

Suzlon Energy Limited

Q1 FY14 Earnings Presentation

2nd August 2013

Thornton Bank Offshore Wind Farm, Belgium

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Quarter Takeaways – Q1 FY14



Suzlon wind farm in Kutch, India

Key highlights – Q1 FY14



Operations ramping up at Suzlon wind – 219 MW



325 MW Thornton Bank offshore wind farm completed



Group headcount reduction of 1,000+, in addition to 1,500+ reductions in FY13



Opex reduced by 31% QoQ, despite adverse FX movement



Working capital further rationalized to 11.4% of sales

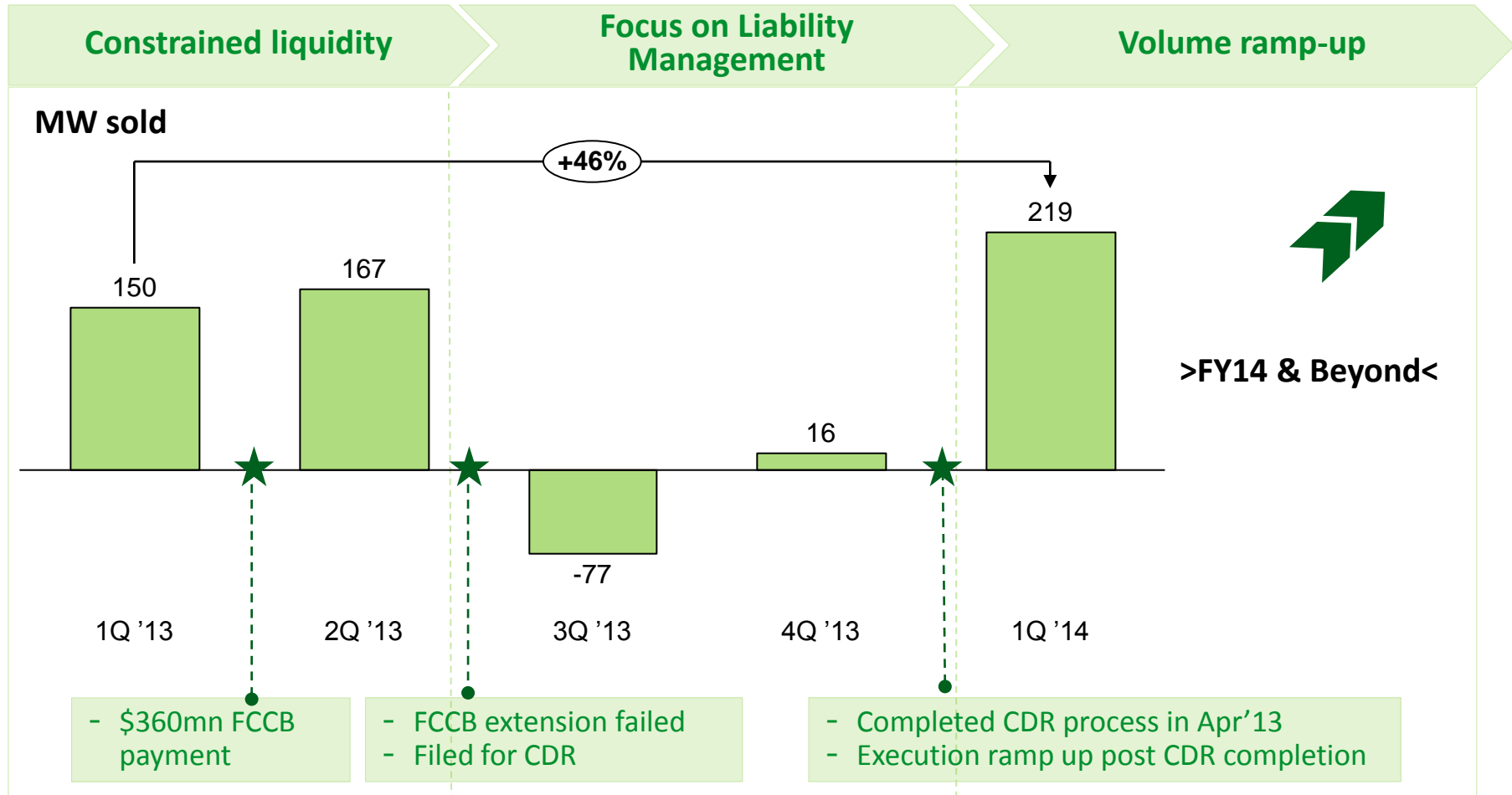


Decent order inflow momentum - 356 MW



FCCB discussions progressing

Operations ramping up at Suzlon Wind



Execution volume to gather pace in balance year

REpower completes its largest offshore wind farm

325 MW Thornton Bank project with 6M

Showcase project for the European Offshore Industry



- ✓ Project with largest fleet of 6M turbines
- ✓ One of the largest project financed offshore wind farms in Europe (~€900mn)
- ✓ Total project cost: ~€1.3bn

Reaffirms our 'best in class' offshore technology and superior execution capabilities

- ✓ On time and within budget
