



# **Suzlon Energy Limited**

## **9M FY16 Earnings Presentation**

**29<sup>th</sup> January 2016**

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## Key Performance Highlights

Order Book

Debt & Working Capital

Industry Opportunities

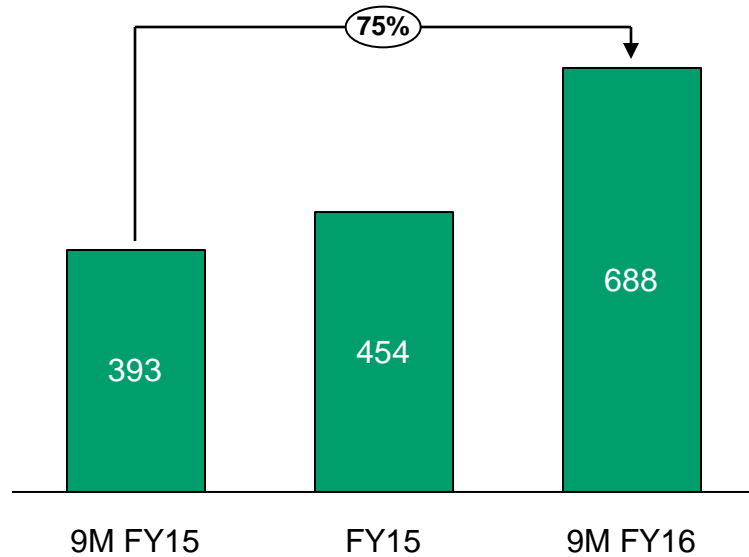
Products & Technology

Strategic Focus

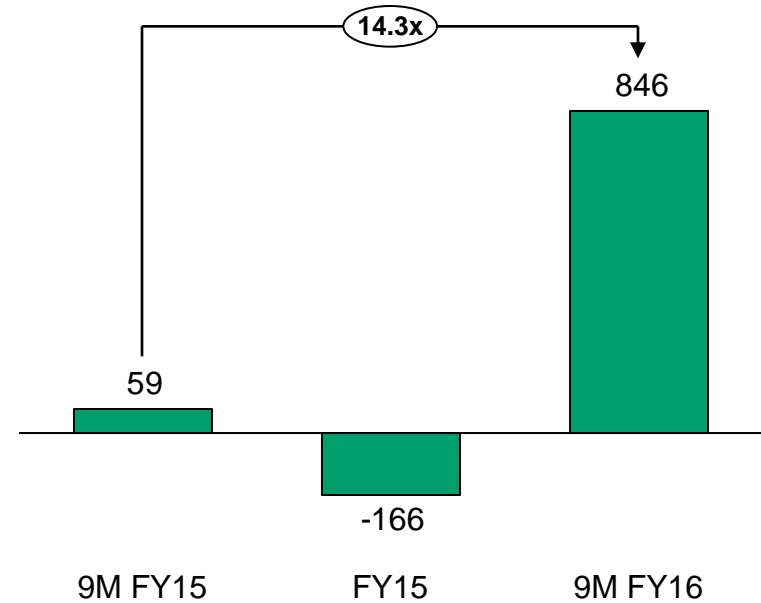
Detailed Financials

# Turnaround Year

## Volume (MW)



## Normalized EBITDA (Rs. Crs)



**75% YoY increase in volume translating to 14.3 times increase in EBITDA**

**Increased volume and strong profitability**

**Note: 1. All Information pertains to Suzlon Wind;**

**2. Normalised EBITDA = Reported EBITDA adjusted for FX loss and Liquidated Damages**

## 9M FY16 Performance Highlights

**688** MW

*74.8% y-o-y*

**Volume**



Rs. **5,083** Crs

*28.5% y-o-y*

**Revenues**



Rs. **846** Crs

*Margin 16.6%*

**EBITDA<sup>(2)</sup>**



Rs. **637** Crs

*Margin 12.5%*

