



Suzlon Energy Limited

Q1 FY17

13 September 2016

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Q1 FY17 Highlights

Order Book

Solar Vertical

Debt Overview

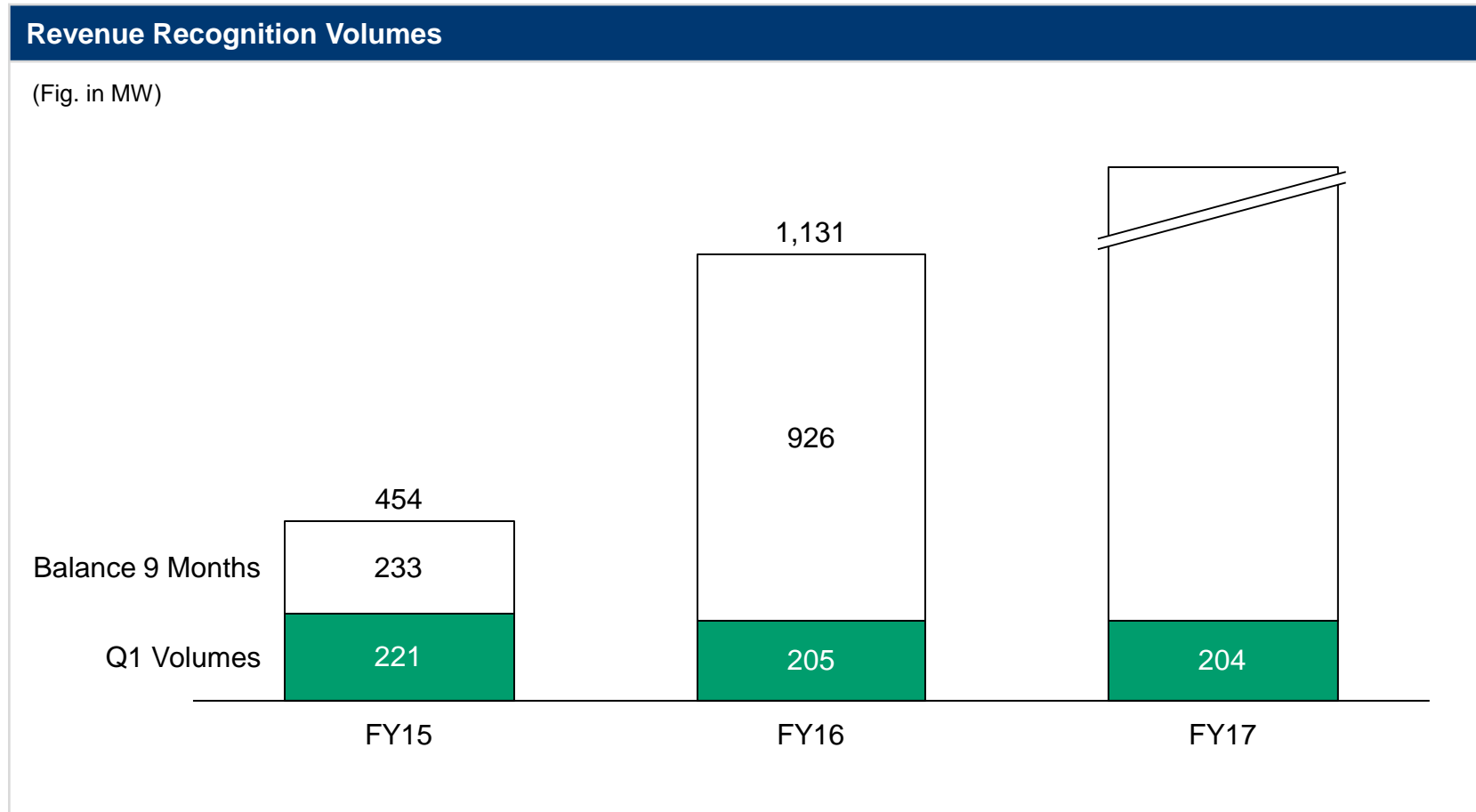
Technology Update

Industry Opportunity

Detailed Financials

- ✓ **Stable Q1 FY17 Volumes; ~204 MW**
- ✓ **Disciplined Working Capital levels; ~61 Days**
- ✓ **Reducing term debt and overall finance cost;**
- ✓ **Strong Wind Order Book Position; ~1,205 MW (as on 30th June 2016)**
- ✓ **Ongoing Divestment of Solar Bid Capacity**

Q1 Volume Trend



Q1 typically is 10-15% of the full year volume in India

Stable Q1 volumes; Improved liquidity leads to growth volume in next 9 months

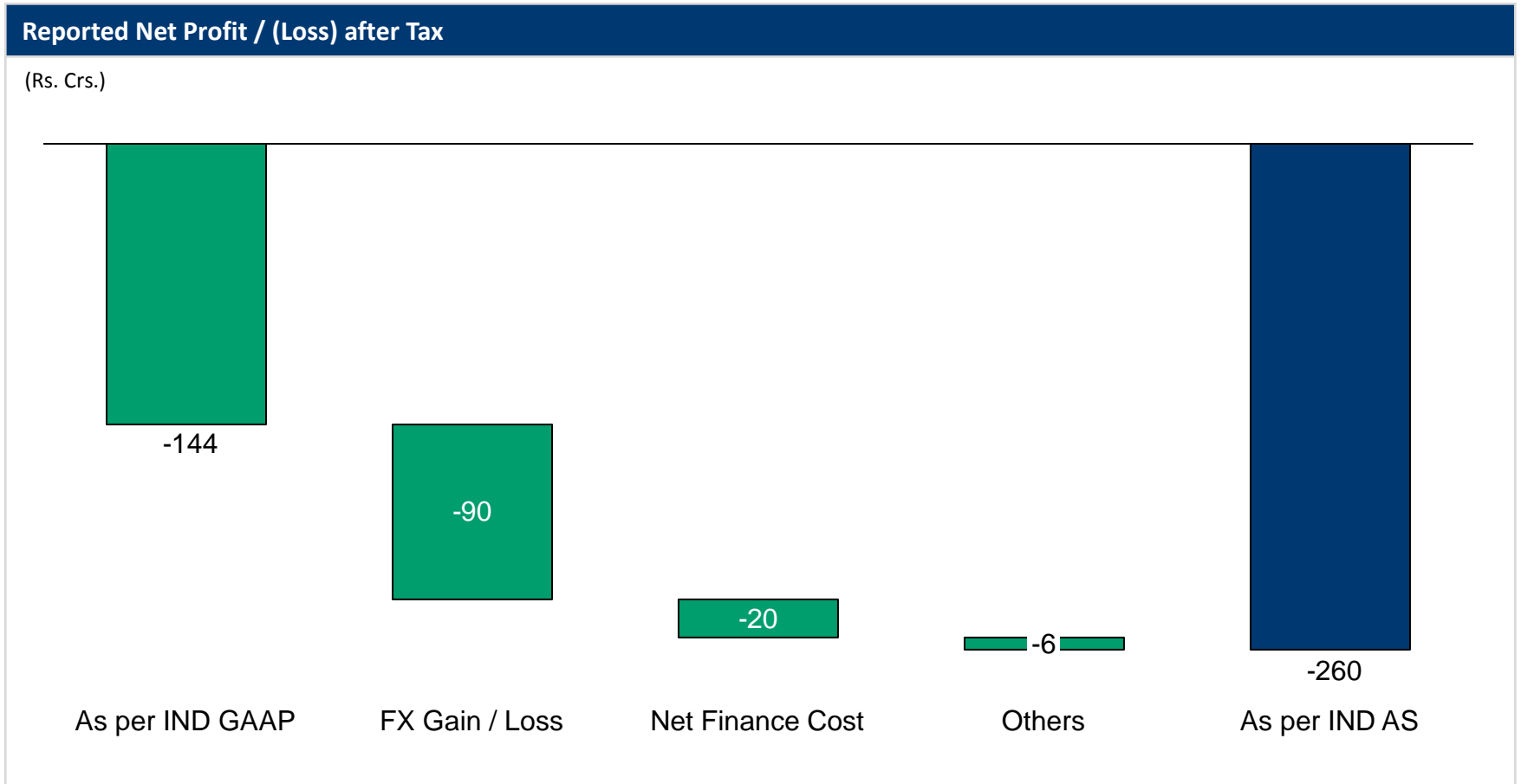
Result Snapshot (Consolidated)