- ✓ Successfully executed one of the most complex / challenging deep water offshore projects
(~30KM off the coast & up to ~30 meters deep)



Business Performance

Suzlon wind farm in Minnesota, USA

Particulars	Q1 FY14 Unaudited	Q4 FY13 Audited	Q1 FY13 Unaudited	FY13 Audited	FY12 Audited
Consolidated Revenue	3,851	4,281	4,747	18,743	21,082
Consolidated EBITDA	-302	-594	-257	-1,296	1,821
Consolidated EBIT	-482	-786	-435	-2,037	1,160
Consolidated Net working capital	2,027	2,543	5,831	2,543	4,861
Consolidated Net debt	13,705	13,003	13,017	13,003	11,129

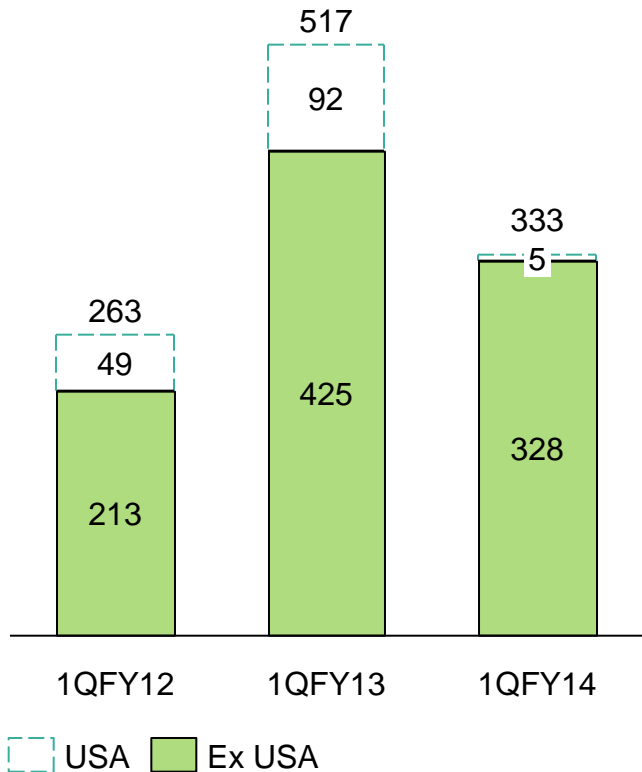
Key takeaways:

- Business performance on track towards normalization
 - Volume ramp-up at Suzlon Wind
 - Achieved **219MW in quarterly sales** against **~250MW annual sales** in entire FY13
 - REpower continues stable performance
- Substantial progress achieved in reducing fixed costs through Group-wide restructuring exercise
- Net results after tax impacted by
 - One time Group-wide restructuring costs under Project Transformation – **Rs. 136 Crs**
 - Forex losses due to unfavorable currency fluctuations – **Rs 155 Crs**

Working towards breakeven in FY14

REpower : Stable performance continues

REpower revenues* (€M)