**EBIT<sup>(2)</sup>**



Rs. **737** Crs

*(35.4%) y-o-y*

**Net Interest**



Rs. **6,469** Crs

*31<sup>st</sup> Dec (YoY)*

**Net Debt Reduction**



**Note: 1. All Information pertains to Suzlon Wind;**

**2. Normalised EBITDA & EBIT = Reported adjusted for FX loss and Liquidated Damages**

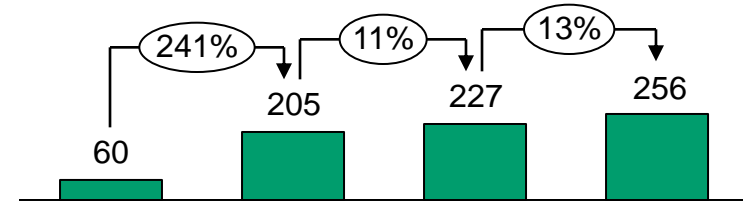
# Q3 FY16 – Another Robust Quarter

## Key Takeaways

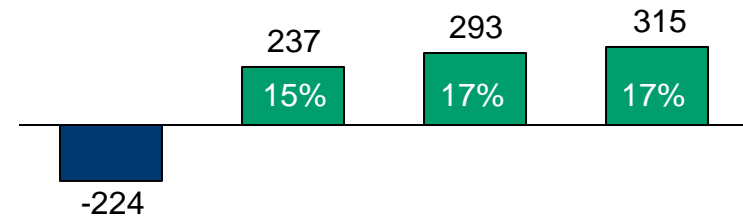
- ✓ **256 MW** – Sales Volume;
- ✓ **17%** - Normalized EBITDA Margin
- ✓ **13%** - Normalized EBIT Margin
- ✓ **210 MW** – Maiden Solar Foray

## Quarterly Trend

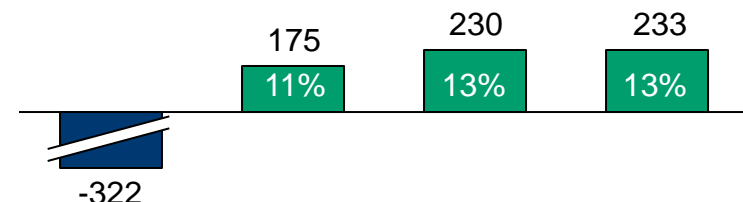
### Volume (MW) and Growth (%)



### Normalized EBITDA (Rs. Crs.) & Margins (%)



### Normalized EBIT (Rs. Crs.) & Margins (%)



Q4 FY15

Q1 FY16

Q2 FY16

Q3 FY16

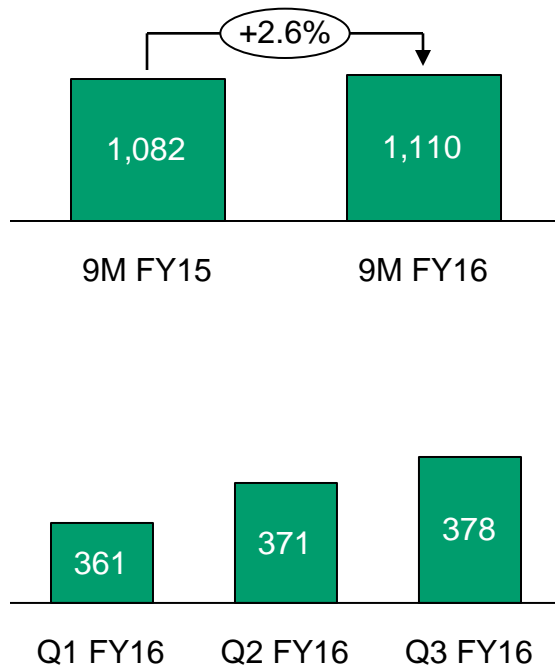
**Consistent sequential growth and improving profitability**

Note: 1. All Information pertains to Suzlon Wind;

