

# Suzlon Energy Limited

9M FY14 Results Presentation

14<sup>th</sup> February 2014

Thornton Bank Offshore Wind Farm, Belgium

# Disclaimer

- *This presentation and the accompanying slides (the “Presentation”), which have been prepared by Suzlon Energy Limited (the “Company”), have been prepared solely for information purposes and do not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment whatsoever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.*
- *This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.*
- *Certain matters discussed in this Presentation may contain statements regarding the Company’s market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the wind power industry in India and world-wide, competition, the company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this Presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.*
- *No offering of the Company’s securities will be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). Accordingly, unless an exemption from registration under the Securities Act is available, the Company’s securities may not be offered, sold, resold, delivered or distributed, directly or indirectly, into the United States or to, or for the account or benefit of, any U.S. Person (as defined in regulation S under the Securities Act).*
- *The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.*

## Key Takeaways – 9M FY14

**SUZLON**

Suzlon wind farm in Kutch, India

# Key highlights – 9M FY14

## Operations:

- Consolidated revenues at **Rs 13,631 Crs in 9M FY14;**
  - **Rs. 5,010 Crs in Q3 FY14 (25% YoY growth)**
- Suzlon wind volumes @ **546 MW in 9M FY14**, 128% YOY growth
- Order inflow of **913 MW in Q3**; aggregating to order inflow of **~1.7 GW in 9M FY14**
- **Strong order book at ~\$7.7bn**

## Project Transformation:

- Group headcount **reduction of ~1,900 in 9M FY14**, in addition to ~1,500+ reductions in FY13
- **9M FY14 Opex reduced by 17% YoY**
- Working capital further rationalized to **8.3% of sales as on Dec'13**, against 13.6% as on Mar'13

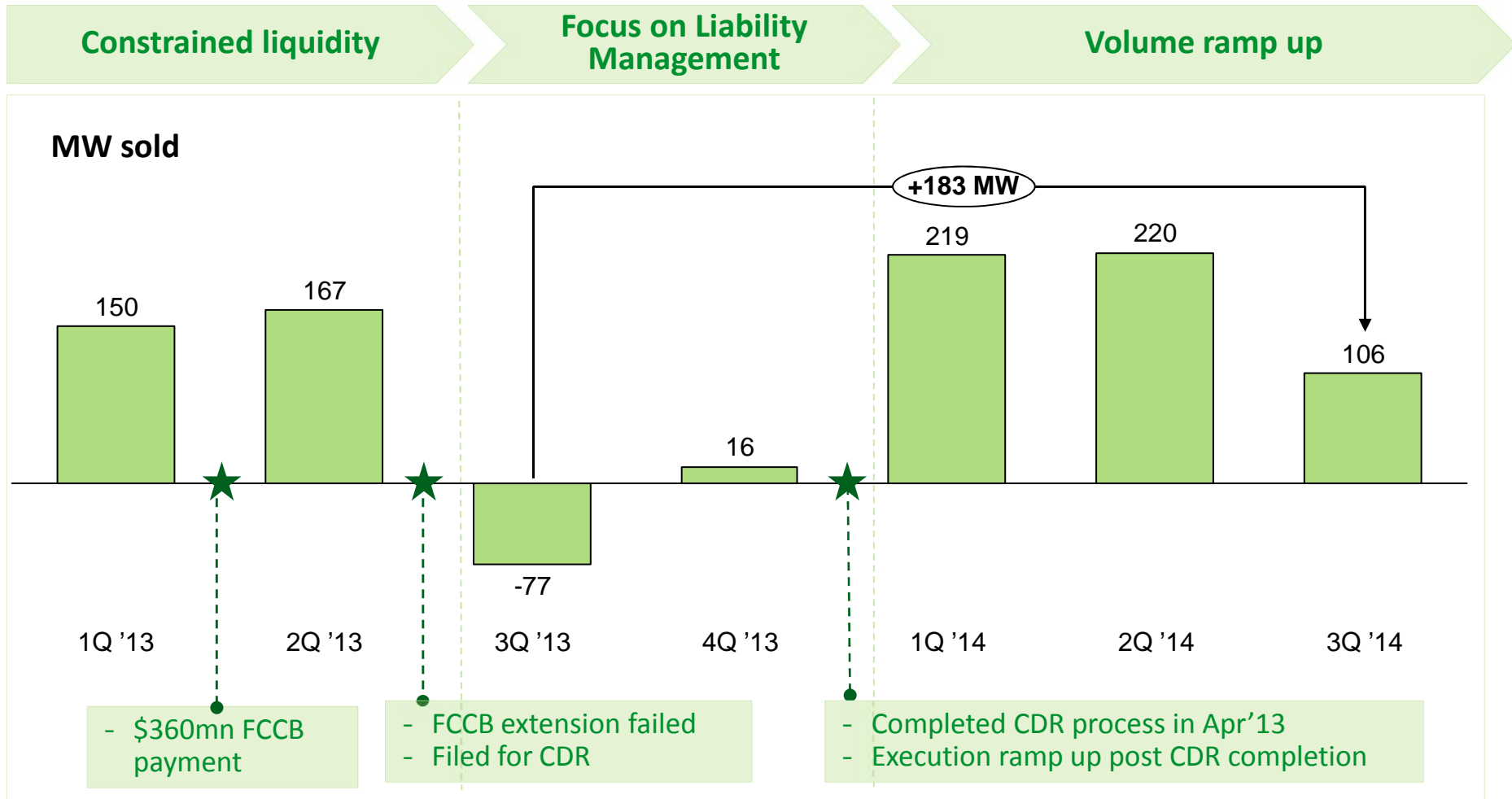
## Strategic:

- REpower renamed as **“SENVION”**
- **Launched 6.2M152-** latest offshore turbine with better energy yields
- Re-organizing service business into a separate vertical

# Business Performance

Suzlon wind farm in Minnesota, USA

# MW performance in Suzlon Wind:



**Execution volume to gather pace in FY15**

# 9M FY14 Group financial snapshot



Rs Crs

Particulars	Q3 FY14	Q3 FY13	9M FY14	9M FY13	FY13	FY12
Revenue	5,010	4,014	13,631	14,463	18,743	21,082
EBITDA	-137	-313	-469	-702	-1,296	1,821
EBIT	-323	-516	-1034	-1,251	-2,037	1,160
Net working capital	1,490	4,311	1,490	4,311	2,543	4,861
Net debt	14,495	13,587	14,495	13,587	13,003	11,129

