

Suzlon Energy Limited

Q2 FY14 Earnings Presentation

30th October 2013

Thornton Bank Offshore Wind Farm, Belgium

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Second Quarter Takeaways – Q2 FY14



Suzlon wind farm in Kutch, India

Key highlights – 2Q FY14

Operations:

- Total revenues at **Rs 4,769 Crs in Q2 FY14; 23.8% QoQ growth**
 - **Suzlon wind volumes @ 220 MW**; First half volumes at @ 440 MW
- Group EBITDA excluding FX **positive @ Rs 39 Crs**
- Order inflow of **395 MW in 2Q**; aggregating to order inflow of **751 MW in H1**
- **Launched 3.0M122-** new low wind speed product variant for Canada
- Entry in Uruguay market with **first order of 65 MW**
- REpower installations crosses **5,000 WTGs**; Group installations at ~22.5 GW

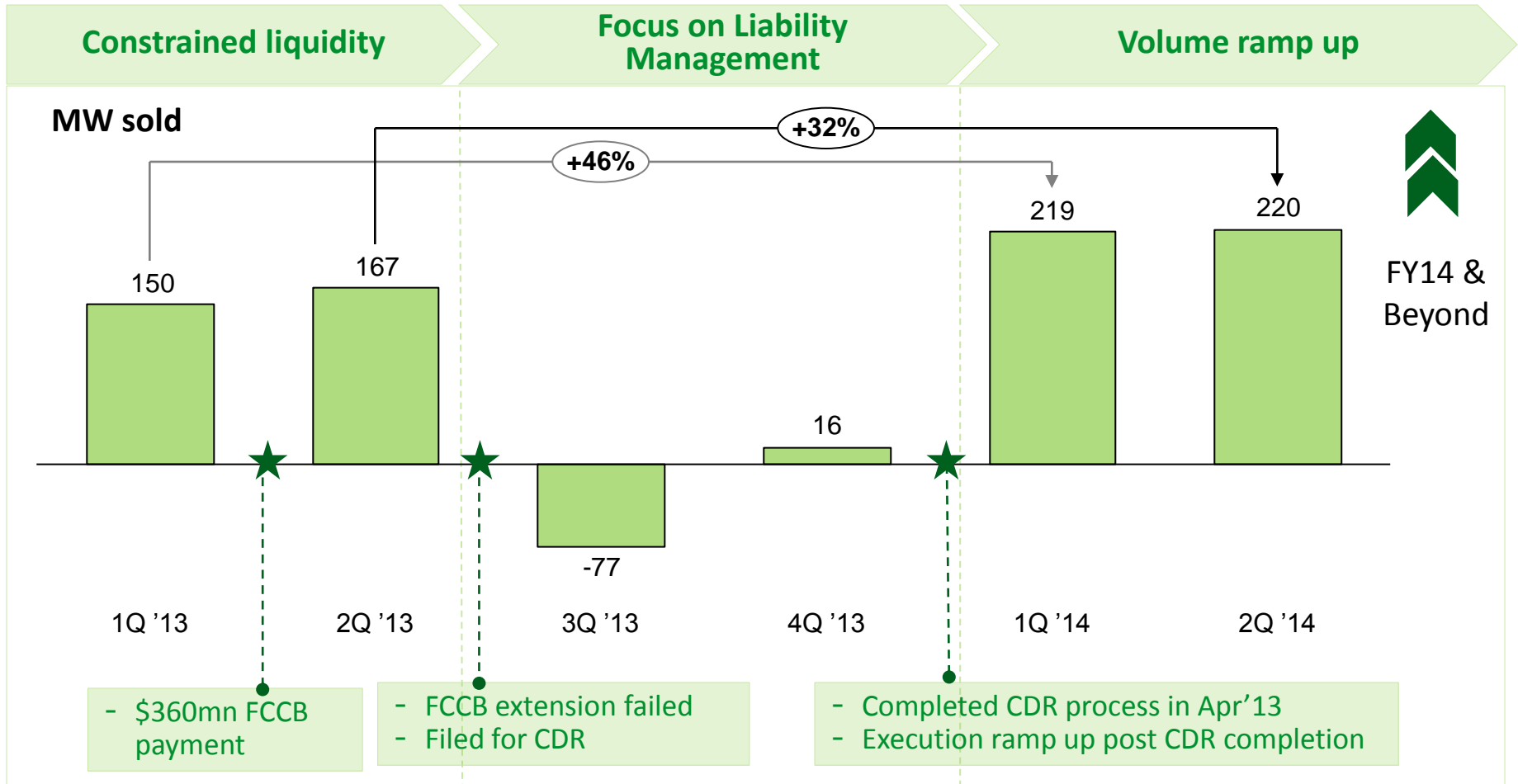
Asset Sale:

- **China unit** – divested 75% stake to a JV with a strong local partner

Project Transformation:

- Group headcount **reduction of ~450**, in addition to 2,500+ reductions since FY13
- **Opex reduced by 38% YoY**
- Working capital further rationalized to **9.9% of sales**, against 13.6% as on March'13

Operation ramp up at Suzlon Wind:



Execution volume to gather pace in balance year

China JV – Meets dual objective

Deal Overview

- **Monetization**
 - Divested 75% in the China based manufacturing facility
 - Total realization - \$28M (Rs. ~173 crs)
- **Strong JV partner**
 - A conglomerate focused on energy investment
 - State owned with strong local connections
- **Combines best of both groups**
 - Being a strong and recognized player in China energy market, the JV partner will lead marketing and sales operations
 - Being a pioneer in wind technology, Suzlon will lead manufacturing and quality