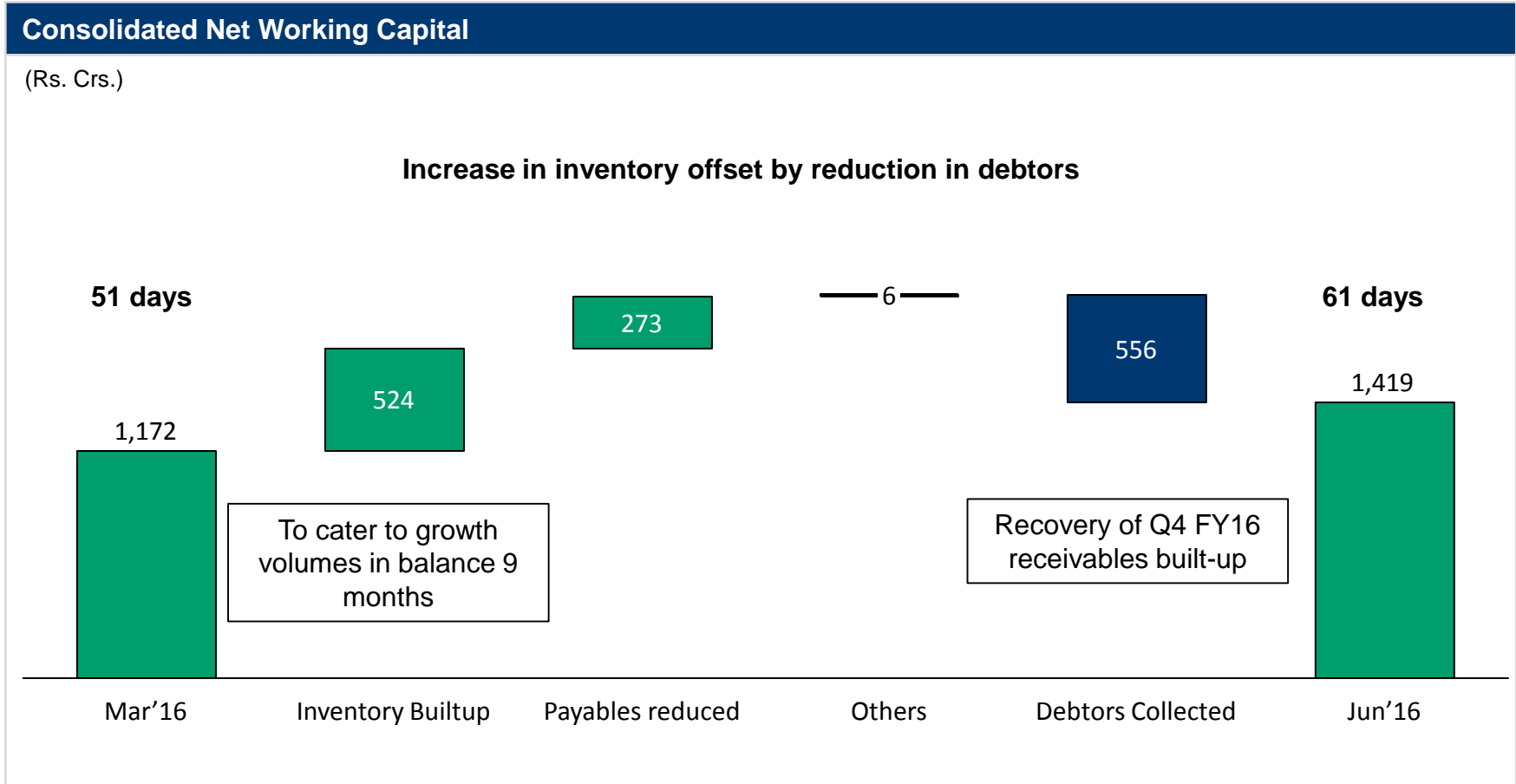
(Rs. Crs.)

Particulars	As per IND AS			As per IND GAAP		
	Q1 FY17 Limited Review	Q4 FY16 Unaudited	Q1 FY16 Unaudited	Q1 FY17 Unaudited	Q4 FY16 Audited	Q1 FY16 Limited Review
Revenue	1,650	3,246	2,587	1,649	3,245	2,606
Gross Profit	735	1,163	1,029	733	1,168	1,046
Gross Margin	44.6%	35.8%	39.8%	44.5%	36.0%	40.1%
Employee Expenses	259	234	329	258	234	321
Other Expenses (net)	305	470	442	301	477	435
EBITDA (Pre FX)	171	460	258	174	456	290
EBITDA Margin (Pre FX)	10.4%	14.2%	10.0%	10.5%	14.1%	11.1%
Depreciation	84	118	106	85	119	107
Net Finance Cost	290	301	385	270	287	385
Taxes, Minority Interest and Others	9	(8)	(10)	4	0	(13)
PAT (Pre Fx and Exceptional Items)	(212)	49	(223)	(185)	50	(189)
FX (Gain) / Loss	48	14	77	(42)	38	78
Exceptional Items	0	267	(1,314)	0	283	(1,314)
Reported PAT	(260)	(232)	1,014	(144)	(271)	1,047

Note: Servion was fully divested by Suzlon group on 29th April 2015. Accordingly Q1 FY16 consolidated results include 1 month of Servion performance, hence not directly comparable

Q1 FY17 IND GAAP to IND AS Bridge

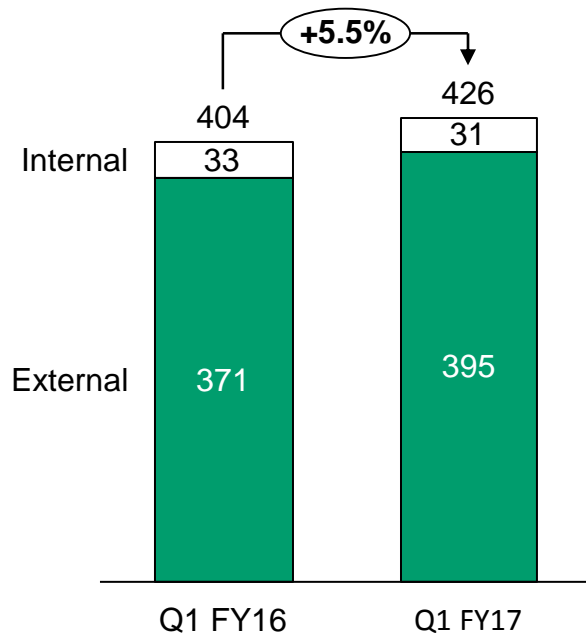




Note: Working capital days calculated on trailing 12 months revenue

Service Revenues

(Rs. Crs.)