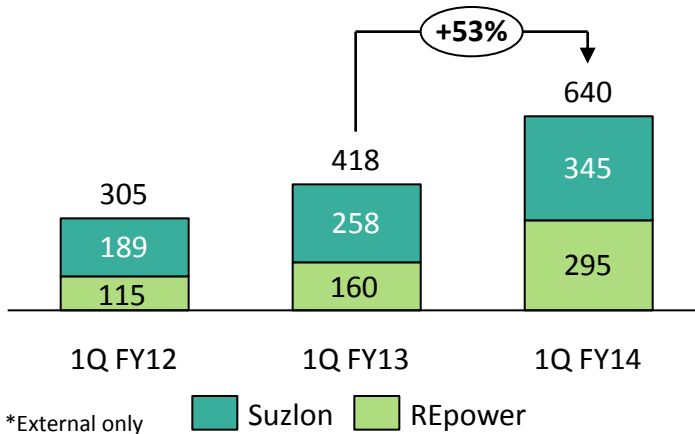
Highlights of 1Q FY14

- ✓ **Stable performance despite adverse market dynamics**
- ✓ **Focus on cost reduction**
 - Fixed cost reduction, right sizing headcount
 - Improving production efficiency
 - Eliminating cost redundancy
- ✓ **Stable order book with strong cash position**
- ✓ **Marquee projects completed:**
 - 325 MW Thornton Bank offshore wind farm: ***Largest offshore project by REpower till date***
 - 122 MW Zuidlob onshore wind farm: ***Largest onshore wind farm by REpower till date***

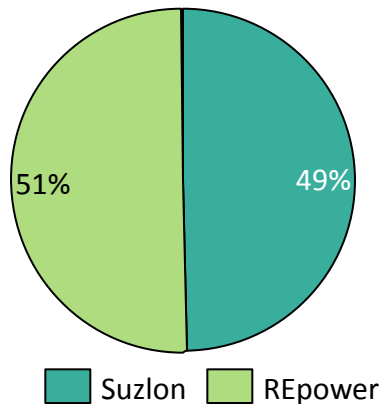
Evolving as a leaner and more profitable organization

Service Business: Growing business with stable revenues

Revenues (Rs. Crs)*



Service Order Backlog - \$4bn



Key Highlights

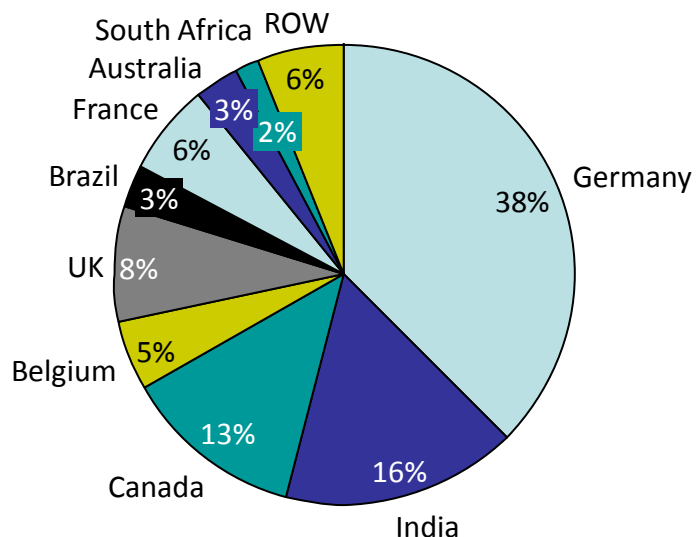
- **1Q FY14 OMS revenue at ~Rs. 640 crs**
 - >50% higher than same quarter last year
- **High growth with stable and consistent margins**
- **Large service order backlog - \$4bn**
 - \$4bn spread over 5+ year horizon
 - Service order backlog stable, with near 100% renewal track record