## Key takeaways:

### ➤ Business performance

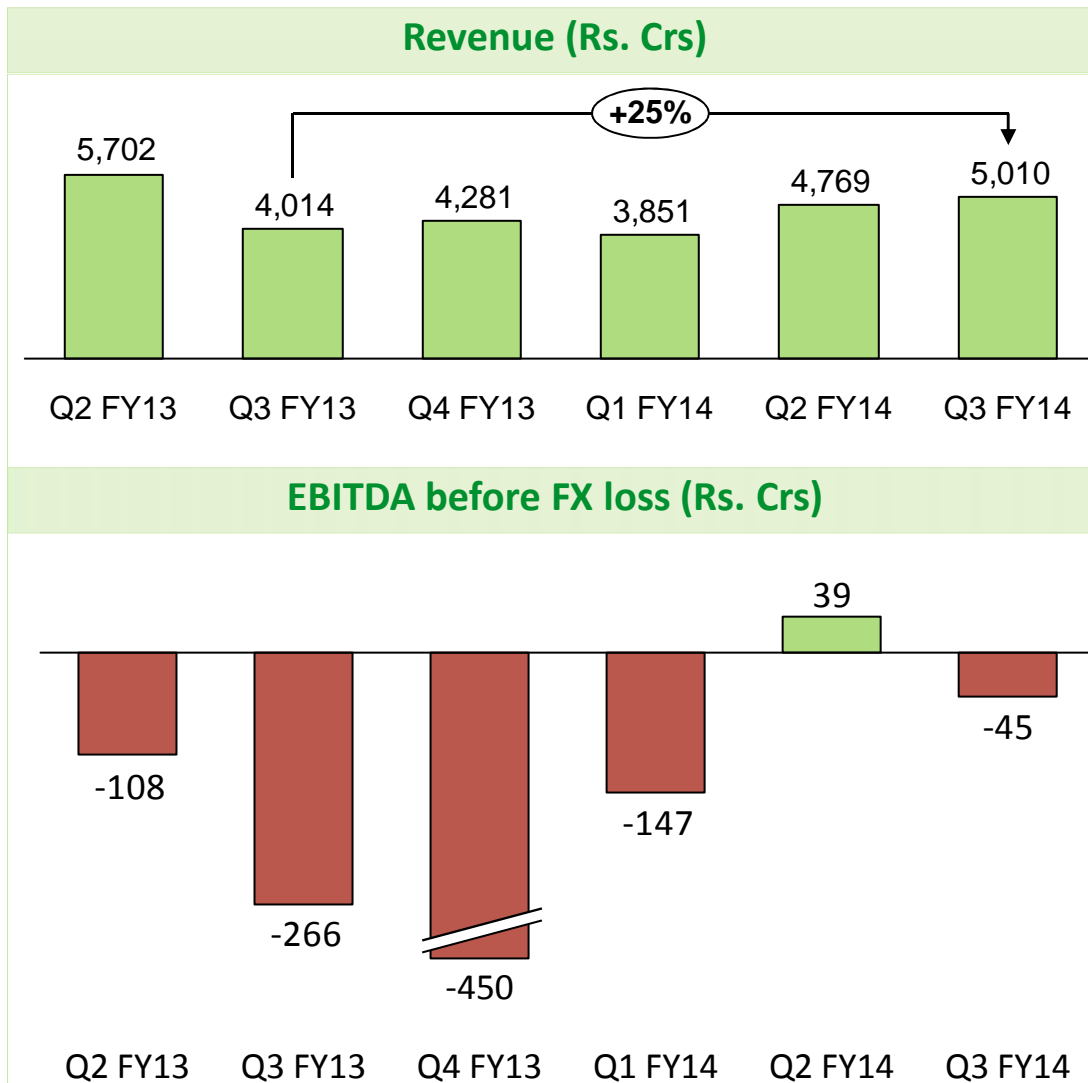
- Achieved 546 MW in 9M FY14 against ~250 MW annual sales in entire FY13 at Suzlon wind
- While performance continues to be impacted due to lower volumes, it is gradually ramping up
- SENVION performance on track

### ➤ Progress achieved in reducing fixed costs through project transformation

### ➤ Net results after tax impacted by

- Forex losses due to unfavorable currency fluctuations – **Rs 316 Crs**
- One time exceptional costs – **Rs. 455 Crs (after EBITDA)**
  - Includes one time restructuring cost at Senvion (Rs. 241 crs ), further impairment of US receivables (Rs. 252 crs) and profit on stake sale of China subsidiary (Rs. 38 crs)

