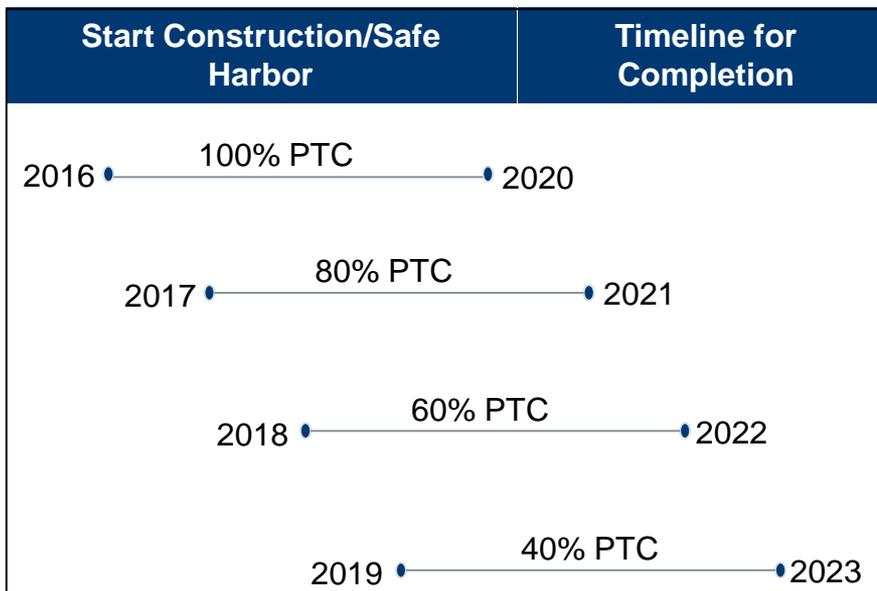
SUZLON
POWERING A GREENER TOMORROW

Map not to scale. All data, information, and map is provided "as is" without warranty or any representation of accuracy, timeliness or completeness.

USA PTC Volume: ~500 MW Pipeline Created for 100% PTC Projects

Production Tax Credit (PTC) Extension: Huge Volume Opportunity

- PTC in USA extended until 2019 with benefits stepping down every year before phase out
- In order to qualify, projects only need to start construction and make a minimum 5% investment (“Safe Harbour Investments”)
- Thus projects which meet safe harbour investments in 2016, will be eligible for 100% PTC benefit, while projects which meet safe harbour investments in 2017 will be eligible for 80% PTC benefit
- Timeline for completion of the projects is 4 years from the start of construction



Suzlon Strategy
<ul style="list-style-type: none">• Established SPVs to implement Safe Harbor Projects and develop project pipeline• ~500 MW Pipeline created of projects eligible for 100% PTC• To translate into firm orders for execution over the next couple of years



Detailed Financials

Consolidated Income Statement

(₹ Crs.)

Particulars	H1 FY18	H1 FY17	FY17
	Unaudited	Unaudited	Audited
Revenue from operations	3,852	4,384	12,693
Less: COGS	2,193	2,389	7,543
Gross Profit	1,659	1,995	5,150
Margin %	43.1%	45.5%	40.6%
Employee benefits expense	409	514	1,046
Other expenses (net)	668	745	1,901
Exchange Loss / (Gain)	141	-3	-297
EBITDA	441	739	2,499
EBITDA (Pre-FX Gain / Loss)	582	736	2,203
Margin %	15.1%	16.8%	17.4%
Less: Depreciation	161	173	389
EBIT	280	565	2,110
EBIT (Pre-FX Gain / Loss)	421	563	1,813
Margin %	10.9%	12.8%	14.3%
Net Finance costs	589	568	1,199
Profit / (Loss) before tax	-310	-3	912
Less: Exceptional Items	-455	0	0
Less: Taxes and Non Controlling Interest	28	17	54
Net Profit / (Loss) after tax	117	-20	858

Consolidated Net Working Capital

(₹ Crs.)

	30 th Sep'17	30 th Jun'17	30 th Sep'16
Inventories	4,518	3,952	3,450
Trade receivables	3,131	3,532	3,083
Loans & Advances and Others	1,900	2,051	1,733
Total (A)	9,549	9,535	8,266
Sundry Creditors	3,390	4,594	3,029
Advances from Customers	1,616	945	1,312
Provisions and other liabilities	1,411	1,784	1,624
Total (B)	6,417	7,323	5,965
Net Working Capital (A-B)	3,131	2,212	2,300

Consolidated Balance Sheet

(Rs. Crs.)

Liabilities	Sep-17	Mar-17	Assets	Sep-17	Mar-17
Shareholders' Fund	-6,525	-6,841	Non Current Assets		
Non controlling interest	16	9	(a) Property, Plant and Equipment	1,369	1,420
	-6,509	-6,833	(b) Intangible assets	181	211
			(c) Investment property	33	34
			(d) Capital work-in-progress	307	206
				1,890	1,871
Non-Current Liabilities			(e) Financial assets		
(a) Financial Liabilities			(i) Investments	253	189
(i) Long Term Borrowings	4,409	4,841	(ii) Loans	6	6
(ii) Other Financial Liabilities	287	225	(iii) Trade receivables	35	46
(b) Provisions	76	127	(iv) Other Financial Assets	931	712
(c) Other Non-Current Liabilities	50	40	(f) Other non-current assets	113	166
	4,823	5,234		1,338	1,118
Current Liabilities			Current Assets		
(a) Financial Liabilities			(a) Inventories	4,518	3,469
(i) Short-term borrowings	3,244	2,076	(b) Financial Assets		
(ii) Trade payables	3,390	4,812	(i) Investments	20	481
(iii) Other financial liabilities	4,939*	4,927*	(ii) Trade receivables	3,096	3,628
(b) Other current liabilities			(iii) Cash and bank balances	176	336
(i) Due to customers	18	17	(iv) Loans	43	49
(ii) Other non-financial liabilities	1,714	1,105	(v) Other financial assets	203	149
(c) Short-term provisions	880	822	(c) Other current assets	1,216	1,059
	14,185	13,759		9,271	9,171
Total Equity and Liabilities	12,499	12,160	Total Assets	12,499	12,160

**Includes SBLC backed debt due current maturity in March / April 2018. However, lender's consent as well as RBI approval for extending the SBLC and Debt until 2023 already obtained.*

Key Accounting Policies – Revenue Recognition and Order Booking

Opening Order Book	
(-) Sales during the period	<ul style="list-style-type: none"> • Sales (WTG Revenue Recognition) <ul style="list-style-type: none"> – WTG revenue is recognised upon transfer of risks and rewards to the buyer of complete WTG viz: Nacelle, Blade and Tower.
(+) Order Intake during the period	<ul style="list-style-type: none"> • Order Intake during the period <ul style="list-style-type: none"> – Only orders backed by certainty of PPAs
Closing Order Book	<ul style="list-style-type: none"> • Closing Order Book <ul style="list-style-type: none"> – Represents MW value of contract against which no revenue is recognized in the income statement

Key Accounting Policy: Maintenance Warranty Provisions

Maintenance Warranty Provisions

✓ Accounting Policy:

- Comprise of provisions created against maintenance warranty issued in connection with WTG sale
 - Created when revenue from sale of wind turbine is recognized
- Provisions estimated based on past experience
- Reversals of unused provision on expiry of Maintenance warranty period

✓ Global Wind Industry Standard Practice:

- Followed by top listed global industry leaders
- Despite Insurance and back to back warranty from suppliers



THANK YOU