2. Normalised EBITDA & EBIT = Reported adjusted for FX loss and Liquidated Damages

# Service Business

## External Service Revenues (Rs. Crs)



### ✓ Growing into a sizeable & highly profitable business

- % of total revenue in Q3 FY16 :
  - 21% in Q3 FY16
  - 22% in 9M FY16

### ✓ Annuity like cash flows

- Non cyclical business in nature
- ~100% renewal track record

### ✓ 100% track record in India

- Every turbine sold in India is under our Service Business
- Custodian of ~9.0 GW of Assets
- 20 years of track record in India

**Annuity like business with cash generation**

# Result Snapshot

(Fig. Rs. Crs.)	Consolidated		Suzlon Wind					Key Comments
	Q3 '16	Q2'16	Q3 '16	Q2 '16	Q3 '15	9M '16	9M '15	
MW Sales (MW)	256	227	256	227	35	688	393	<b>✓ Robust Operating Profit</b> <ul style="list-style-type: none"> <li>– India volume ramp up</li> <li>– Improved service profitability</li> <li>– Favourable product mix and scope</li> <li>– Lower freight</li> <li>– Fixed cost optimization</li> <li>– After considering provisions ~3-4%</li> <li>– Benefit of operating leverage</li> </ul>
Revenue	1,889	1,768	1,832	1,709	861	5,083	3,957	
Normalized EBITDA	336	318	315	293	25	846	59	
<i>EBITDA Margin</i>	<i>17.8%</i>	<i>18.0%</i>	<i>17.2%</i>	<i>17.2%</i>	<i>2.9%</i>	<i>16.6%</i>	<i>1.5%</i>	
Normalized EBIT	237	240	233	230	-83	637	-220	
<i>EBIT Margin</i>	<i>12.6%</i>	<i>13.6%</i>	<i>12.7%</i>	<i>13.4%</i>	<i>-9.6%</i>	<i>12.5%</i>	<i>-5.6%</i>	