✓ **Growing into a sizeable & profitable business**

- ~24% revenue share in Q1 FY17

✓ **Annuity like business**

- Non cyclical business in nature
- Steady cash flow generation

✓ **100% renewal track record in India**

- Every turbine sold by Suzlon in India is under our Service fold
- Custodian of ~9.5 GW of Assets (US\$ 10 bn)
- 20 years of track record in India

Note: Q1 FY16 Operation and Maintenance Service revenue does not include Servion

Stable cash generation

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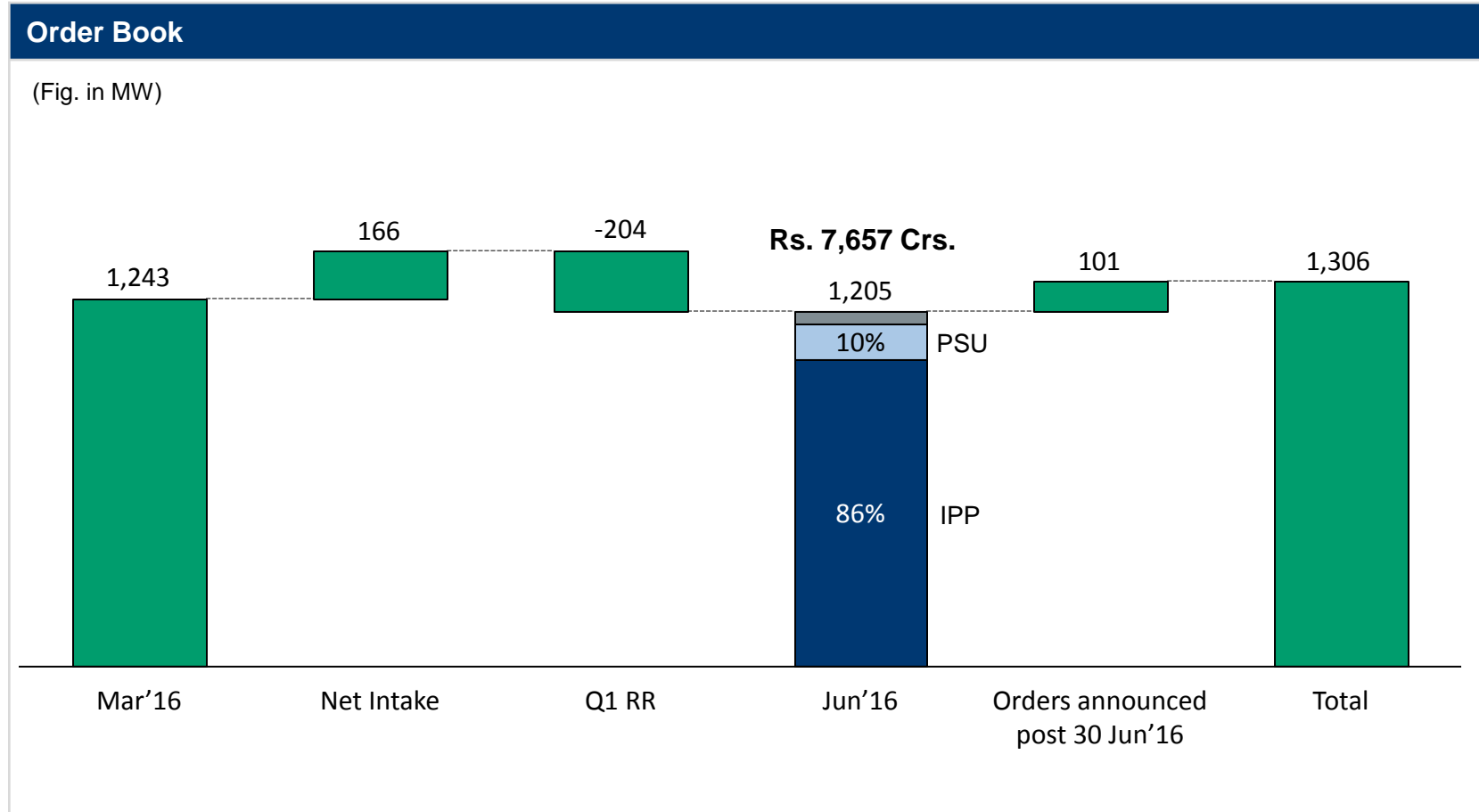
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Strong Wind Order Backlog



Backlog for Operation and Maintenance Service, SE Forge and Solar is over and above

Firm order book backed by customer advances of more than Rs. 1,000 Crs.

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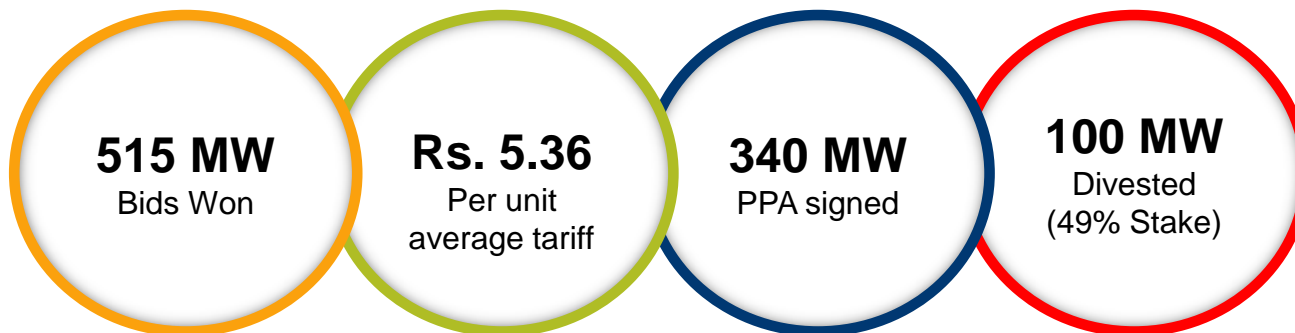
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Solar Bidding Status Update