# Trending towards EBITDA breakeven



## Improvement supported by:

### ✓ Improving contribution margins

- Geographic sales mix
- Continuous focus on cost reduction

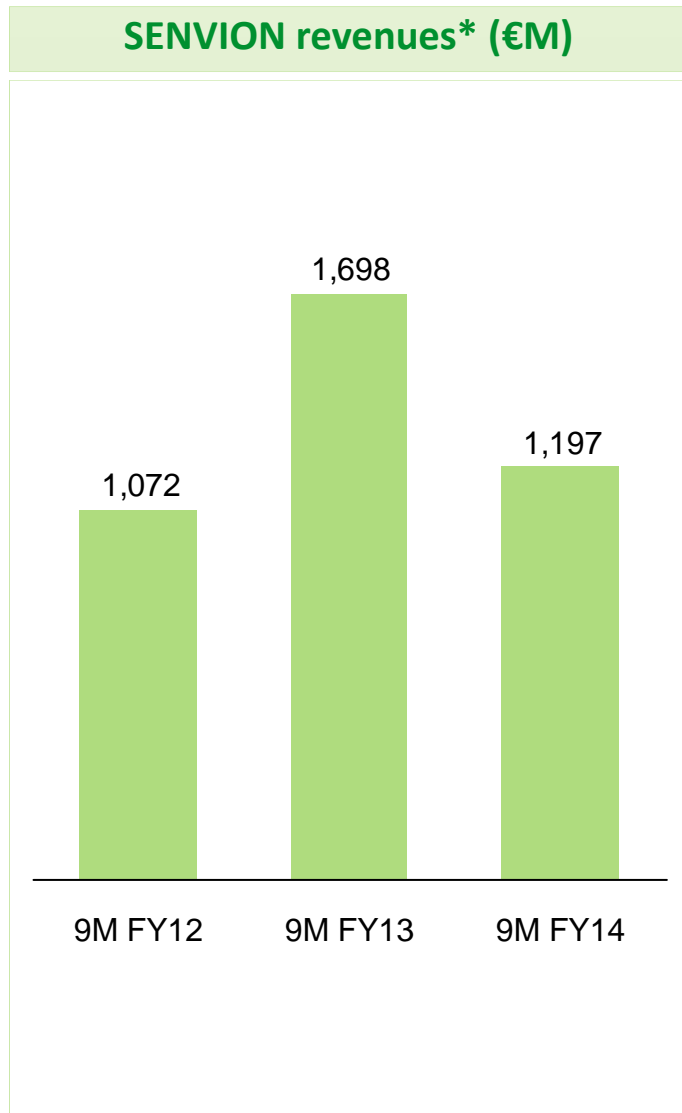
### ✓ Reducing fixed cost

- Opex reduction
- Manpower reduction

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



# SENVION : Performance on track



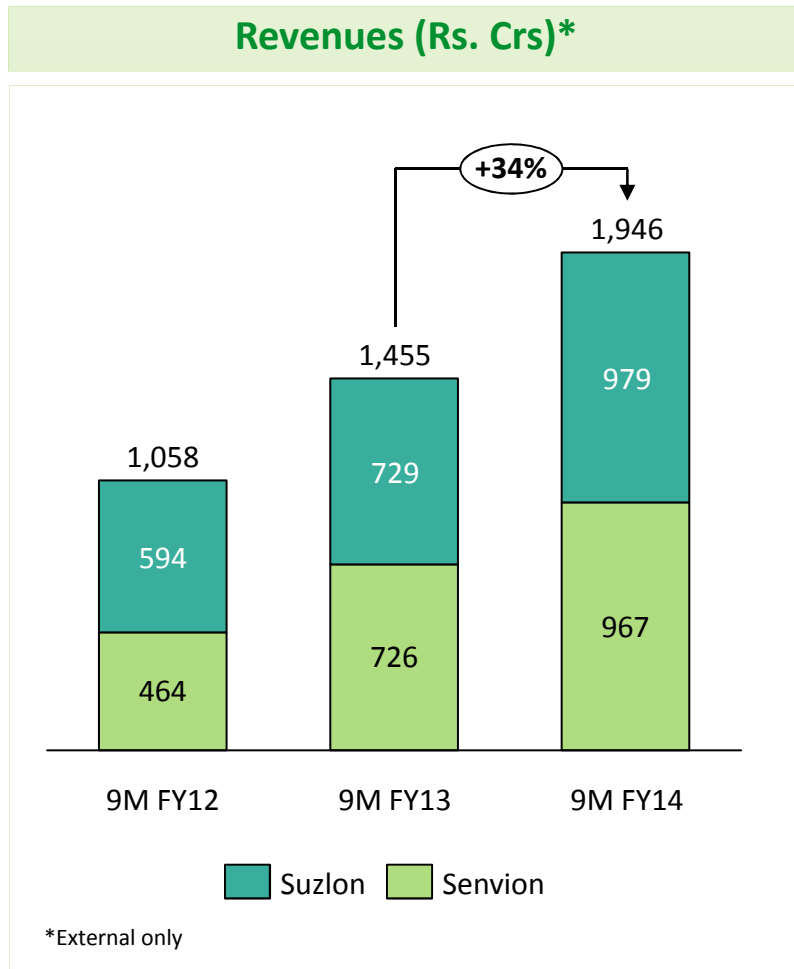
## Highlights of 9M FY14

- ✓ **Successful role out of new brand “SENVION”**
- ✓ **Performance on track despite adverse market dynamics**
- ✓ **Substantial progress made on restructuring**
  - Likely to exceed the **€100m** cost saving target
- ✓ **New Product launches:**
  - Strengthened offshore product portfolio with **6.2M152**
  - Launched **3.0M122** for low wind sites in Canada
- ✓ **Installation feat:**
  - Crosses **5,000 WTGs**; cumulatively at >10 GW
  - Crosses **1 GW** milestone in UK
  - Completed installation of 325 MW Thornton Bank – **Largest offshore project** with 6XM fleet
  - >550 MW in Quebec within only 2 years
- ✓ **Marquee orders:**
  - Signed its biggest onshore contract in Canada for **350 MW**
  - Signed its largest EPC contract in Australia for **106.6 MW**
- ✓ **Grew to 2<sup>nd</sup> largest in Germany\***

\*Based on annual installations in 2013 according to Germany Wind Energy Association

**Evolving as a leaner and more profitable organization**

# Service Business: Growing revenues with stable margins



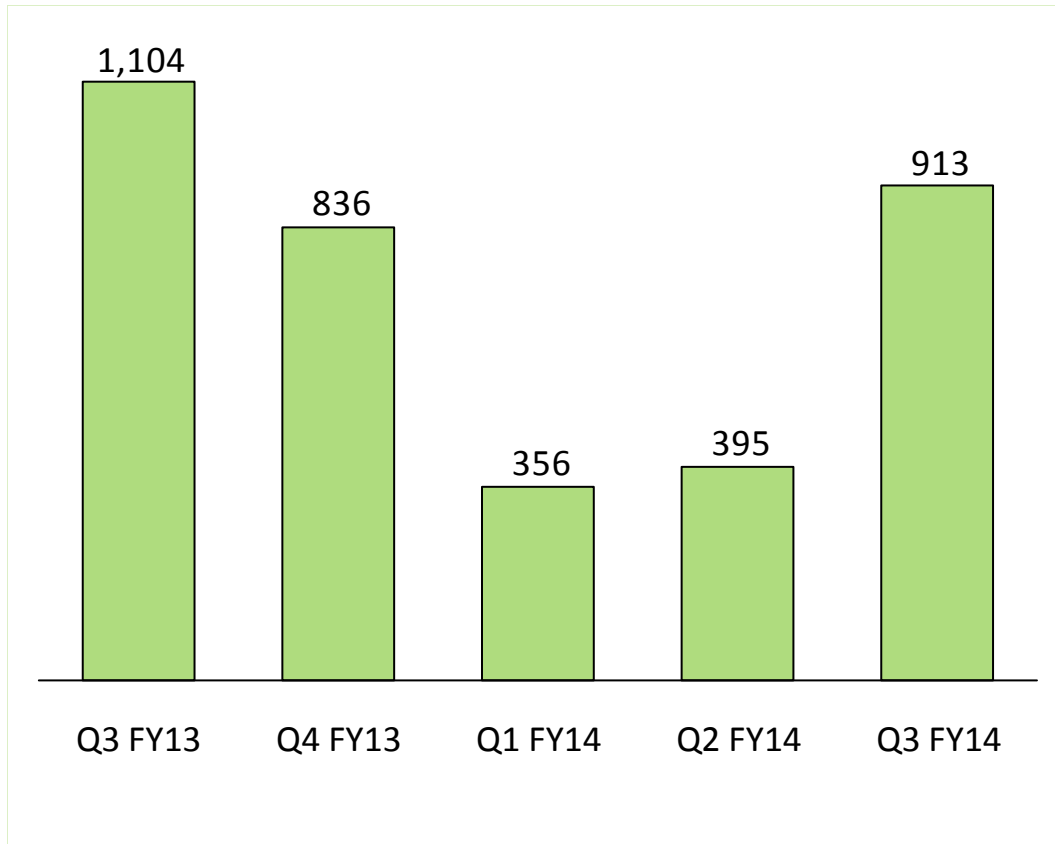
## Key Highlights

- 9M FY14 OMS revenue at ~Rs. 1,946 crs  
— ~34% YoY growth
- High growth with stable and consistent margins
- Near 100% renewal track record

**Annuity like cash flows over turbine life**

# Significant Order Intake Growth in Q3

## Quarterly Order Intake (MW)



## Significant orders in Quarter

**Bald Hills, Australia  
(106.6 MW)**

**GDF Suez , France  
(40 MW)**

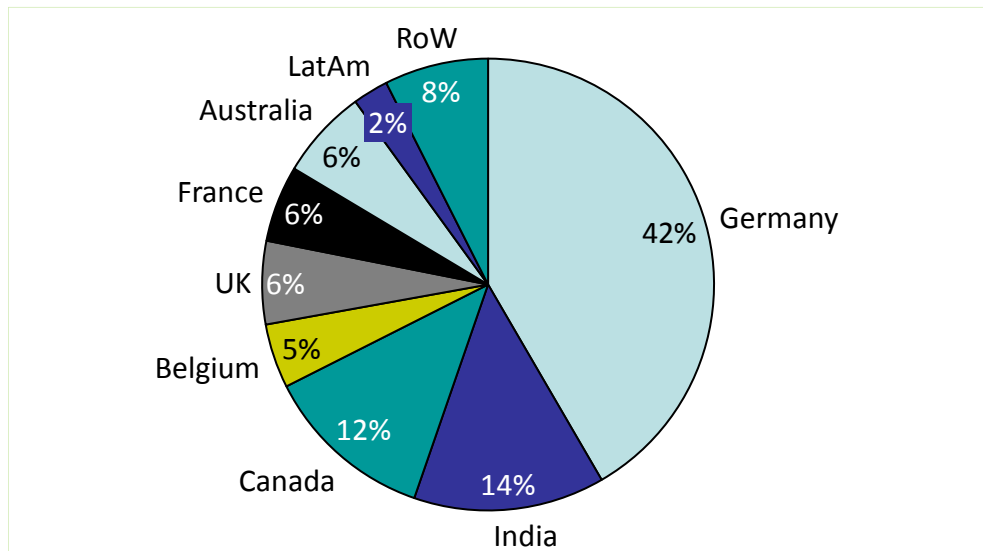
**Cumulative Community Wind farm  
Orders, Germany  
(266 MW)**