Annuity like cash flows over turbine life

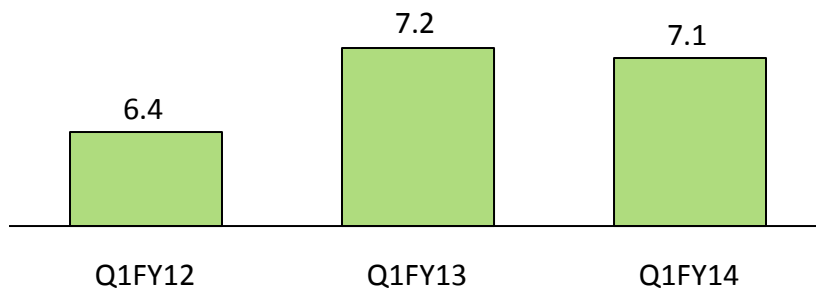
Robust order book position

Total value of US\$7.1 bn

Order book by geography – US\$7.1bn



Order book evolution (US\$ bn)



Strong order backlog in home markets, India and Germany

- Order book at ~5.4 GW
- Order book value: US\$ 7.1bn
 - Onshore markets:
 - Emerging : ~US\$1.5bn (India, Brazil and South Africa)
 - Developed : ~US\$4.3bn
 - Offshore: US\$1.3bn
- Strong order book with deliveries up to FY15

As on 2nd August 2013. FY13 Exchange rate – USD/EUR – 1.33, INR/EUR – 78.68, INR/USD – 59.33

Order book for the quarter reflects orders booked between two board meetings and does not net off sales of the next quarter

Project Transformation Update



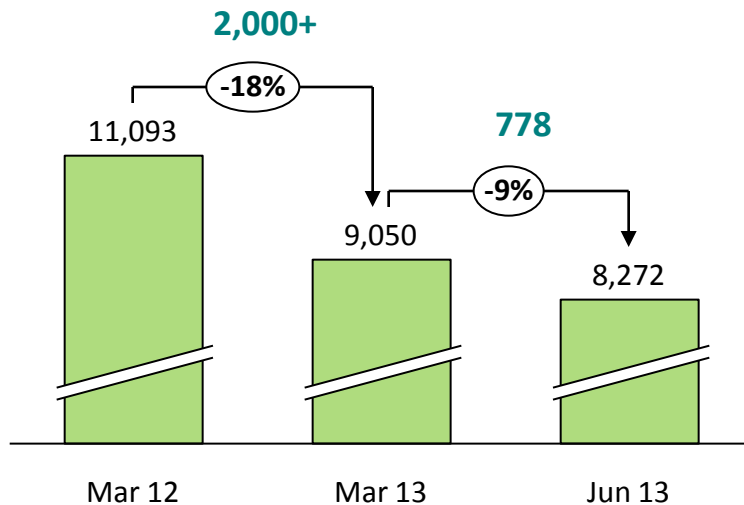
Suzlon wind farm in Penamacor, Portugal

Right-sizing across verticals continued over Q1

Employee Headcount

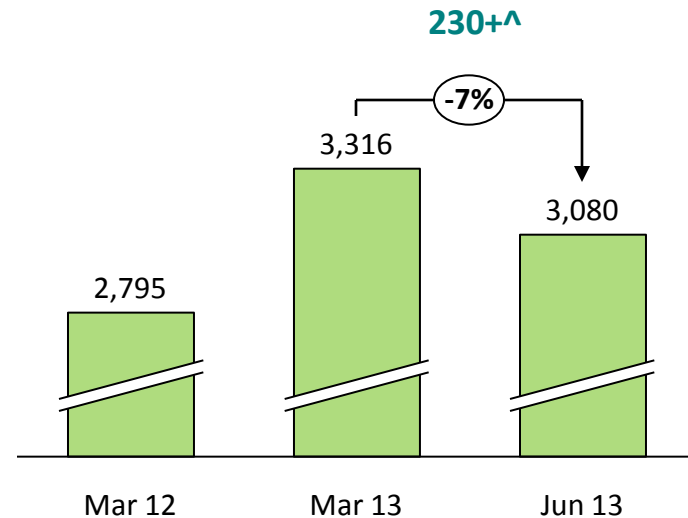
Suzlon*

*Ex REpower



- ✓ Headcount reduced by 778, over and above 2,000+ reductions achieved in FY13
- ✓ Further reductions planned in FY14