State	Bids Won	Configuration	Off-taker	Average Tariff	PPA Signed
Telangana ⁽¹⁾	210 MW	1 x 100 MW	Telangana DISCOMs	Rs. 5.58 / Unit	Y
		1 x 50 MW			
		4 x 15 M			
Jharkhand	175 MW	1 x 100 MW, 1 x 50 MW 1 x 25 MW	JREDA	Rs. 5.42 / Unit	Pending
Maharashtra	70 MW	1 x 50 MW, 1 x 20 MW	SECI	Rs. 4.43 / Unit + VGF Rs. 54 lakh/ MW	Y
Rajasthan	60 MW	2 x 20 MW 2 x 10 MW	NTPC	Rs. 5.07 / Unit	Y

Note: (1) 49% Stake already divested in 100 MW; Investors identified for the balance 110 MW projects

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Debt Profile

(As on 30th June 2016)

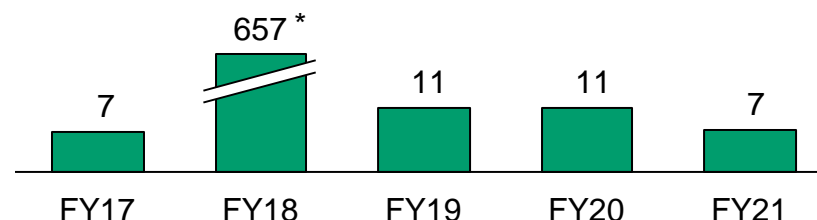
Consol. Debt (Excluding FCCBs)

Rupee Term Debt (A)		Rs. 2,805 Crs.
Credit Enhanced Debt (SBLC Backed)	US\$ 647 M	Rs. 4,369 Crs.
Others	US\$ 52 M	Rs. 352 Crs.
FX Term Debt (B)	US\$ 699 M	Rs. 4,721 Crs.
Gross Term Debt (C = A+B)		Rs. 7,526 Crs.
Net Term Debt		Rs. 6,780 Crs.
Working Capital		Rs. 2,475 Crs.

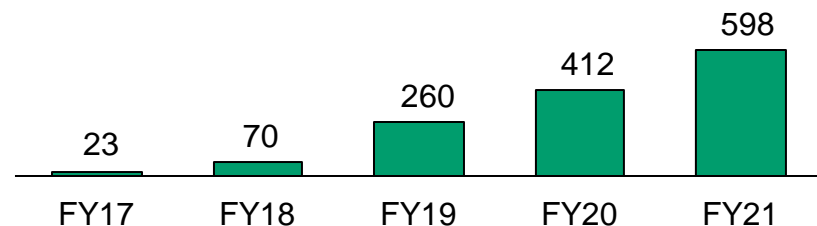
✓ Rupee term debt reduction of Rs. ~228 Crs. QoQ

5 Year's Maturity Profile (excluding FCCBs)

For FX Term Debt (US\$ Mn)



For Rupee Term Debt (Rs. Crs.)



✓ Total repayment of Rs. ~1,700 Crs. in next 5 years (Assuming extension of Maturity of SBLC bonds)

*Credit Enhanced Debt and SBLC has a current bullet maturity of March 2018. SBLC facility lenders have consented to extend the SBLC till 2023; subject to procedural formalities

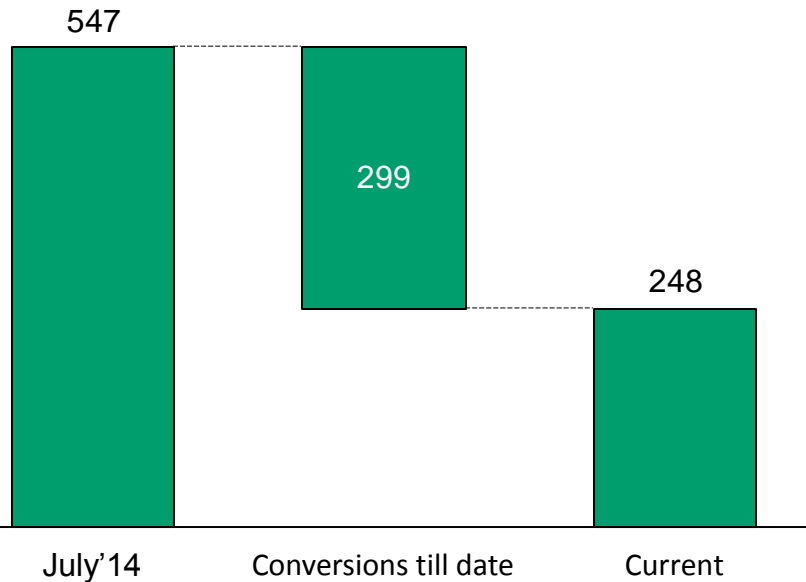
Back ended maturity profile; Sufficient headroom for operations

Note: 1 US\$ = Rs 67.53

July 2019 FCCB Series Overview

FCCB Principal Value

(US\$ Mn)



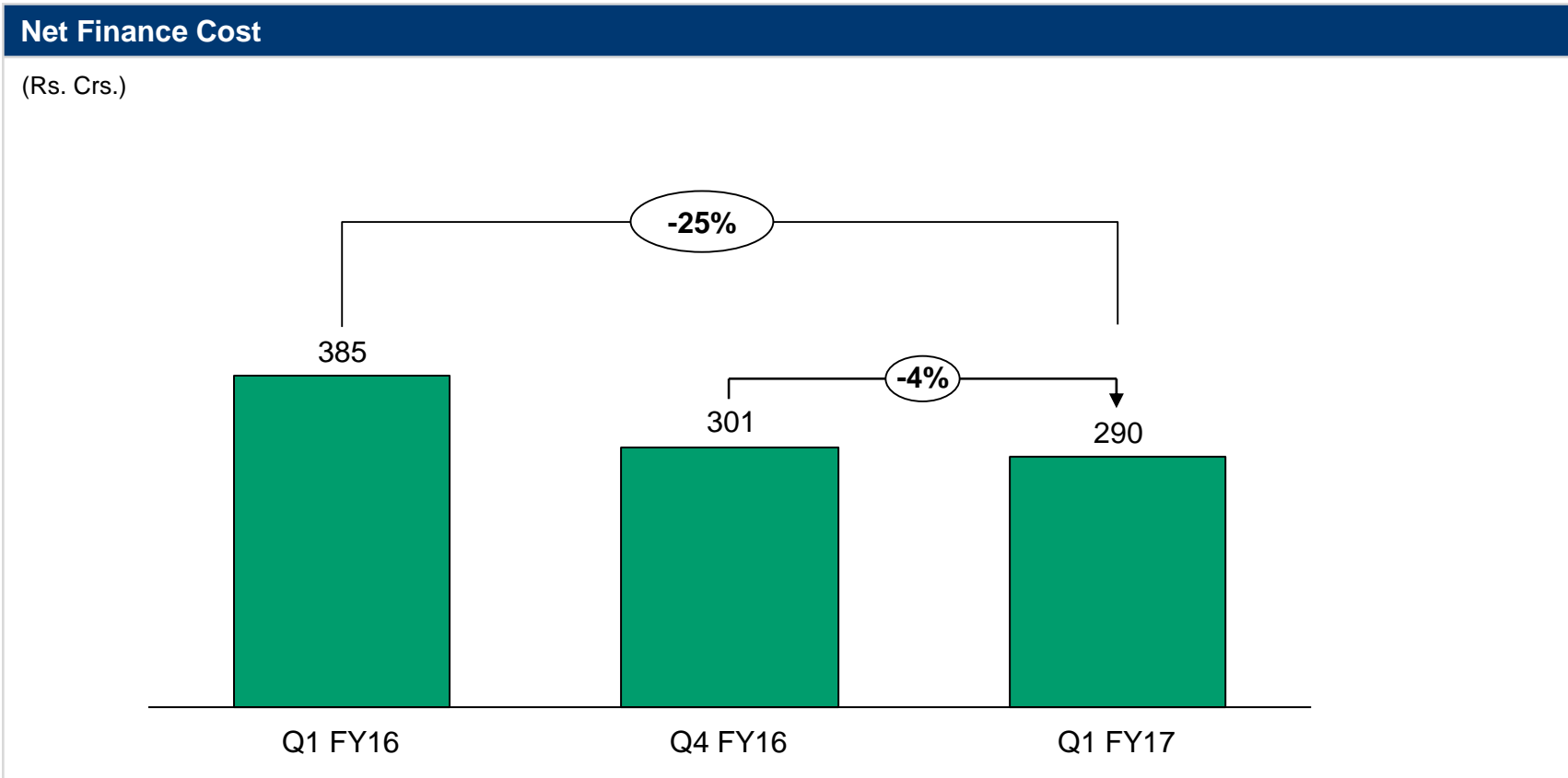
Current and Diluted No. of Shares (Crs.)