**Baidyanath, GACL, MSEDCL, India  
(31 MW)**

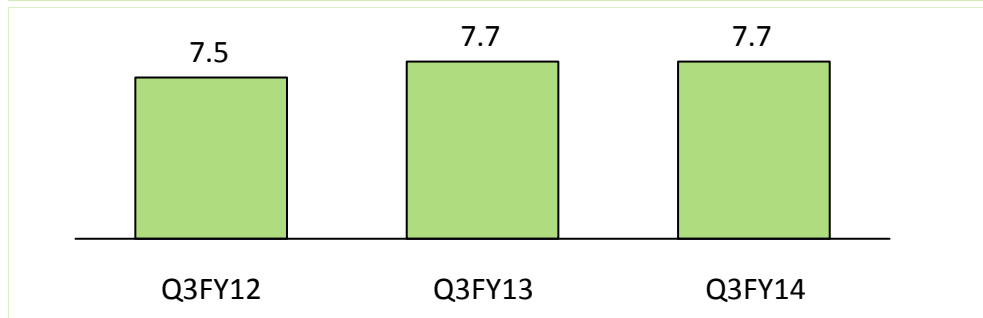
# Robust order book position

Total value of US\$7.7 bn

## Order book by geography – US\$7.7bn



## Order book evolution (US\$ bn)



## Strong order backlog in home markets, India and Germany

- Order book at ~5.5 GW
- Order book value: US\$ 7.7bn
  - Onshore markets:
    - Emerging : ~US\$1.2bn (India, Brazil, Turkey & Uruguay)
    - Developed : ~US\$5.2bn
  - Offshore: US\$1.3bn
- Order inflow of 913 MW in Q3; ~1.7 GW in 9M FY14
- Strong order book with deliveries up to FY15

As on 14<sup>th</sup> February 2014. Exchange rate – USD/EUR – 1.36, INR/EUR – 84.74, INR/USD – 62.31

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

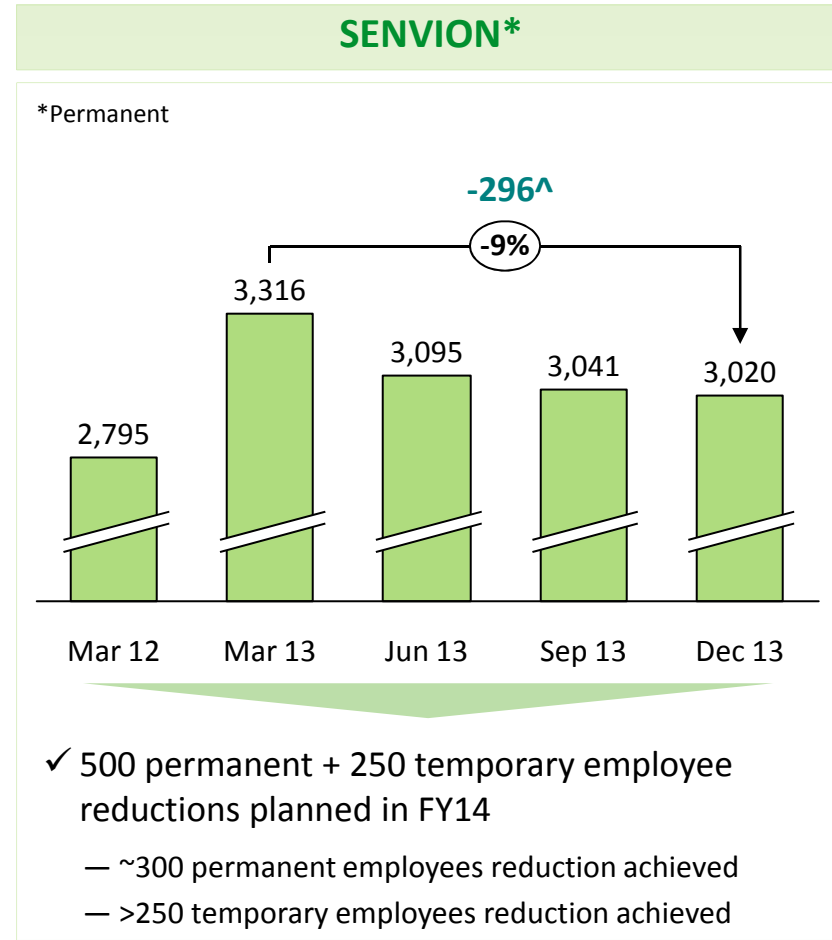
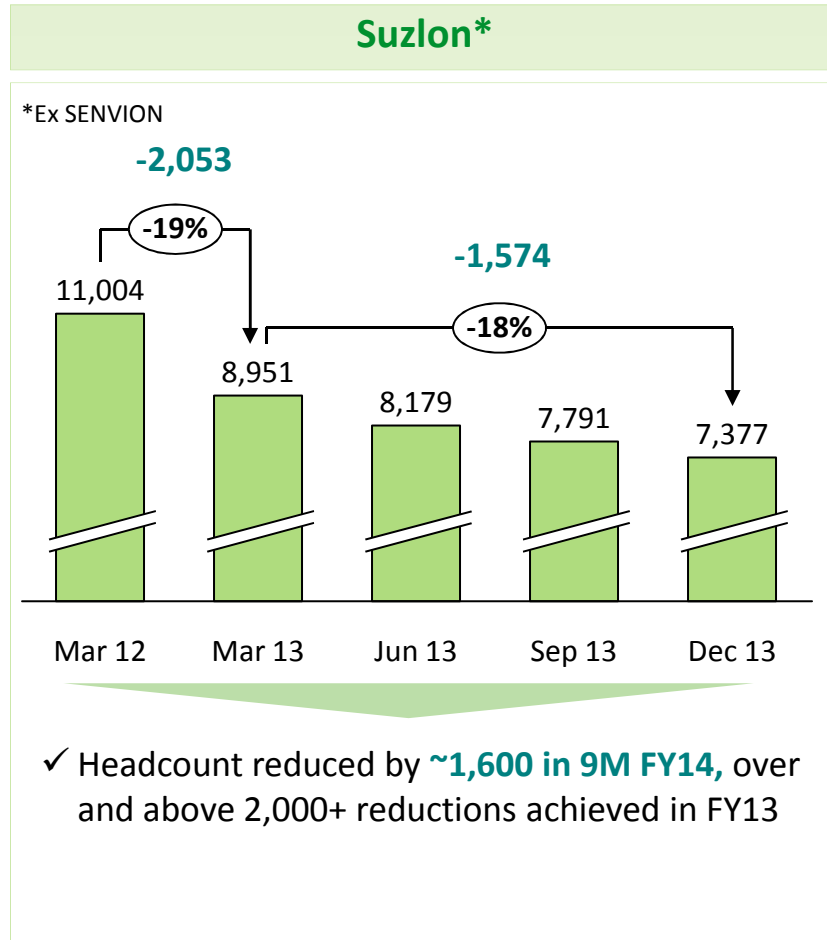
Service order book includes POC revenues already recognized (project risk yet to be transferred)