REpower



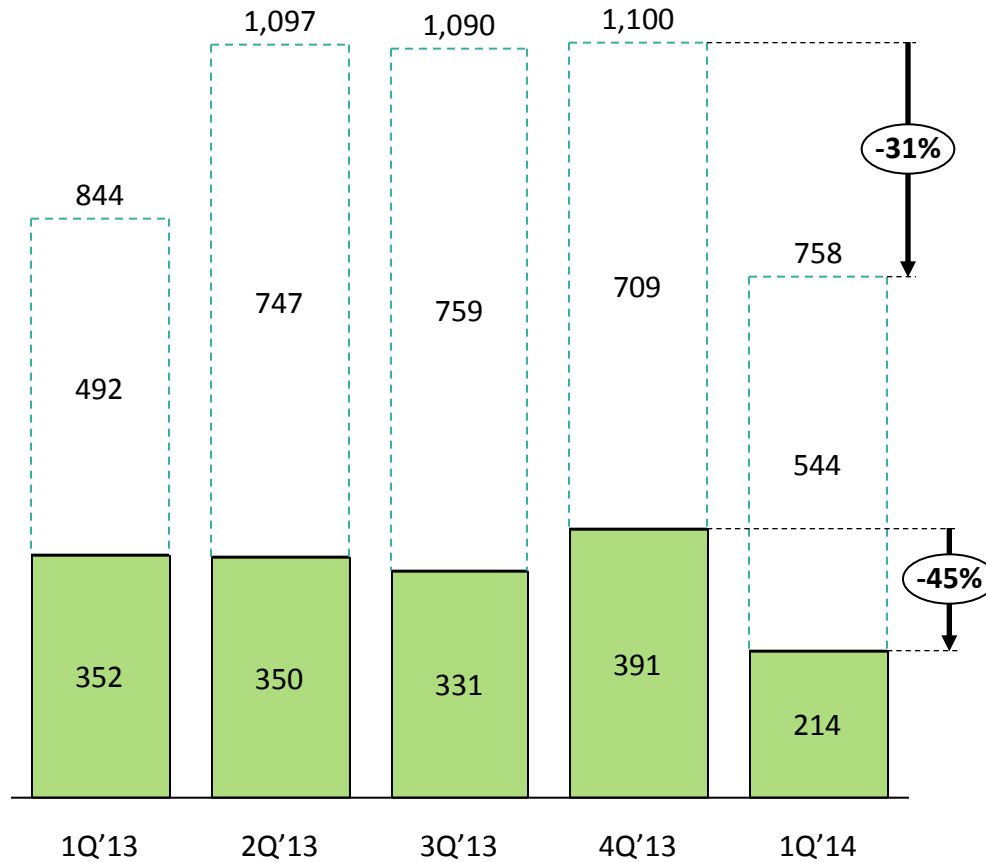
- ✓ 500 permanent + 250 temporary employee reductions planned in FY14
- ✓ Progressing well on the restructuring program

Reductions are net of increase in service business headcount



Right-sizing employee base across business verticals

Further reduction in fixed costs achieved

Consolidated operating expenses* (Rs. Crs)