Current Outstanding	502
Pending Conversion	97
Post Full Conversion	599

Conversion Details

Price (Per Share)	Rs. 15.46
Exchange Rate	Rs. 60.225

Upon conversion, debt to reduce and Net worth to strengthen by US\$ 248 Mn



Note: Servion was fully divested by Suzlon group on 29th April 2015. Accordingly Q1 FY16 consolidated results include 1 month of Servion performance, hence not directly comparable

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Globally Proven 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 - Blade 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 Vejele	<ul style="list-style-type: none"> - SCADA - Blade Science Center



Hamburg



Rostock



Hengelo



Pune



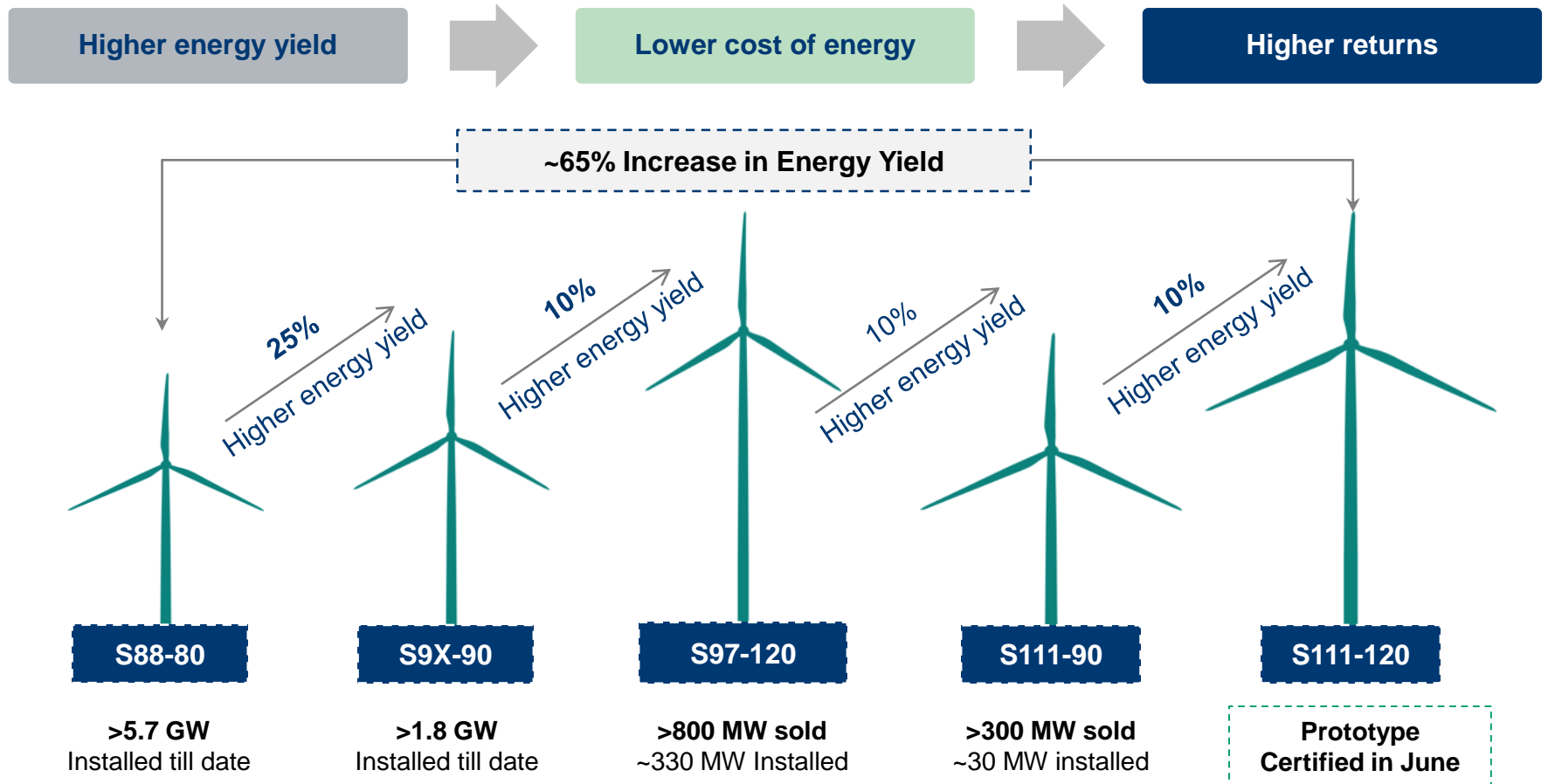
Aarhus



Vejele

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

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



Hybrid Towers – Innovation at Work

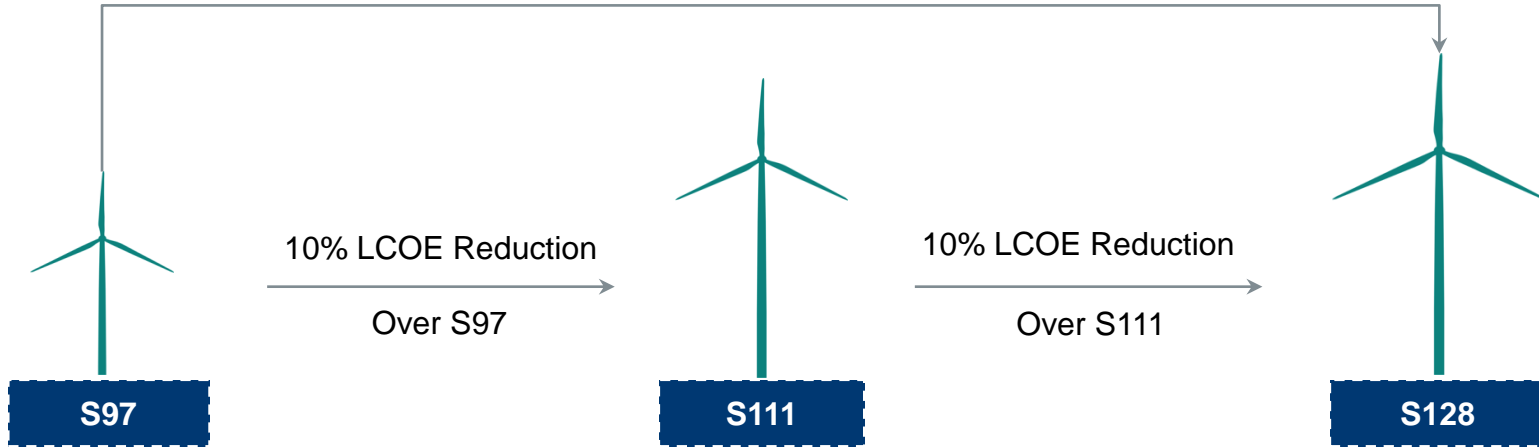
Hybrid Tower - Combination of lattice and tubular



- **Higher hub height (120 M) at optimized cost**
 - Reduced LOCE due to higher AEP