# Project Transformation Update

Suzlon wind farm in Penamacor, Portugal

# Right-sizing across verticals continued in Q3 FY14

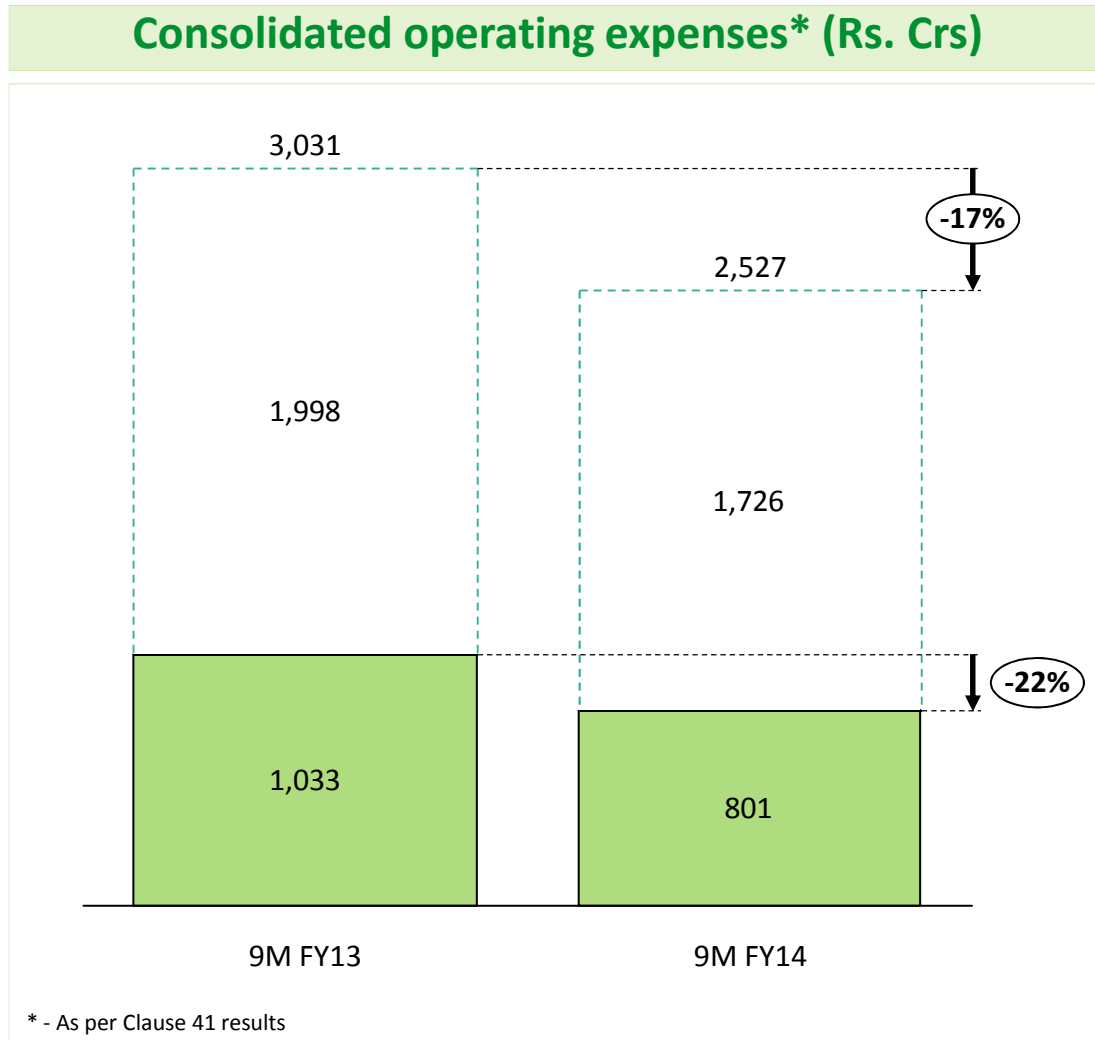
## Employee Headcount



**Reductions are net of increase in service business headcount**

**Right-sizing employee base across business verticals**

# Substantial progress achieved in fixed cost reduction



## Key actions taken:

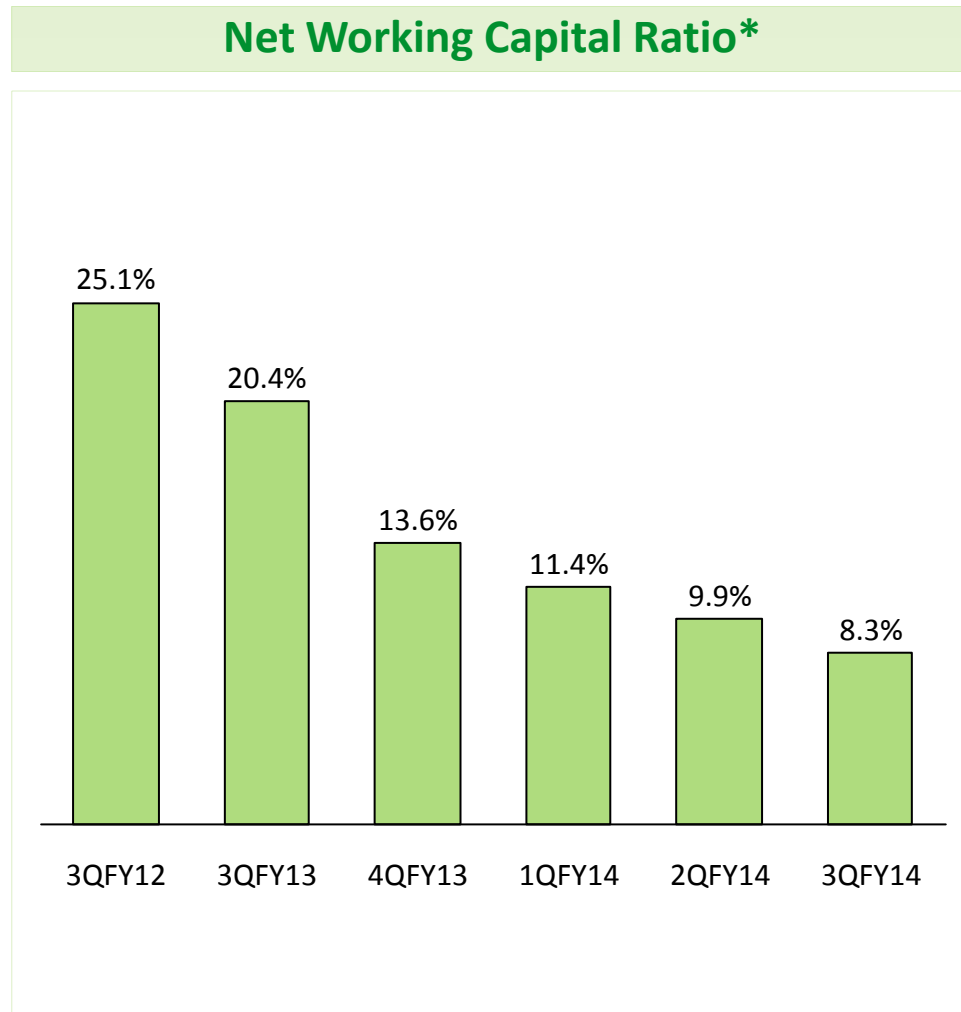
- Stringent cost control measures in place
- Rationalizing travel and consulting expenses
- Rationalized office and factory space