* - As per Clause 41 results

 Other Opex Costs
 Suzlon Wind Fixed Costs

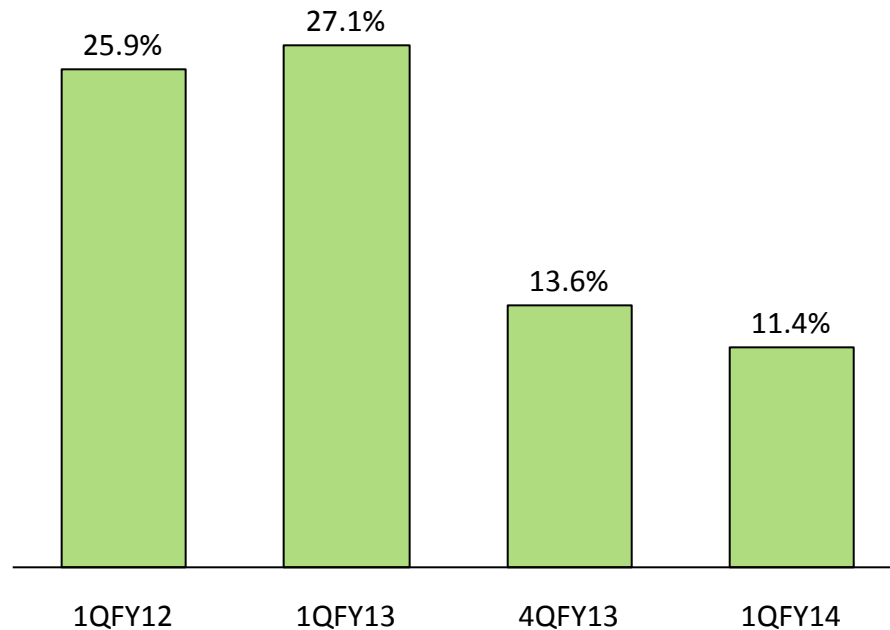
Key actions taken:

- Stringent cost control measures in place
- Rationalizing travel and consulting expenses
- Rationalized office and factory space

Plan for further reductions:

- ~€100 mn cost reduction plan initiated at REpower
 - ✓ Savings targeted in purchase, production, employee costs and Opex

Net Working Capital Ratio*



Key actions underway:

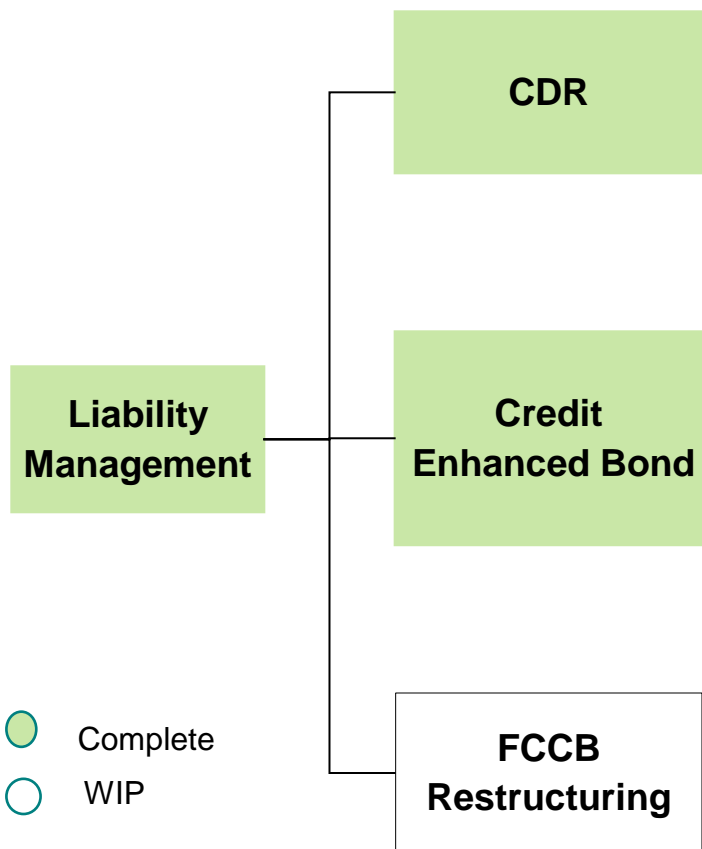
- Leaner inventory cycle
 - Make vs Buy analysis
 - Controlled procurement
- Focus on realizations
 - Project prioritization, better receivables management
- Expediting order execution
- Clearing up commissioning pipeline