Benefits



Regaining foothold in China

- China is the largest wind market in the world
- Maintaining a presence in the market is of strategic importance to us
- With the combined strength of both the groups, we will be better positioned in China



Asset light model – ideal for the Group

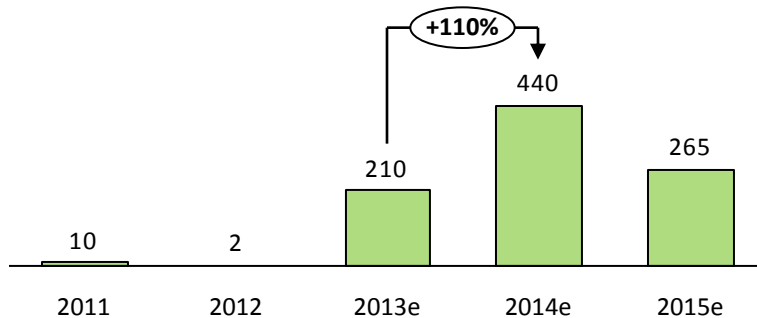
- In line with our strategy to deleverage through asset sale

Meets dual objective of deleveraging and ensuring presence in world's largest market

First order in Uruguay market – 65 MW

High Potential Market

Wind Market Outlook (MW)



Source: Make Consulting, 2013

✓ **Over 315 MW contracted in 2013 alone**

Key policies supporting renewable

Energy Target	15% renewable power installed capacity by 2015
Auctions	UTE conducted three auctions 630 MWs for 20 year contracts
Tax Incentives	Tax deduction & VAT exemption available

✓ **Poised to become the main renewable source in Uruguay in the next 2-3 years**

Suzlon Presence



Entered Uruguay with a marquee order

- Won its first order for 65 MW
- 31 units of S9X turbines
- Responsible for full EPC scope
- Scheduled to be completed in Sep 2014



Relationship with major utilities in South America

- Project with Rouar S.A. , a JV between state owned utilities of Uruguay (UTE) and Brazilian utility (Electrobras)



Re-affirms our best in class technology for emerging market

- S9X portfolio highly optimized for medium to low wind sites
- High cost competitiveness, ideal for emerging markets

3.0M 122 –Product for low wind sites

Moving proven 3MW into 60Hz markets

3.0M122 for Class III: Lower Wind Sites



✓ Key technical details

- Rated power: 3 MW
- Rotor diameter: 122 M
(Largest rotor diameter among all Suzlon onshore WTGs)
- Hub height: 100 M
- Wind Class: IEC IIIA
- Sound power level < 104.5 dB(A)

Key Features

- ✓ Launched 60 Hz variant for Canada market; Brings successful 3XM platform to North America, built on proven 50Hz design, having sold over 250 turbines since launch
- ✓ Cold climate capabilities to particularly address wind projects in Canada
- ✓ **Improved energy yield by 5-7% over 3.2M114**
- ✓ Optimal energy yield at low wind speed sites and by that unlocks new market potential
- ✓ Suitable also for challenging areas (hilly terrain)
- ✓ High performance and low noise level

Key Timelines

- Official launch: Husum Wind fair 2012
- Start of sales: End of 2013
- Serial delivery: 2015

High rated power + large rotor + low noise level = Turbine for low wind sites of developed economies

Business Performance

Suzlon wind farm in Minnesota, USA

Q2 FY14 Group financial snapshot

Rs Crs

Particulars	Q2 FY14	Q2 FY13	Q1 FY14	H1 FY14	H1 FY13
Revenue	4,769	5,702	3,851	8,621	10,449
<i>EBITDA (before FX loss)</i>	39	-108	-147	-108	-274
<i>EBITDA</i>	-31	-132	-302	-333	-390
<i>EBIT</i>	-229	-300	-482	-711	-735
<i>Net working capital</i>	1,677	5,278	2,027	1,677	5,278
<i>Net debt</i>	14,156	13,604	13,705	14,156	13,604

FY13	FY12
18,743	21,082
-990	1,880
-1,296	1,821
-2,037	1,160
2,543	4,861
13,003	11,129

Key takeaways:

➤ Business performance

- Achieved 220MW in Q2FY14 (440MW in H1FY14) against ~250MW annual sales in entire FY13 at Suzlon wind
- Performance continues to be impacted due to lower volumes
- REpower performance on track

➤ Progress achieved in reducing fixed costs through project transformation

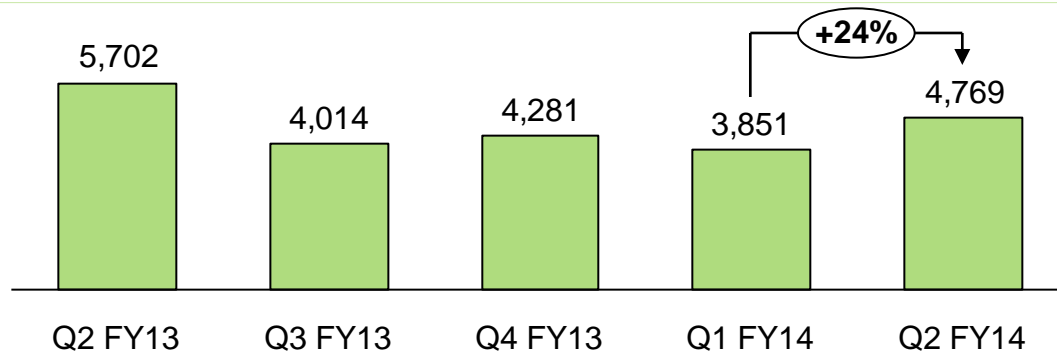
- Non recurring Group-wide restructuring costs under Project Transformation – **Rs. 67 Crs**