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Key Performance Highlights

**Order Book**

Debt & Working Capital

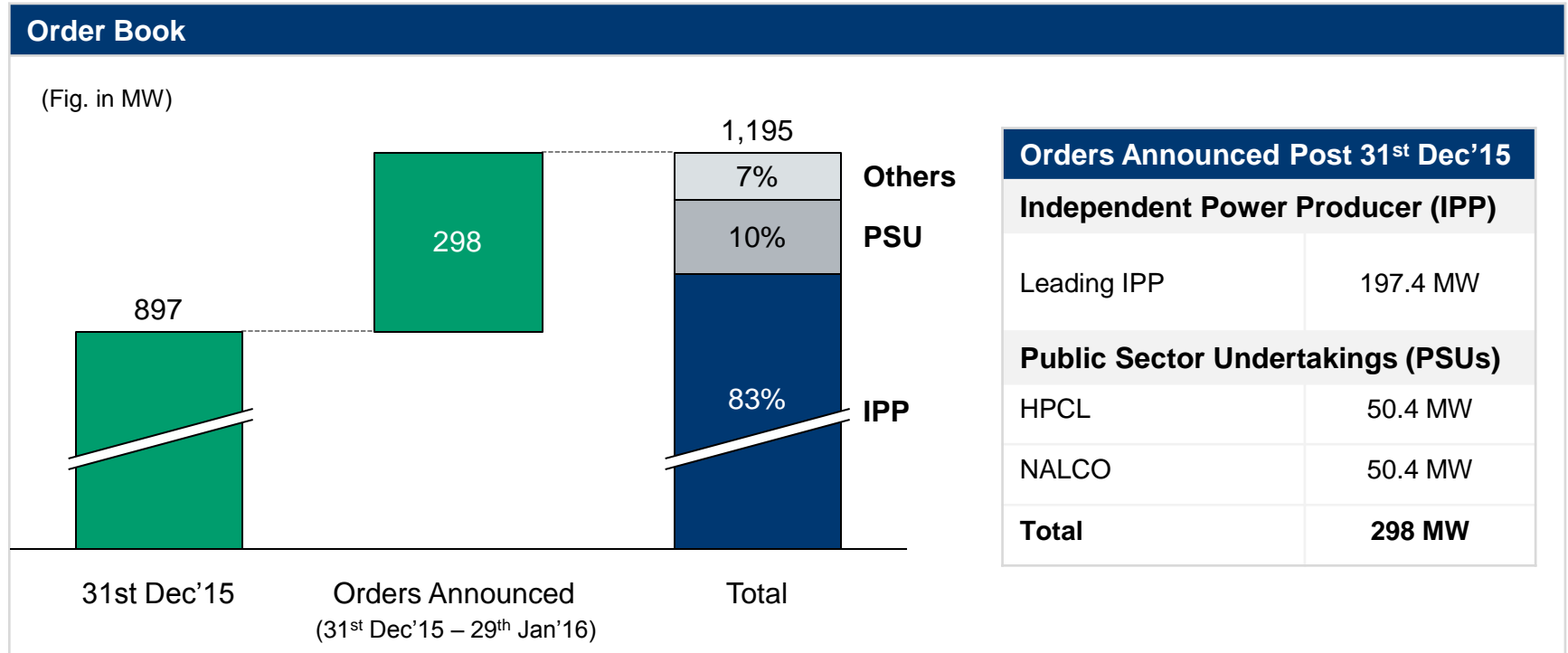
Industry Opportunities

Products & Technology

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Detailed Financials

# Continuing With Strong Wind Order Backlog

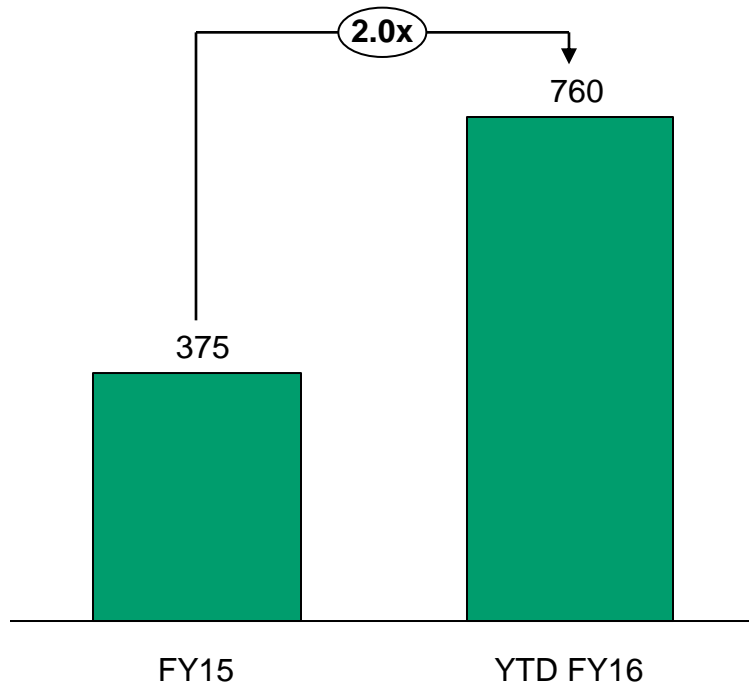


**Firm order book backed by advance**

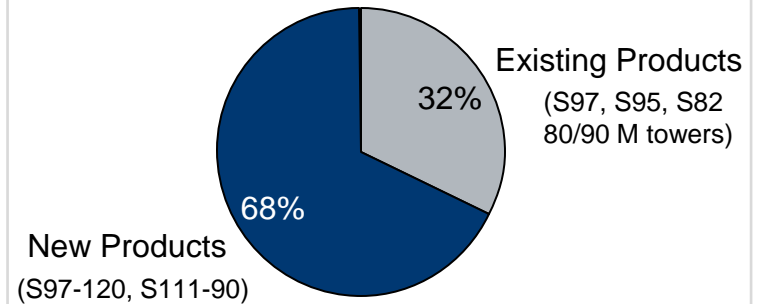
# FY16 YTD Order Intake More Than Doubles Full Year FY15