* - Net Working Capital/Trailing twelve months

Comprehensive Liability Management Update

Suzlon wind farm in Rajasthan, India

Liability Management in place

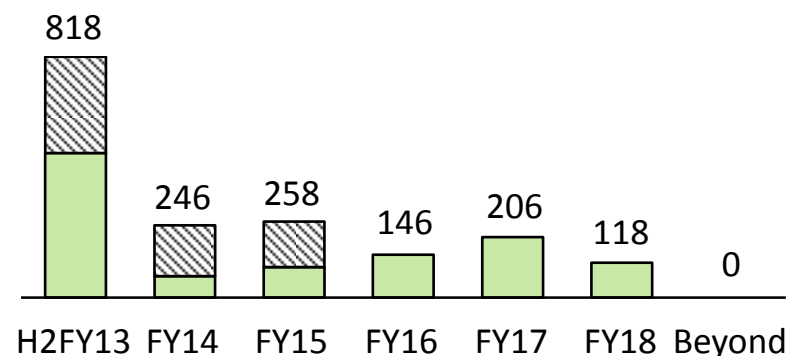


CDR: Back-ended maturity profile & Interest Rate reduced to 11%...

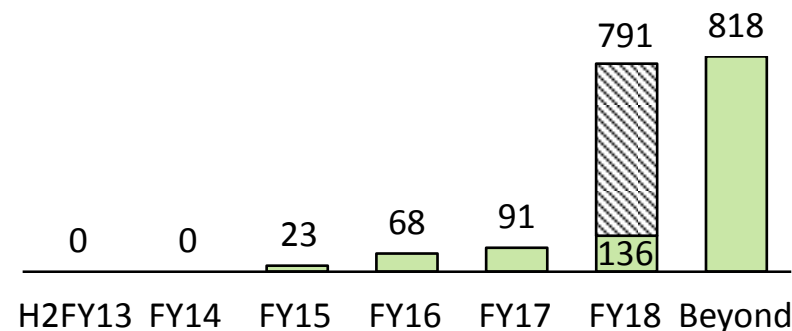
Credit enhanced Bonds / FX Loans
 Debt Under CDR

Pre-Restructuring

Mn USD



Post-Restructuring



**Additional Working Capital of ~\$330m;
More cash flow available for business**

- Paid the first tranche of FCCBs of \$360mn in July 2012 after 45 days extension
- Prior to maturity had officially sought four months extension for October series with intention to meet our obligations in their entirety
 - Extension did not achieve required super-majority, resulting in non payment
- Continue to be in active and constructive dialogue with our bond holders
- Select bond holders, representing significant majority across all series, have formed an ad hoc committee and have engaged financial and legal advisors to fast track the process to arrive at a consensual solution for the benefit of all stakeholders
- Active negotiations with bondholders and their advisors in an organized process is a conscious effort on part of the Company and its key stakeholders to facilitate an efficient and consensual solution finding process

Stakeholders are aligned for preserving business value and need for a quick resolution

Key Priorities for FY14



Suzlon Manufacturing unit in Dhule, India

Strategic

Asset light / Debt light

- ✓ Asset sales
 - ~\$400mn targeted from non-critical assets
- ✓ Working capital optimization
 - Focus on realization of sticky receivables
- ✓ Optimize asset base and reduce debt

Products / Orders

- ✓ Continued R&D focus to optimize yield and reduce cost of energy
- ✓ Investing in project pipeline in India
- ✓ Sustaining quality and profitability of orders
- ✓ Focus on core and profitable markets

Operational

Business Efficiency

- ✓ Improve liquidity and drive execution
- ✓ Reducing project cycle time
- ✓ Project wise business management
- ✓ Enhancing service profitability

Reduced Breakeven

- ✓ Improving contribution margin
- ✓ 'Make vs Buy' analysis for critical components
- ✓ Rationalizing headcount / fixed costs

Detailed Financials – Q1 FY14



Manufacturing unit in Daman, India

Consolidated financial results

Rs Crs.