➤ Net results after tax impacted by

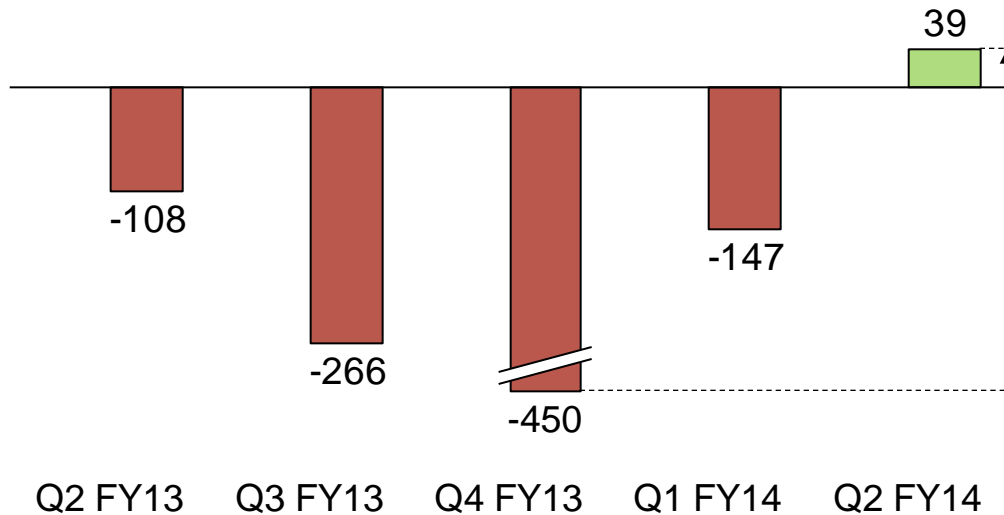
— Forex losses due to unfavorable currency fluctuations – **Rs 70 Crs**

Moving towards positive EBITDA

Revenue (Rs. Crs)



EBITDA before FX loss (Rs. Crs)



Improvement supported by:

✓ Improving contribution margins

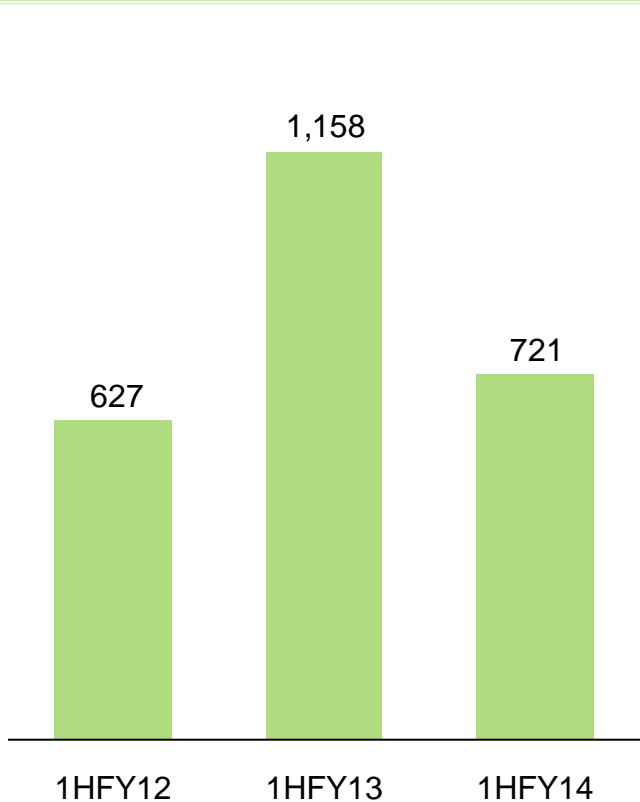
- Geographic sales mix
- Continuous focus on cost reduction

✓ Reducing fixed cost

- Opex reduction
- Manpower reduction

Increasing Volume + Higher Margins + Lower Fixed Costs = Reduced EBITDA Breakeven

REpower revenues* (€M)



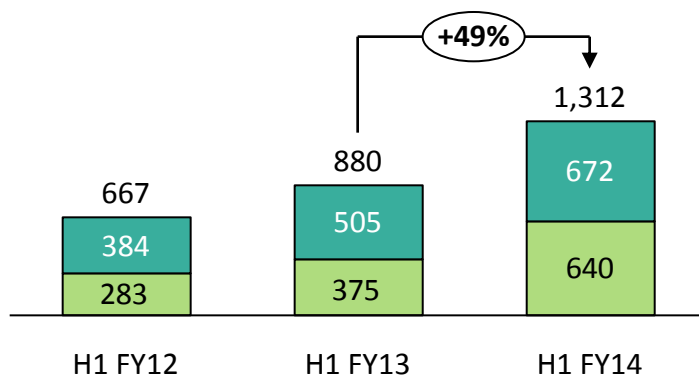
Highlights of 1H FY14

- ✓ **Performance on track despite adverse market dynamics**
 - Decline in revenues mainly due to lower demand in US and lumpy execution cycle in offshore
 - H1 FY14 offshore revenues at €56m
- ✓ **Substantial progress made on group restructuring**
 - Visibility of €100m+ on cost saving with high degree of confidence
 - Fixed costs at the lowest level since last six quarters
- ✓ REpower launched – 3.0M122
- ✓ **Continued low Working capital levels (~5%)**
- ✓ **Comfortable liquidity position of €302 mn**
- ✓ REpower installations crosses 5,000 WTGs; cumulatively at 9.6 GW