 - Reduced steel requirement
 - Lower foundation cost
 - Logistic friendly – access to sites that were earlier logistically challenging
- **Available in S97 and S111 product suite**
- **S97-120 is under serial production**
 - 487 MW unexecuted orders in the order book
- **S97 – 120 Prototype achieved 35% PLF**
 - Installed in Jan'14; At Nani Ber District of Kutch, Gujarat
 - Generated 64.28 lacs units (kWh) over 12 months
- **S111-120: Prototype Certified**
 - Targets over 40% PLF

Global Coverage - Next Generation Products

~20% reduction in Wind Levelized Cost Of Electricity (LCOE)



Product	S128 – 2.6 MW	S128 – 3.0 MW
MW Rating	2,600 kW	3,000 kW
Rotor Diameter	128 meters	128 meters
Tower Height	120 m - 140 m	120 m - 140 m
Wind Class	IEC III (Low Wind)	IEC II (Medium Wind)
Focus Markets	Domestic	International
Time to Market	2018	2018

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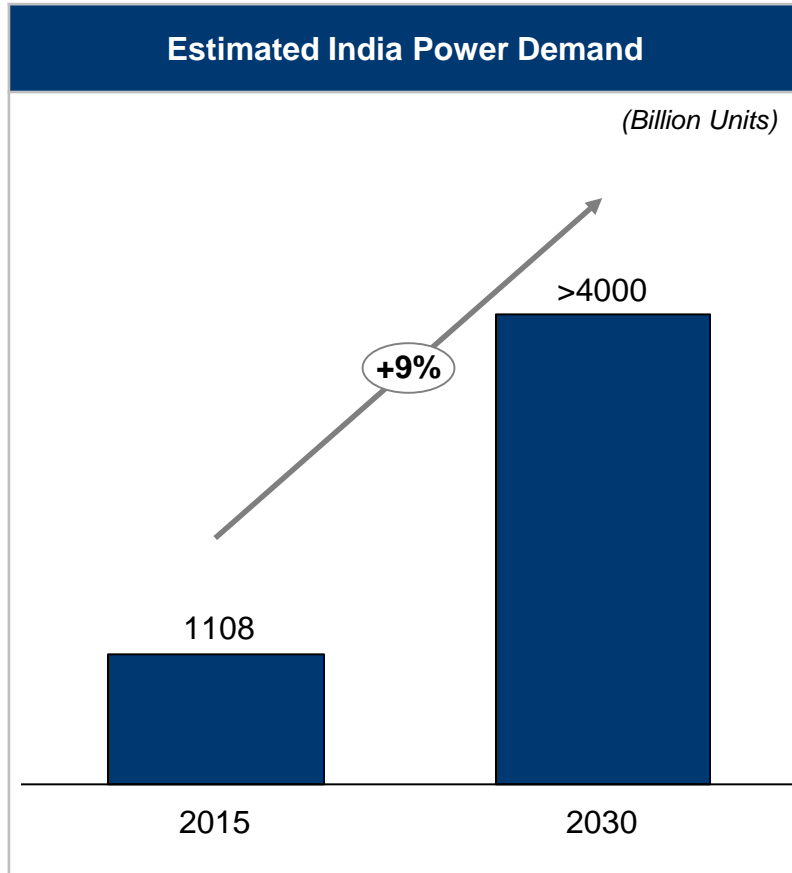
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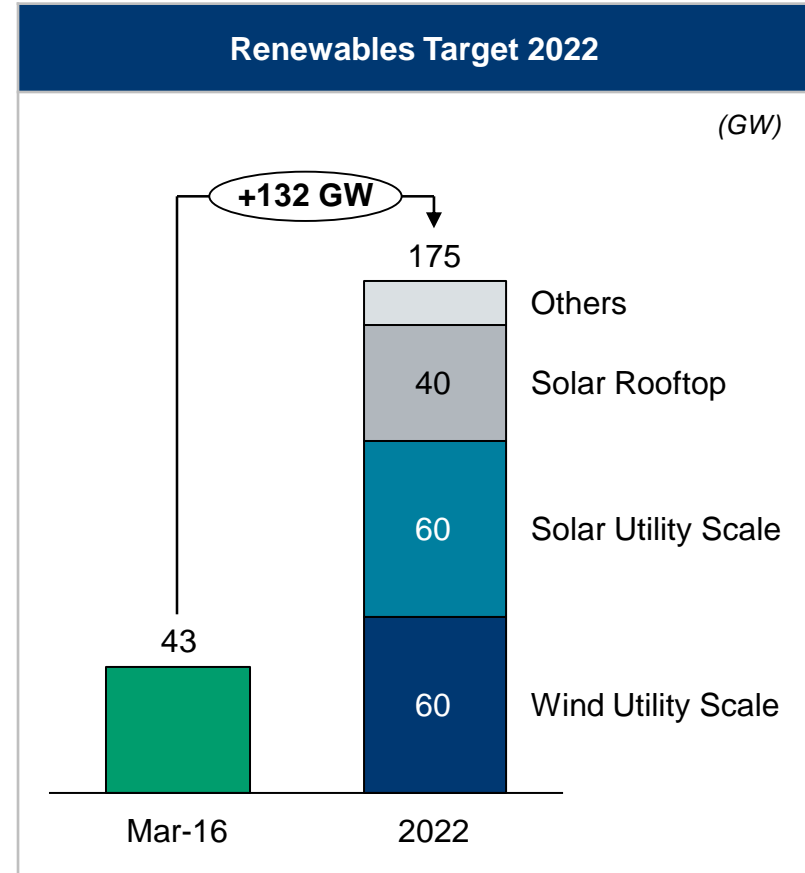
Industry Opportunity