Particulars	Q1 FY14 Unaudited	Q1 FY13 Unaudited	Q4 FY13 Audited	FY13 Audited	FY 12 Audited
Revenue from operations	3,851	4,747	4,281	18,743	21,082
Less: COGS	-2,731	-3,555	-3,185	-13,640	-14,074
Gross Profit	1,120	1,191	1,095	5,104	7,009
Gross Profit %	29.1%	25.1%	25.6%	27.2%	33.2%
Employee benefits expense	-554	-537	-501	-2,133	-2,009
Other expenses	-758	-844	-1100	-4,131	-3,396
Exchange Loss / (Gain)	-155	-92	-144	-307	-59
Other Operating Income	45	24	56	170	277
EBITDA	-302	-257	-594	-1,296	1,821
EBITDA %	-7.8%	-5.4%	-13.9%	-6.9%	8.6%
Less: Depreciation	-180	-178	-192	-740	-661
EBIT	-482	-435	-786	-2,037	1,160
EBIT %	-12.5%	-9.2%	-18.4%	-10.9%	5.5%
Finance costs	-497	-494	-487	-1,855	-1,655
Finance Income	11	77	23	152	126
Profit / (Loss) before tax	-968	-851	-1249	-3,740	-369
Less: Exceptional Items	-136	45	-604	-643	227
Less: Tax	42	-47	-58	-349	-331
Less: Associates	0	0	0	0	-33
Less: Minority	2	5	-1	8	27
Net Profit / (Loss) after tax	-1,059	-8,49	-1,913	-4,724	-479

Consolidated net working capital

Rs Crs

Particulars	As on 30 th June'13	As on 31 st Mar '13	As on 31 st Dec '12	As on 30 th Sept'12	As on 30 th June'12	As on 31 st Mar'12
Inventories	5,386	5,264	5,928	5,421	5,960	5,580
Trade receivables	5,759	6,382	6,990	8,584	8,265	8,201
Short-term loans and advances	2,435	2,185	2,375	2,549	2,677	2,368
Other current assets	384	443	491	577	677	645
Total (A)	13,964	14,274	15,785	17,132	17,579	16,794
Sundry Creditors	4,645	4,651	4,916	5,739	5,761	5,807
Advances from Customers	3,987	4,168	3,517	3,206	3,060	3,432
Other Current Liabilities	1,575	1,354	1,449	1,421	1,428	1,091
Provisions	1,730	1,558	1,591	1,488	1,499	1,603
Total (B)	11,936	11,730	11,473	11,853	11,748	11,932
Net Working Capital (A-B)	2,027	2,543	4,311	5,278	5,831	4,861

Financial leverage^(a)

		As on (Rs. Crs)				
Debt type	30 th Jun 13	31 st Mar 13	31 st Dec 12	30 th Sep 12	30 th Jun 12	31 st Mar 12

Suzlon Wind Debt

FX loans*	3,843	3,513	3,555	3,475	2,053	1,920
FCCBs	2,418	2,211	2,239	2,152	3,641	3,327
W.Cap, Capex and other loans	9,218	8,701	8,383	8149	7,783	7,895
Gross debt (A)	15,479	14,425	14,177	13,775	13,477	13,142
Cash (B)	346	502	608	512	455	1,037
Net Debt (A-B)	15,133	13,924	13,569	13,264	13,022	12,105

Suzlon Consol^ Group Debt

Gross Debt	16,290	15,191	15,040	14,568	14,389	14,034
Cash (B)	2,585	2,188	1,453	964	1,372	2,905
Net Debt (A-B)	13,705	13,003	13,587	13,604	13,017	11,129

- (a) Unaudited
 (b) Cash balance includes cash and cash equivalents and non current bank balances
 (c) Debt includes short term loans, long term loans, current maturities of long term borrowings and interest accrued and due

* - Credit enhanced bonds were issued in 4QFY13. Thus, in the all the quarters prior to 4QFY13, Earlier it pertained to acquisition loan and loan taken from domestic banks to pay June FCCBs

^ - Suzlon Consol includes SE Forge and REpower in addition to Suzlon Wind

FCCBs: Status update

FCCBs	Outstanding amount (US\$ mn)	Conversion price (Rs)	Maturity date	Coupon rate	Maturity value with redemption premium
October 2012 – Old	121.4	97.26	October 2012	0%	144.88%
October 2012 – Exchange	20.8	76.68	October 2012	7.5%	157.72%
July 2014 – New issuance	90.0	90.38	July 2014	0%	134.20%
April 2016 – New issuance	175.0	54.01	April 2016	5.0%	108.70%

Thank you

Suzlon wind farm in Paracuru, Brazil