Evolving as a leaner and more profitable organization

Service Business: Growing revenues with stable margins

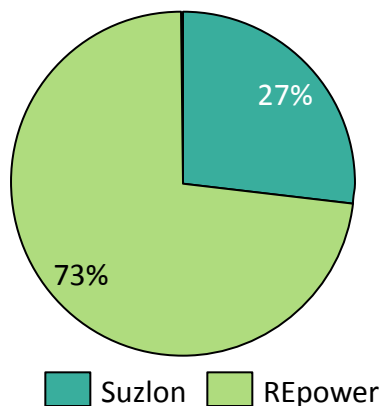
Revenues (Rs. Crs)*



*External only

■ Suzlon ■ REpower

Service Order Backlog - ~\$2.8bn*



* - Suzlon wind typically enjoys almost close to 100% renewal rates, specially in its largest market India. Including the potential renewals, the total order book size would be close to \$4bn

Key Highlights

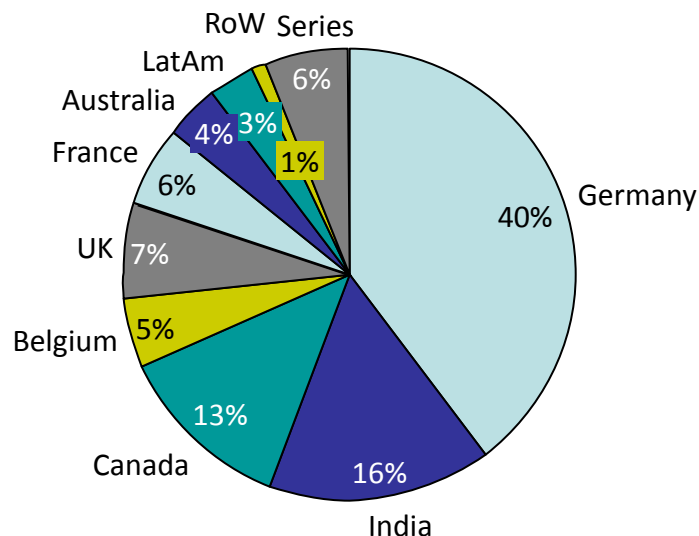
- **H1 FY14 OMS revenue at ~Rs. 1,312 crs**
 - ~50% YoY growth
- **High growth with stable and consistent margins**
- **Large service order backlog - ~\$2.8bn**
 - \$2.8bn spread over 5+ year horizon
 - Service order backlog stable, with near 100% renewal track record
 - The order book does not include potential renewals

Annuity like cash flows over turbine life

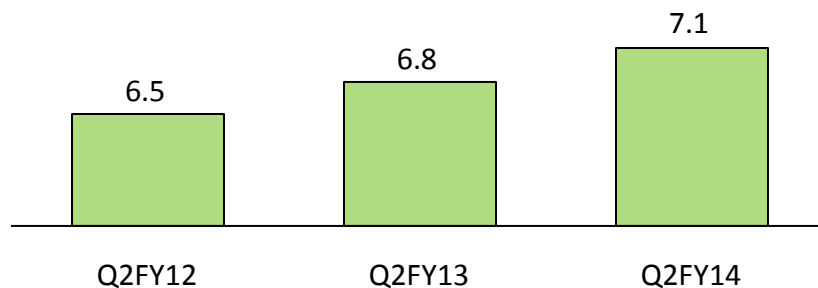
Robust order book position

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 ~5.1 GW
- Order book value: US\$ 7.1bn
 - Onshore markets:
 - Emerging : ~US\$1.4bn (India, Brazil, Uruguay and South Africa)
 - Developed : ~US\$4.4bn
 - Offshore: US\$1.3bn
- Order inflow of 395 MW in Q2; 751 MW in H1 FY14
- Strong order book with deliveries up to FY15

As on 30th October 2013. Exchange rate – USD/EUR – 1.36, INR/EUR – 83.61, INR/USD – 61.35