Detailed Financials

India: Strong Growth Fundamentals for Renewables



Source: Ministry of Power

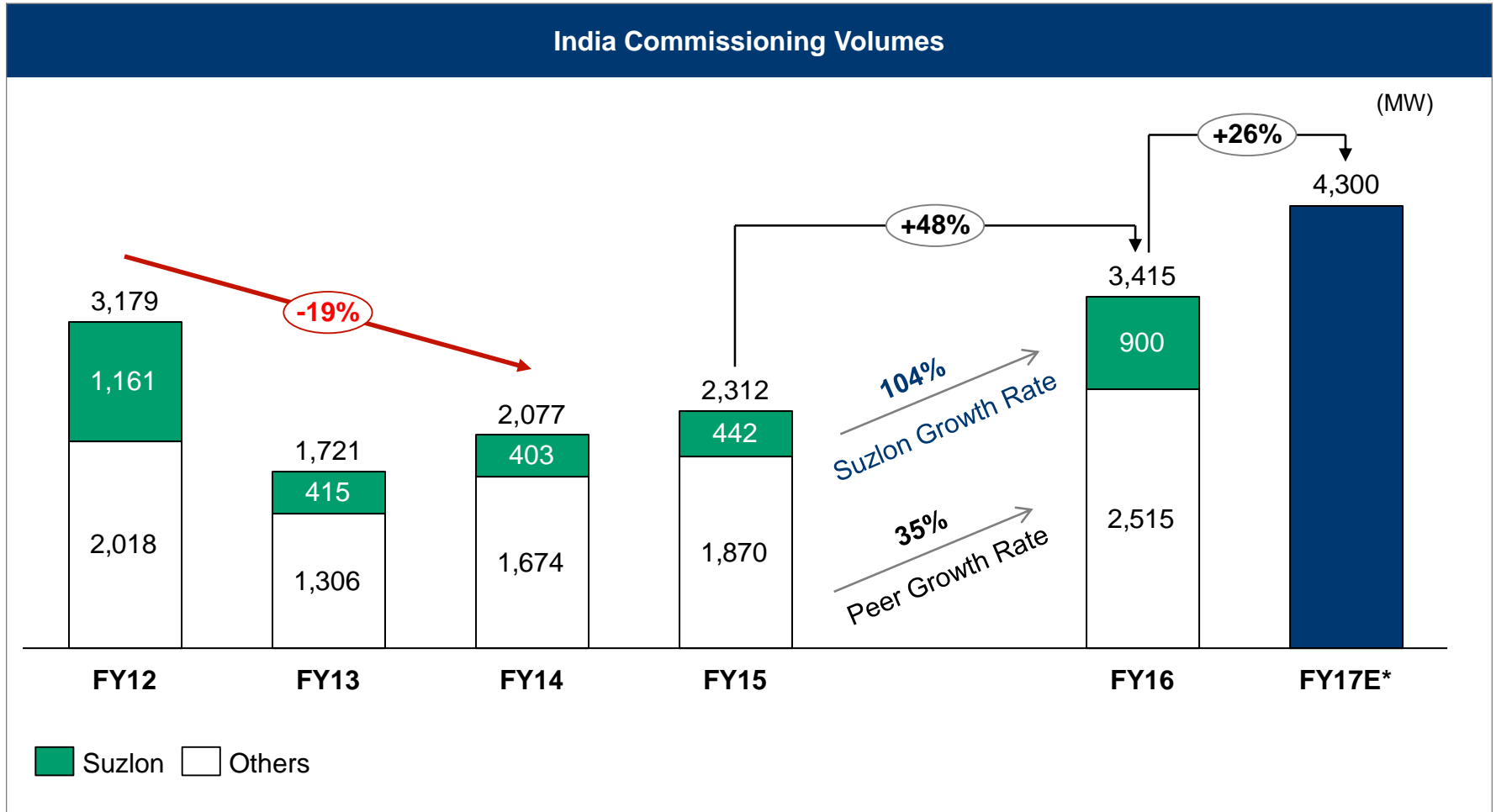


Source: MNRE

Renewables now 2nd largest source of power in terms of installed capacity

Renewables preferred for affordability, sustainability and security

FY16 Saw Highest Annual Wind Capacity Addition in Two Decades



*FY17 E – Source: Internal Estimates

On a strong growth trajectory...

State Wise FiT and RPO Details

	Tariff Control Period	Non AD Tariff (Rs./Unit)			RPO Target (Non Solar)		
		FY17	FY16		FY17	FY16	
AP	31 st March 2020	4.84	4.83	↑	4.75%	4.75%	↔
GJ	31 st March 2019	4.19	4.15	↑	8.25%	7.00%	↑
KN	31 st March 2018	4.50	4.50	↔	11.00%	10.00%	↑
MP	31 st March 2019	4.78	5.92	↓	6.50%	6.00%	↑
TN	31 st March 2018	4.16	3.96	↑	9.00%	9.00%	↔
RJ	31 st March 2019	6.04-5.76	5.74-6.02	↑	8.90%	8.20%	↑
MH	31 st March 2020	5.56-3.82	5.71-3.92	↓	10.00%	8.50%	↑

 **New Update**

Key Government Initiatives: Preparing India for Renewable Growth

Strengthening Demand Environment

- Introducing Renewable Generation Obligation (RGO)
- Enforcing Renewable Purchase Obligation (RPO)
- Creation of demand from non renewable rich states
- Waiver of Inter State transmission charges & losses
- UDAY scheme to improve DISCOM financial health