## Order Intake

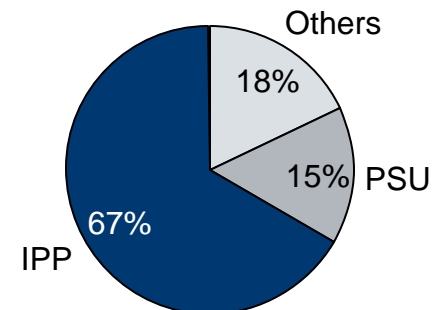
(Fig. in MW)



## FY16 YTD Order Intake – Product Mix



## FY16 YTD Order Intake – Customer Mix



Traction across customer segments and for new technology

# Solar Foray

## Projects Overview

Sl. No.	Site Name	District	Size (MW)	Tariff (Rs/unit)
1	Wanaparthi	Mahabubnagar	50 MW	5.5949
2	Veltoor	Mahabubnagar	100 MW	5.5949
3	Achampet	Mahabubnagar	15 MW	5.5999
4	Kamareddy	Nizamabad	15 MW	5.5459
5	Bhainsa	Adilabad	15 MW	5.5171
6	Ramannapet	Nalgonda	15 MW	5.4991
<b>Total</b>			<b>210 MW</b>	<b>5.5794</b>

### ✓ Maiden Solar Projects

- Likely PPA tenure: 25 years
- Average Tariff: Rs 5.50 - 5.60 / unit

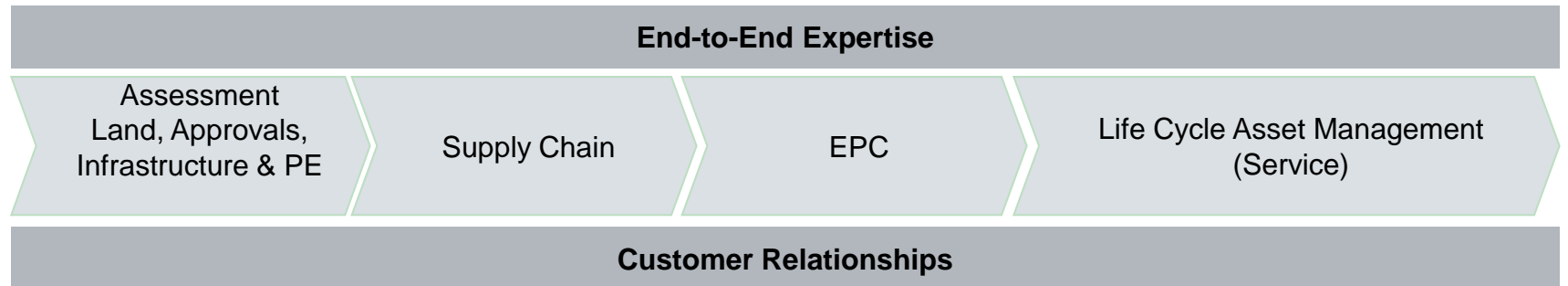
### ✓ Timelines:

- PPA Signing: Feb'16
- Completion: 12-15 Months

From “Wind Player” to “Renewable Player”

# Suzlon: A Strong “Renewables” Partner

## Leveraging Key Elements of Suzlon’s Existing Value Chain



### ✓ Suzlon’s Unique (Wind + Solar) Strengths

- Execution of Solar projects leveraging same resources, grid infrastructure and fixed cost structure
- Strong customer relationships (~1,700+) in renewable space built over the last 20 years
- Pan India Presence – Maintain strong credibility and relationships with Central and State Governments
- Demonstrated capability in the Service space over the past 20 years.
- Only player in market that can provide end-to-end solutions in both Solar and Wind
- Capable and experienced human capital

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# Current Debt Profile

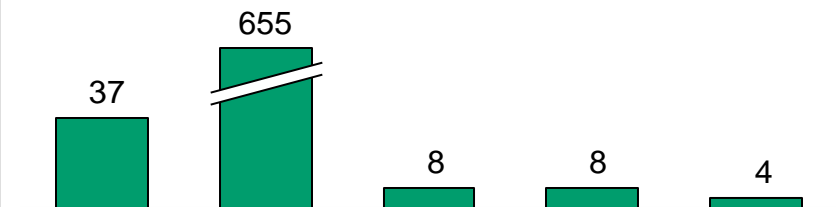
(As on 31<sup>st</sup> Dec 2015)