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



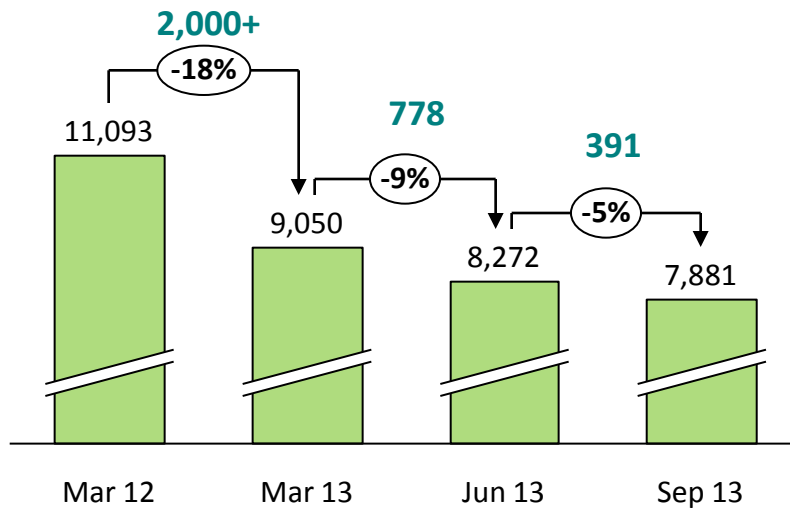
Suzlon wind farm in Penamacor, Portugal

Right-sizing across verticals continued in Q2 FY14

Employee Headcount

Suzlon*

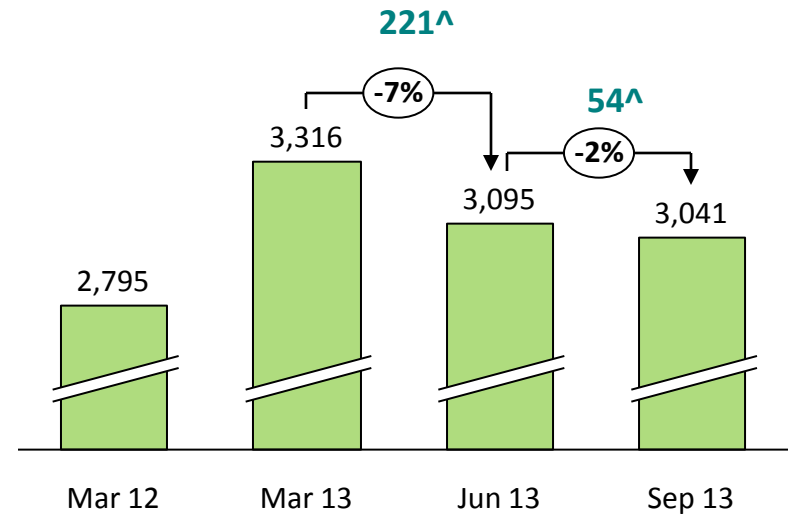
*Ex REpower



- ✓ Headcount reduced by **~1,200 in H1**, over and above 2,000+ reductions achieved in FY13
- ✓ Further reductions planned in H2 FY14

REpower*

*Permanent



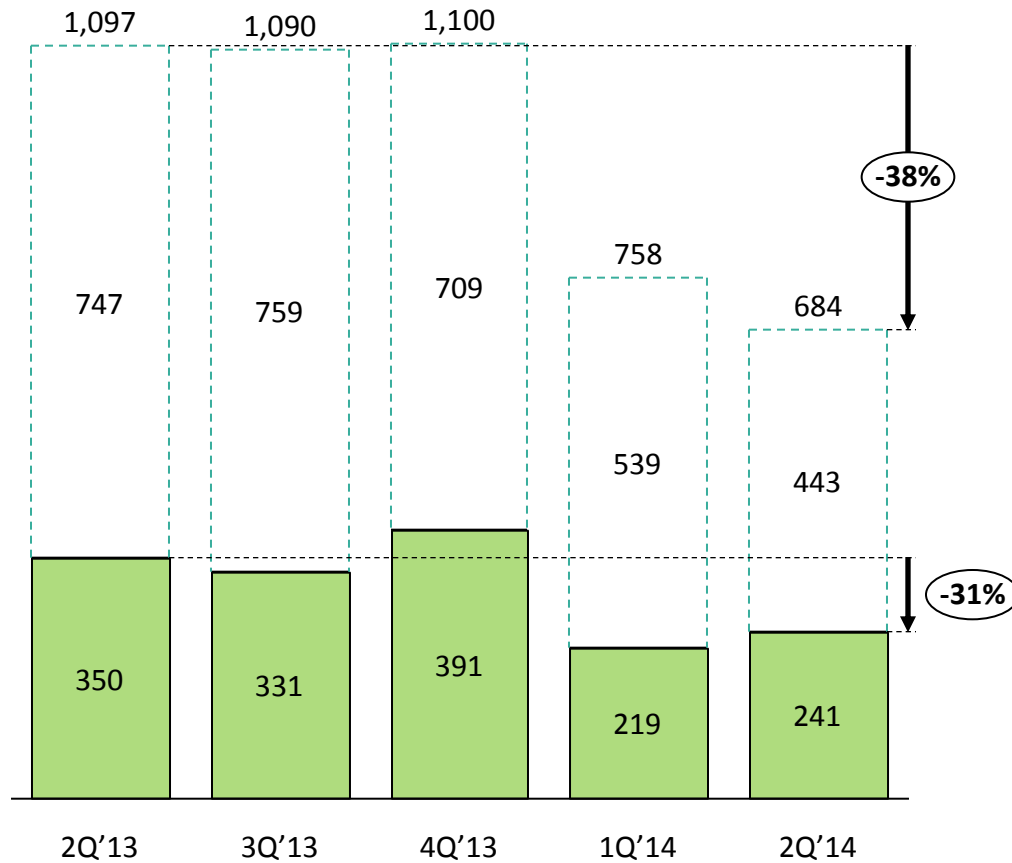
- ✓ 500 permanent + 250 temporary employee reductions planned in FY14
- ✓ Progressing well on the restructuring program