## Plan for further reductions:

- ~Likely to exceed €100 mn cost reduction plan at SENVION
  - ✓ Savings targeted in purchase, production, employee costs and Opex

  Other Opex Costs  
  Suzlon Wind Fixed Costs

# Continuing to optimize Working Capital ratio



\* - Net Working Capital/Trailing twelve months

## Key actions underway:

- Leaner inventory cycle
  - Liquidating inventory
  - Controlled procurement
- Focus on realizations
  - Project prioritization, better receivables management
- Clearing up commissioning pipeline



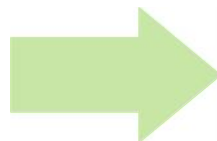
# Strategic Initiatives



Suzlon wind farm in Rajasthan, India

# REpower renamed as SENVION

*New name for engineering excellence*



## Background to the name change

- “REpower” name was used under license since 2001 against royalty
- The rights belong to a Swiss company who is now using the name itself

## Implications of the name change

- Change in the company’s name only
- No change in the company’s direction, business or legal structure
- Continue to function as an independent company within the Group

## Why SENVION

- **S** – Sunstainability
- **EN** – Energy
- **VI** – Vision
- **ON** – Switched **ON**

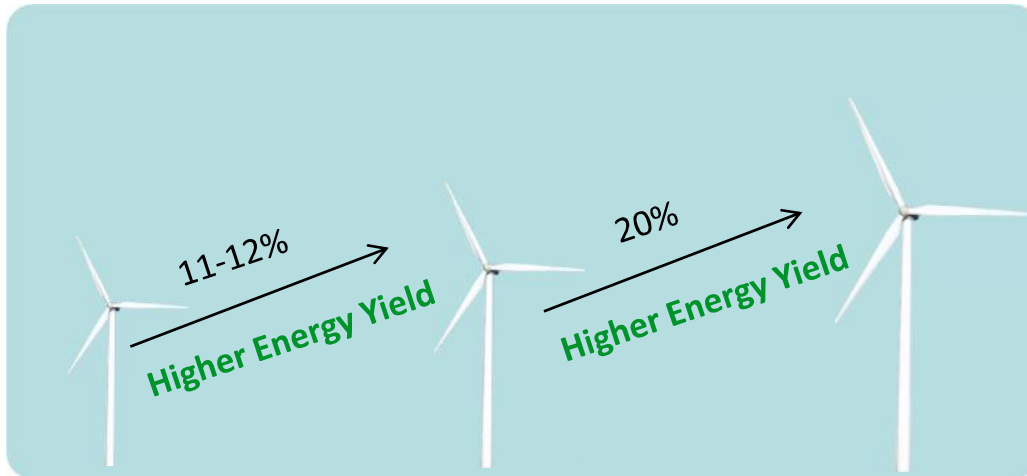
## Benefits

- Own unique worldwide name and brand, supporting unique products and service offerings

# Offshore Product Portfolio Upgraded

## 6.2M152: Setting new standards in cost effective Offshore energy generation

### Evolving offshore technology



**5M**

**6.2M 126**

**6.2M 152**

>50 turbines installed

>50 turbines installed

Prototype sold

Technical Data	5M	6.2M126	6.2M152
Rated Power	5.075 MW	6.15 MW	6.15 MW
Rotor Diameter	126 M	126 M	152 M
Hub Height	85-95 M	85-95 M	95-110 M

### Key Features

- **Superior Technology**
  - Bigger rotor diameter and larger drive train compared to 6.2M126
  - Rotor sweeping area larger than 3 football pitches
- **Built on proven and highly successful platform – 6XM**
  - >50 6XM turbines installed since launch
- **Prototype already sold**
  - Construction scheduled for completion by 2014 end

### Key Timelines

- **Launch:** November 2013
- **Prototype Sold:** November 2013
- **Commercial Production:** 2015

# Re-organizing the India service business

## Proposed re-organization

- Segment the India service business from its WTG operations
- Re-organizing into a separate and independent service company

## High potential business

- Over 2 decades of experience
- >8 GW installed capacity across 8 states
- >1,700 clients
- >2,000 employees
- ~100% renewal rate with customers
- Stable performance and consistent track record of best in call service
- Long term annuity like income profile

- ✓ **Independent focus on growing service business while capturing scale benefits**
- ✓ **Focus on customer excellence, best in class service - maintain ~100% renewal rate, grow additional business**
- ✓ **Insulating performance from cyclical WTG business**
- ✓ **Separate management team**