Strengthening Grid and transmission systems

- Green Corridor
- Scheduling and Forecasting
- Inter State Transmission

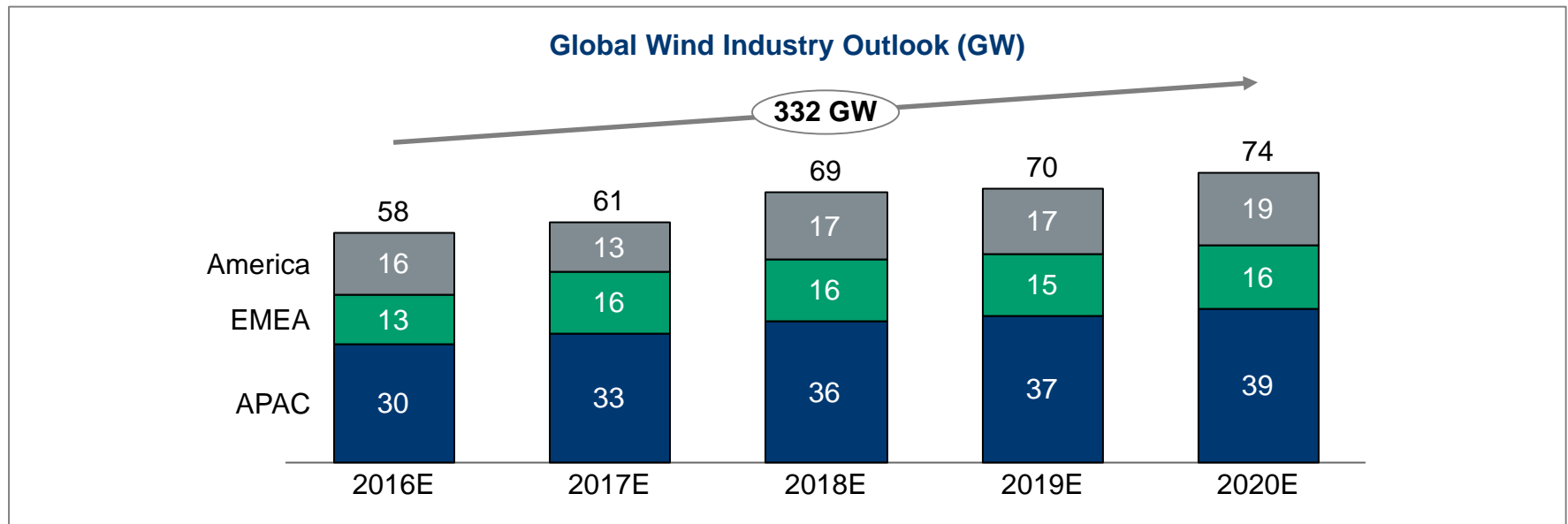
Future Growth Drivers (Policy Under Draft)

- Wind Solar Hybrid Farms
- Repowering
- Offshore
- National Renewable Energy, Act

Suzlon Strengths in India Wind Market



International Market Roadmap



Source: BENF Q2 2016 Wind Market Outlook

Prioritizing markets based on opportunity, sustainability and ease of access

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Consolidated Income Statement

IND AS

Rs Crs.

Particulars	Q1 FY17	Q4 FY16	Q1 FY16
	Limited Review	Unaudited	Unaudited
Revenue from operations	1,650	3,246	2,587
Less: COGS	914	2,082	1,558
Gross Profit	735	1,163	1,029
Margin %	44.6%	35.8%	39.8%
Employee benefits expense	259	234	329
Other expenses (net)	305	470	442
Exchange Loss / (Gain)	48	14	77
EBITDA	123	446	181
EBITDA (Pre-FX Gain / Loss)	171	460	258
Margin %	10.4%	14.2%	10.0%
Less: Depreciation	84	118	106
EBIT	39	328	75
EBIT (Pre-FX Gain / Loss)	88	342	152
Margin %	5.3%	10.5%	5.9%
Net Finance costs	290	301	385
Profit / (Loss) before tax	-251	28	-310
Less: Exceptional Items	0	267	-1,314
Less: Taxes and Minority	9	-8	-10
Net Profit / (Loss) after tax	-260	-232	1,014

Note: Servion was fully divested by Suzlon group on 29th April 2015. Accordingly Q1 FY16 consolidated results include 1 month of Servion performance, hence not directly comparable

IND AS Convergence – Major Impact Items

Description	IND GAAP Position	IND AS Position
CDR Recompense		
<p>Upon exit from CDR, CDR Lenders get a right to recompense of their waivers and sacrifice made as part of the CDR Proposal.</p>	<p>Recompense payable is disclosed under contingent liability as the same is contingent upon various factors and the outcome is materially unascertainable.</p>	<p>Recompense considered as financial liability and quarterly provisions to be made until exit of CDR and disclosed under finance cost.</p> <p>Restatement of prior financial statements required.</p>
FX Gain Loss		
<p>Exchange differences pertaining to long term foreign currency monetary items.</p>	<p>Allowed to be amortised up to March 31, 2020 or remaining debt tenure which ever is earlier.</p>	<p>No provision on amortisation of forex on new/restructured loans after transition date i.e 31st March 2016. Gain / loss to be charged off in the same quarter.</p> <p>Restatement of prior financial statements not required.</p>

IND AS Convergence – Major Impact Items

Description	IND GAAP Position	IND AS Position
FCCB		
Accounting for FCCB	FCCB was treated as a debt instrument. Further, cost incurred on restructuring of FCCB was amortized over the period of FCCB.	FCCB is treated as a compound financial instrument and accordingly equity component is recognised. The cost incurred for restructuring is charged to retained earnings on the transition date as the original FCCB stands substantially modified.
Discounting/ Impairment		
Discounting of provisions and impairment testing of financial assets / liabilities	Discounting of liabilities is not permitted and provisions are carried at their book values.	All financial assets/ liabilities are required to be carried at their fair value on initial recognition. All financial assets are subject to discounting/ impairment testing. All financial liabilities and provisions are subject to discounting.

Reconciliation between IND GAAP and IND AS – Income Statement

Rs Crs.

Net Profit	Q4 FY16	Q1 FY16	FY16
Reported Consolidated Profit / (Loss) as per IND GAAP	(271)	1,047	483
Effect of discounting long term liabilities	(7)	(5)	(24)
Actuarial gain/ (loss) on defined benefit obligation recognised in other comprehensive income	2	(1)	1
Effect of Measuring ESOP at fair value	(3)	(8)	(17)
Others	47	(19)	17
Reported Profit / (Loss) as per IND AS	(232)	1,014	459

Consolidated Net Working Capital

IND AS

Rs Crs.

	30 th Jun'16	31 st Mar'16	31 st Dec'15
Inventories	3,078	2,554	2,512
Trade receivables	2,060	2,616	1,946
Loans & Advances and Others	1,675	1,481	1,637
Total (A)	6,814	6,651	6,095
Sundry Creditors	2,540	2,813	2,347
Advances from Customers	1,116	1,130	862
Provisions and other liabilities	1,739	1,536	1,553
Total (B)	5,395	5,479	4,762
Net Working Capital (A-B)	1,419	1,172	1,333

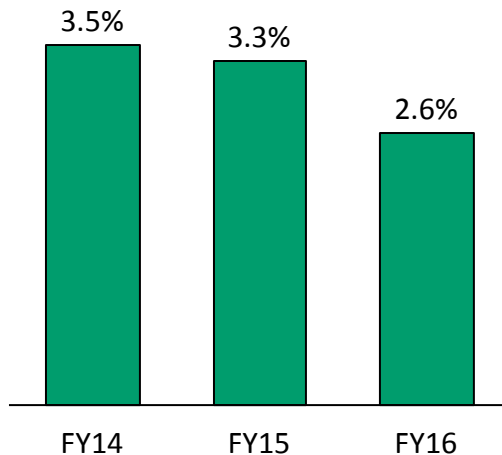
Key Accounting Policies – Revenue Recognition and Order Booking

<p>Opening Order Book</p>	
<p>(-) Sales during the period</p>	<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.
<p>(+) Order Intake during the period</p>	<ul style="list-style-type: none"> • Order Intake during the period <ul style="list-style-type: none"> – Only firm orders backed by threshold advance is added to order book
<p>Closing Order Book</p>	<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

(Average calculated as % of Revenue)



✓ 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

Carrying value of maintenance warranty provisions in Balance Sheet ~Rs. 545 Crs.



THANK YOU