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

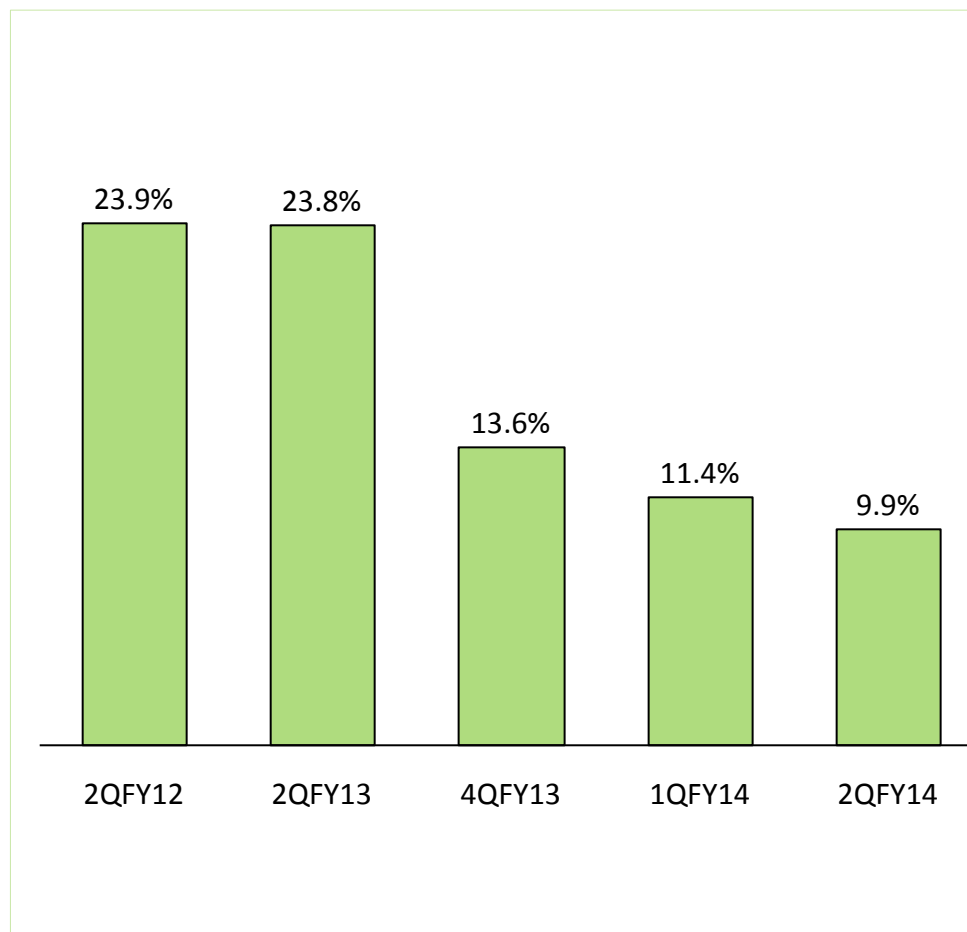
Key actions taken:

- 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:

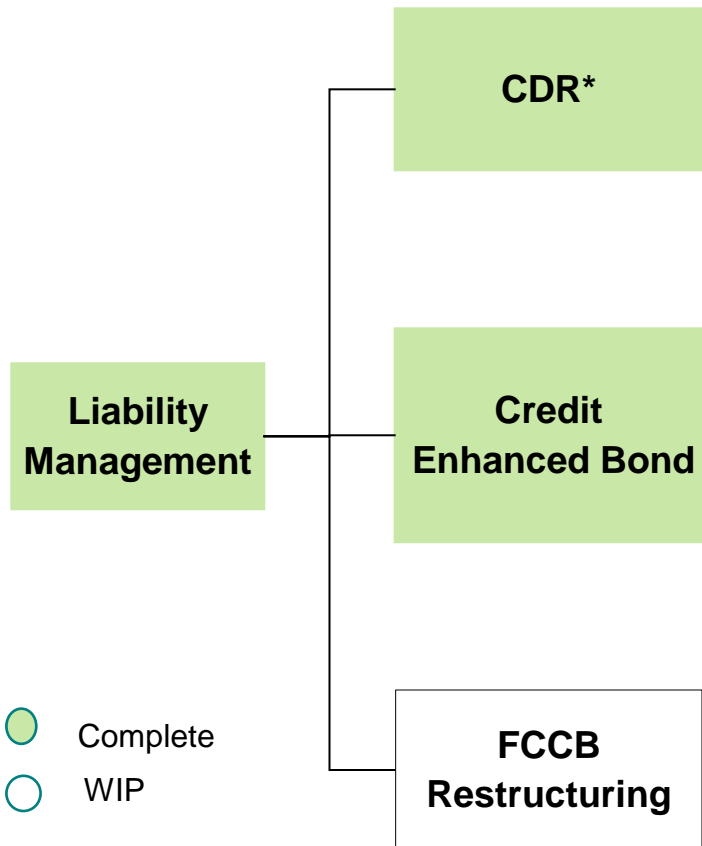
- Leaner inventory cycle
 - Make vs Buy analysis
 - Controlled procurement
- Focus on realizations
 - Project prioritization, better receivables management
- Expediting order execution
- Clearing up commissioning pipeline

* - Net Working Capital/Trailing twelve months

Comprehensive Liability Management Update

Suzlon wind farm in Rajasthan, India

Liability Management in place

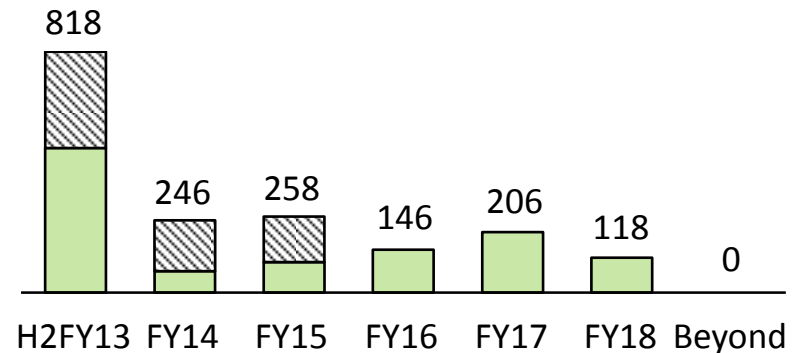


CDR: Back-ended maturity profile & Interest Rate reduced to 11%...