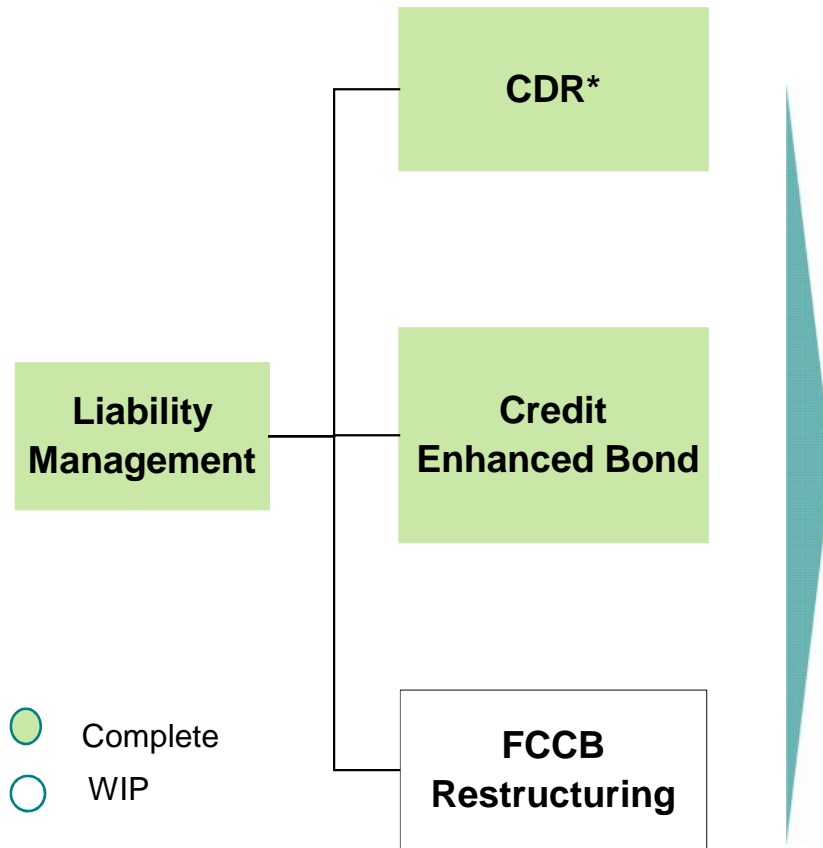
**Adding more value to our clients**

# Comprehensive Liability Management Update

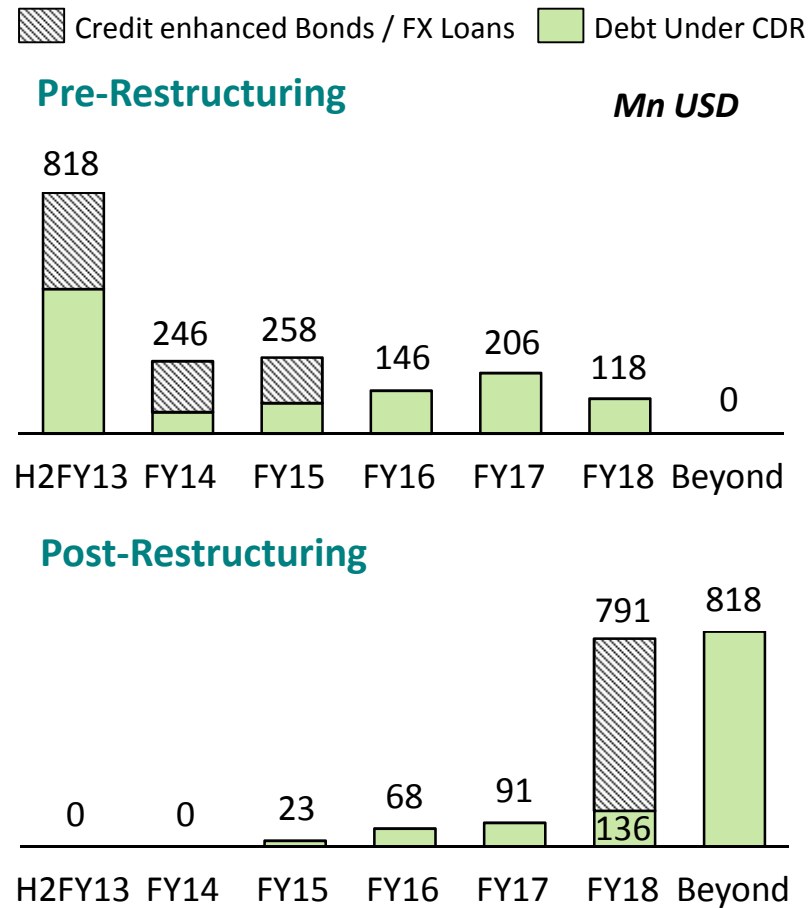


Suzlon wind farm in Rajasthan, India

# Liability Management in place



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



More cash flow available for business

## FCCB: Status update

- 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 952 Crs

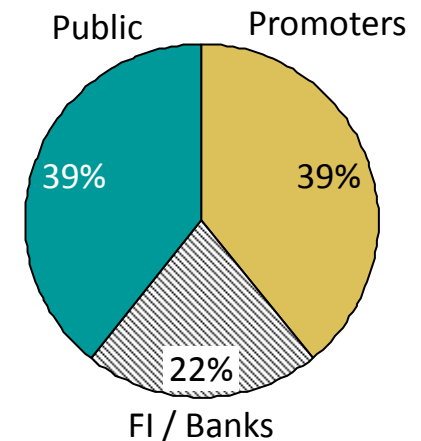
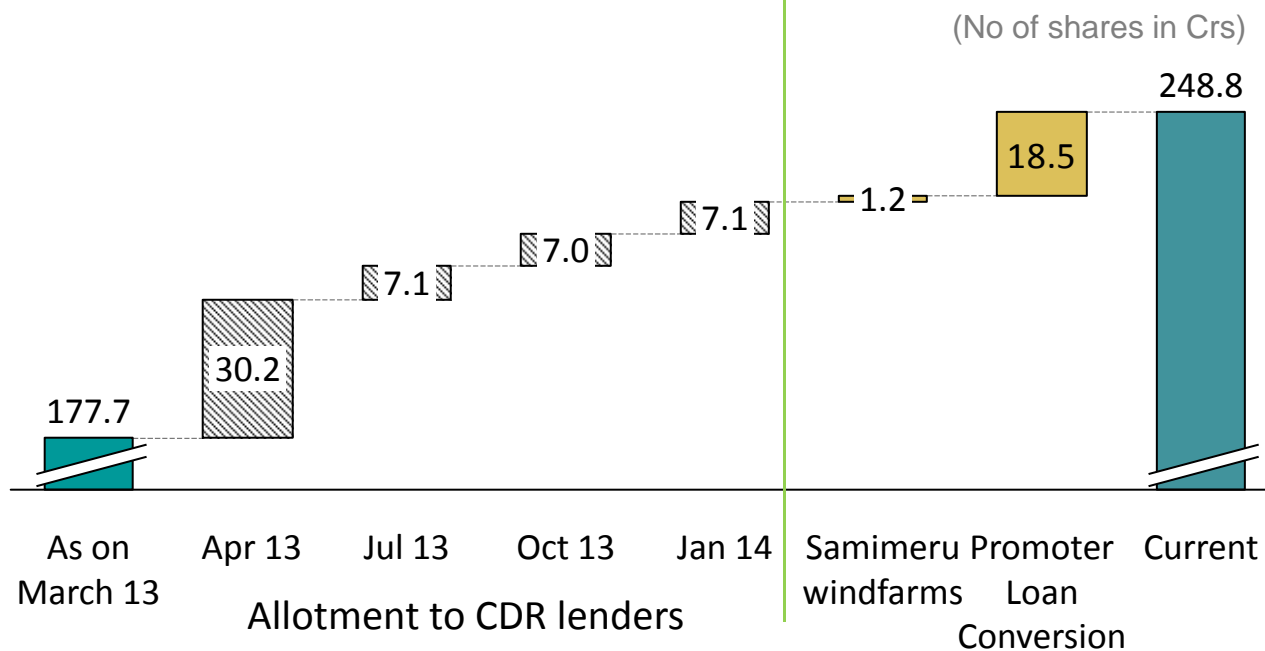
Following cumulative obligations were converted to equity pursuant to CDR scheme

- Rs 560 Crs in April 13
- Rs 130 Crs in July 13
- Rs 130 Crs in Oct 13
- Rs.132 crs in Jan 14

## 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

### Further equity issues already planned :

Promoters (Rs. 45 crs loan conversion),

Select individuals and entities (up to Rs. 80 crs) by way of preferential allotment under ICDR regulations

Employees in the form of ESPS (Up to 1.5 crs shares) and ESOP (Up to 4.5 crs shares) in terms of ESOP Guidelines, and ;