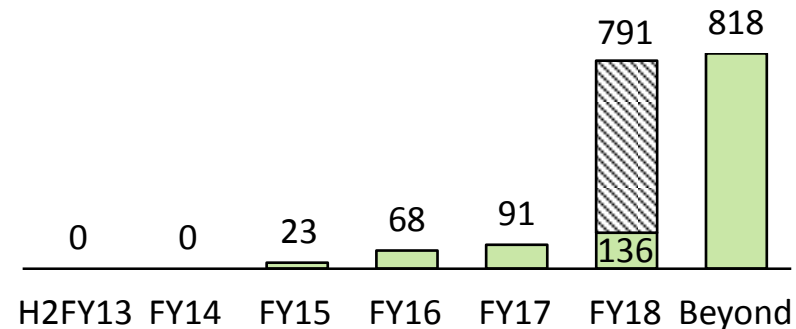
▨ Credit enhanced Bonds / FX Loans ■ Debt Under CDR

Pre-Restructuring

Mn USD



Post-Restructuring



More cash flow available for business

*Additional working capital sanctioned of ~\$330m;

- 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

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%

Equity base evolution since March 13

Issuance to CDR Lenders – Rs 820 Crs

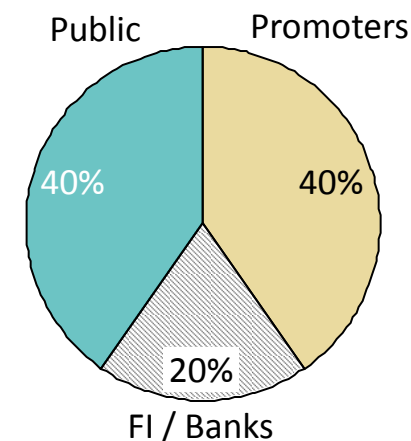
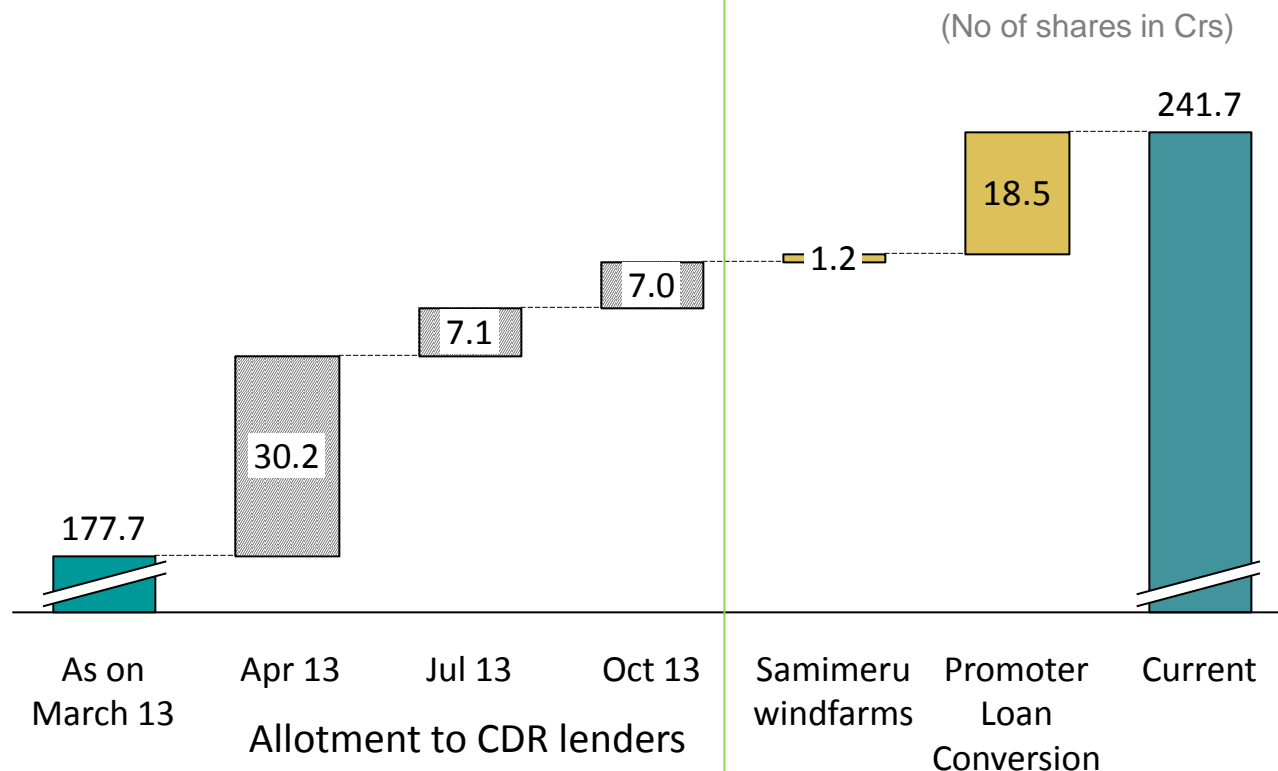
Following cumulative obligations were converted to equity pursuant to CDR scheme

- Rs 423 Crs in April 13
- Rs 130 Crs in July 13
- Rs 130 Crs in Oct 13

Promoters & others – Rs 225 Crs

- Rs 22 Crs in Apr 13*
- Rs. 103 crs conversion in Oct 13
- Rs. 100 crs converted from existing loan of Rs. 145 crs provided before CDR

Current Share base breakup



* - Not part of Promoter Group

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
 - Significant progress achieved, rationalized to 9.9%
- ✓ Optimize asset base and reduce debt
 - 75% stake in China asset divested

Products / Orders

- ✓ Continued R&D focus to optimize yield and reduce cost of energy
 - Launched 3.0M122 for low wind sites in developed market
- ✓ 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
 - 50% YOY growth in high margin service revenue

Reduced Breakeven

- ✓ Improving contribution margin
- ✓ 'Make vs Buy' analysis for critical components
- ✓ Rationalizing headcount / fixed costs
 - 3,000 headcounts reduced in FY13 / FY14
 - Opex costs down by 38%

Detailed Financials – Q2 FY14



Manufacturing unit in Daman, India

Consolidated financial results

Rs Crs.

Particulars	Q2 FY14 Unaudited	Q2 FY13 Unaudited	Q1 FY14 Unaudited	H1 FY14 Unaudited	H1 FY13 Unaudited	FY13 Audited	FY 12 Audited
Revenue from operations	4,769	5,702	3,851	8621	10449	18,743	21,082
Less: COGS	-3,533	-4,226	-2,731	-6264	-7781	-13,640	-14,074
Gross Profit	1,236	1,476	1,120	2356	2668	5,104	7,009
Gross Profit %	25.9%	25.9%	29.1%	27.3%	25.5%	27.2%	33.2%
Employee benefits expense	-552	-541	-554	-1106	-1079	-2,133	-2,009
Other expenses	-684	-1,099	-758	-1443	-1943	-4,131	-3,396
Exchange Loss / (Gain)	-70	-24	-155	-225	-116	-307	-59
Other Operating Income	40	56	45	85	80	170	277
EBITDA	-31	-132	-302	-333	-390	-1,296	1,821
EBITDA %	-0.7%	-2.3%	-7.8%	-3.9%	-3.7%	-6.9%	8.6%
Less: Depreciation	-198	-168	-180	-378	-346	-740	-661
EBIT	-229	-300	-482	-711	-735	-2,037	1,160
EBIT %	-4.8%	-5.3%	-12.5%	-8.2%	-7.0%	-10.9%	5.5%
Finance costs	-484	-418	-497	-981	-911	-1,855	-1,655
Finance Income	12	26	11	22	103	152	126
Profit / (Loss) before tax	-702	-692	-968	-1669	-1544	-3,740	-369
Less: Exceptional Items	-67	-1	-136	-203	43	-643	227
Less: Tax	-10	-116	42	33	-163	-349	-331
Less: Associates	0	0	0	0	0	0	-33
Less: Minority	-4	2	2	-2	7	8	27
Net Profit / (Loss) after tax	-782	-808	-1059	-1841	-1657	-4,724	-479

Consolidated net working capital

Rs Crs

Particulars	As on 30 th Sept'13	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	5,274	5,386	5,264	5,928	5,421	5,960	5,580
Trade receivables	5,889	5,759	6,382	6,990	8,584	8,265	8,201
Short-term loans and advances	2,819	2,435	2,185	2,375	2,549	2,677	2,368
Other current assets	375	384	443	491	577	677	645
Total (A)	14,358	13,964	14,274	15,785	17,132	17,579	16,794
Sundry Creditors	5,183	4,645	4,651	4,916	5,739	5,761	5,807
Advances from Customers	3,766	3,987	4,168	3,517	3,206	3,060	3,432
Other Current Liabilities	2,005	1,575	1,354	1,449	1,421	1,428	1,091
Provisions	1,727	1,730	1,558	1,591	1,488	1,499	1,603
Total (B)	12,681	11,936	11,730	11,473	11,853	11,748	11,932
Net Working Capital (A-B)	1,677	2,027	2,543	4,311	5,278	5,831	4,861

Financial leverage^(a)

		As on (Rs. Crs)					
Debt type	Sept 13	Jun 13	Mar 13	Dec 12	Sep 12	Jun 12	Mar 12

Suzlon Wind Debt

FX loans*	4,050	3,843	3,513	3,555	3,475	2,053	1,920
FCCBs	2,549	2,418	2,211	2,239	2,152	3,641	3,327
W.Cap, Capex and other loans	9,541	9,218	8,701	8,383	8,097	7,783	7,895
Gross debt (A)	16,141	15,479	14,425	14,177	13,724	13,477	13,142
Cash (B)	312	346	502	608	512	455	1,037
Net Debt (A-B)	15,828	15,133	13,924	13,569	13,212	13,022	12,105

Suzlon Consol[^] Group Debt

Gross Debt	17,044	16,290	15,191	15,040	14,568	14,389	14,034
Cash (B)	2,888	2,585	2,188	1,453	964	1,372	2,905
Net Debt (A-B)	14,156	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

Suzlon Consolidated Balance sheet

(As per new Schedule VI format)

Rs Crs.

Liabilities	Sep'13	Mar'13
Shareholders' Fund		
a) Share Capital	432	355
b) Reserves and Surplus	495	-35
	928	320
Share application money pending allotment		582
Preference Shares	6	6
Minority Interest	86	78
Non Current Liabilities		
a) Long Term Borrowings	11,878	10,858
b) Other Non Current Liabilities	835	912
	12,713	11,770
Current Liabilities		
a) Short Term Borrowings	3,093	2,835
b) Trade Payables	5,183	4,651
c) Other Current Liabilities	7,823	7,092
d) Due to customers	376	200
e) Short Term Provisions	1,762	1,473
	18,237	16,251
Total equity and liabilities	31,970	29,007

Assets	Sep'13	Mar'13
Non Current Assets		
a) Fixed Assets	14,516	12,382
b) Non Current Investments	88	36
c) Deferred Tax Asset (Net)	25	10
d) Long Term Loans & Advances	574	672
e) Trade Receivables	822	713
e) Other Non Current Assets	468	503
	16,493	14,316
Current Assets		
a) Current Investments	0	0
b) Inventories	5,274	5,264
c) Trade Receivables	2,332	2,732
d) Cash and bank balances	2,697	1,959
e) Short Term Loans & Advances	2,154	1,549
f) Due from customers	2,735	2,936
g) Other Current Assets	285	250
	15,477	14,691
Total Assets	31,970	29,007

Thank you

Suzlon wind farm in Paracuru, Brazil