25 CDR banks under CDR scheme for next three quarters up to Sept 14

## Key Priorities for FY14



Suzlon Manufacturing unit in Dhule, India

# FY14 priorities

	<i>Asset light / Debt light</i>	<i>Products / Orders</i>
Strategic	<ul style="list-style-type: none"> <li>✓ Asset sales                             <ul style="list-style-type: none"> <li>• ~\$400mn targeted from non-critical assets</li> </ul> </li> <li>✓ Working capital optimization                             <ul style="list-style-type: none"> <li>• Significant progress achieved, rationalized to 8.3%</li> </ul> </li> <li>✓ Optimize asset base and reduce debt                             <ul style="list-style-type: none"> <li>• 75% stake in China asset divested</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Continued R&amp;D focus to optimize yield and reduce cost of energy                             <ul style="list-style-type: none"> <li>• Launched 6M152 for offshore market</li> <li>• Launched 3.0M122 for low wind onshore market</li> </ul> </li> <li>✓ Investing in project pipeline in India</li> <li>✓ Sustaining quality and profitability of orders</li> <li>✓ Focus on core and profitable markets</li> </ul>
Operational	<ul style="list-style-type: none"> <li>✓ Improve liquidity and drive execution</li> <li>✓ Reducing project cycle time</li> <li>✓ Project wise business management</li> <li>✓ Enhancing service profitability                             <ul style="list-style-type: none"> <li>• 34% YOY growth in high margin service revenue</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Improving contribution margin</li> <li>✓ Rationalizing headcount / fixed costs                             <ul style="list-style-type: none"> <li>• 3,400 headcounts reduced in FY13 / FY14</li> <li>• 9M FY14 Opex costs down by 17% YOY</li> </ul> </li> </ul>
	<i>Business Efficiency</i>	<i>Reduced Breakeven</i>

## Detailed Financials – 9M FY14

Manufacturing unit in Daman, India



# Consolidated financial results



Rs Crs.

Particulars	Q3 FY14 Unaudited	Q3 FY13 Unaudited	9M FY14 Unaudited	9M FY13 Unaudited	FY13 Audited	FY 12 Audited
Revenue from operations	5,010	4,014	13,631	14,463	18,743	21,082
Less: COGS	3,430	2,673	9,695	10,454	-13,640	-14,074
<b>Gross Profit</b>	<b>1,580</b>	<b>1,341</b>	<b>3,936</b>	<b>4,008</b>	<b>5,104</b>	<b>7,009</b>
<b>Gross Profit %</b>	<b>32%</b>	<b>33%</b>	<b>29%</b>	<b>28%</b>	<b>27.2%</b>	<b>33.2%</b>
Employee benefits expense	583	553	1,690	1,632	-2,133	-2,009
Other expenses	1,084	1,087	2,527	3,031	-4,131	-3,396
Exchange Loss / (Gain)	91	47	316	163	-307	-59
Other Operating Income	42	34	127	114	170	277
<b>EBITDA</b>	<b>-137</b>	<b>-313</b>	<b>-469</b>	<b>-702</b>	<b>-1,296</b>	<b>1,821</b>
<b>EBITDA %</b>	<b>-3%</b>	<b>-8%</b>	<b>-3%</b>	<b>-5%</b>	<b>-6.9%</b>	<b>8.6%</b>
Less: Depreciation	186	203	564	549	-740	-661
<b>EBIT</b>	<b>-323</b>	<b>-516</b>	<b>-1,034</b>	<b>-1,251</b>	<b>-2,037</b>	<b>1,160</b>
<b>EBIT %</b>	<b>-6%</b>	<b>-13%</b>	<b>-8%</b>	<b>-9%</b>	<b>-10.9%</b>	<b>5.5%</b>
Finance costs	510	457	1,491	1,368	-1,855	-1,655
Finance Income	11	26	33	129	152	126
<b>Profit / (Loss) before tax</b>	<b>-823</b>	<b>-946</b>	<b>-2,492</b>	<b>-2,490</b>	<b>-3,740</b>	<b>-369</b>
Less: Exceptional Items	252	82	455	39	-643	227
Less: Tax	-8	128	-41	291	-349	-331
Less: Associates	0	0	0	0	0	-33
Less: Minority	9	2	10	9	8	27
<b>Net Profit / (Loss) after tax</b>	<b>-1,075</b>	<b>-1,155</b>	<b>-2,917</b>	<b>-2,811</b>	<b>-4,724</b>	<b>-479</b>

# Consolidated net working capital

Rs Crs

Particulars	As on 31 <sup>st</sup> Dec'13	As on 30 <sup>th</sup> Sept'13	As on 30 <sup>th</sup> June'13	As on 31 <sup>st</sup> Mar '13	As on 31 <sup>st</sup> Dec '12	As on 30 <sup>th</sup> Sept'12	As on 30 <sup>th</sup> June'12
Inventories	5,016	5,274	5,386	5,264	5,928	5,421	5,960
Trade receivables	5,725	5,889	5,759	6,382	6,990	8,584	8,265
Short-term loans and advances	2,694	2,819	2,435	2,185	2,375	2,549	2,677
Other current assets	397	375	384	443	491	577	677
<b>Total (A)</b>	<b>13,832</b>	<b>14,358</b>	<b>13,964</b>	<b>14,274</b>	<b>15,785</b>	<b>17,132</b>	<b>17,579</b>
Sundry Creditors	5,243	5,183	4,645	4,651	4,916	5,739	5,761
Advances from Customers	3,295	3,766	3,987	4,168	3,517	3,206	3,060
Other Current Liabilities	1,745	2,005	1,575	1,354	1,449	1,421	1,428
Provisions	2,059	1,727	1,730	1,558	1,591	1,488	1,499
<b>Total (B)</b>	<b>12,342</b>	<b>12,681</b>	<b>11,936</b>	<b>11,730</b>	<b>11,473</b>	<b>11,853</b>	<b>11,748</b>
<b>Net Working Capital (A-B)</b>	<b>1,490</b>	<b>1,677</b>	<b>2,027</b>	<b>2,543</b>	<b>4,311</b>	<b>5,278</b>	<b>5,831</b>

## Financial leverage<sup>(a)</sup>

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

### Suzlon Wind Debt

FX loans*	3,998	4,050	3,843	3,513	3,555	3,475	2,053
FCCBs	2,516	2,549	2,418	2,211	2,239	2,152	3,641
W.Cap, Capex and other loans	9,567	9,541	9,218	8,701	8,383	8,097	7,783
<b>Gross debt (A)</b>	<b>16,082</b>	<b>16,141</b>	<b>15,479</b>	<b>14,425</b>	<b>14,177</b>	<b>13,724</b>	<b>13,477</b>
Cash (B)	258	312	346	502	608	512	455
<b>Net Debt (A-B)</b>	<b>15,825</b>	<b>15,828</b>	<b>15,133</b>	<b>13,924</b>	<b>13,569</b>	<b>13,212</b>	<b>13,022</b>

### Suzlon Consol<sup>^</sup> Group Debt

<b>Gross Debt</b>	<b>16,985</b>	<b>17,044</b>	<b>16,290</b>	<b>15,191</b>	<b>15,040</b>	<b>14,568</b>	<b>14,389</b>
Cash (B)	2,490	2,888	2,585	2,188	1,453	964	1,372
<b>Net Debt (A-B)</b>	<b>14,495</b>	<b>14,156</b>	<b>13,705</b>	<b>13,003</b>	<b>13,587</b>	<b>13,604</b>	<b>13,017</b>

- (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

<sup>^</sup>- Suzlon Consol includes SE Forge and SENVION in addition to Suzlon Wind

**Thank you**

**Suzlon wind farm in Paracuru, Brazil**