## Consolidated (Suzlon Wind + SE Forge) Debt

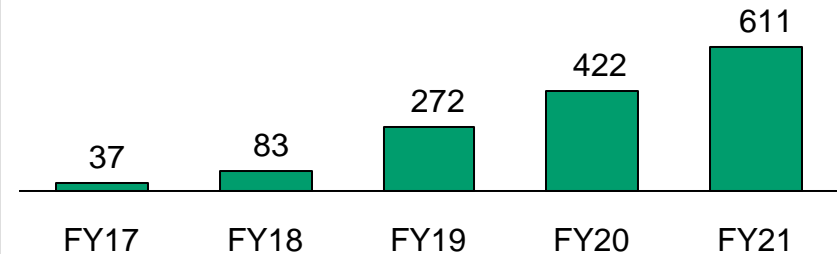
Particulars	Amount	Maturity
Rupee Term Debt (Rs. Crs)	3,103	Ballooning Repayment
FX Term Debt (\$Mn)		
Credit Enhanced Bonds	647	Mar'18 (Bullet)
Others	38	Until FY21
FCCBs (\$Mn)	257*	Jul'19 (Bullet)
	29	Apr'16 (Bullet)
Working Capital (Rs. Crs)	2,011	Annual Renewal
<b>Total Debt</b> (Excluding Jul'19 FCCBs; Fig in Rs. Crs.)		
Gross Debt		9,837
<b>Net Debt</b>		<b>8,751</b>

## Next 5 Year's Maturity Profile

For \$ Term Debt (Fig. in \$Mn)\*\*



For Rupee Term Debt (Fig. in Rs. Crs.)



\*Does not take into account \$3M worth of conversions post 31<sup>st</sup> Dec'15

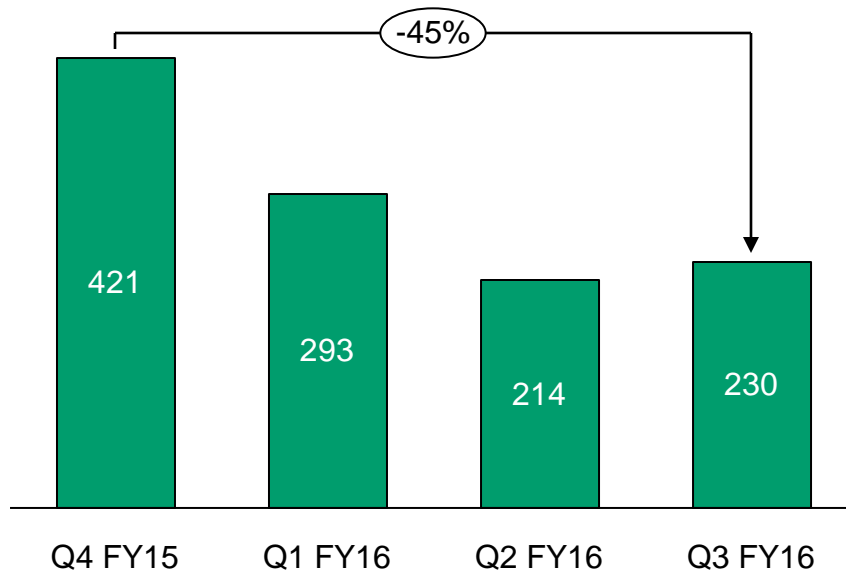
\*\*Assuming full conversion of Jul'19 FCCBs series

**Back ended maturity profile**

# Net Interest Cost

## Net Interest

(Fig. in Rs. Crs.)



### Marginal Increase in QoQ Net finance Cost

- Lower finance income
  - Due to cash being utilized for business
- Finance cost marginally higher
  - Due to higher working capital facility utilization to cater to high volume growth

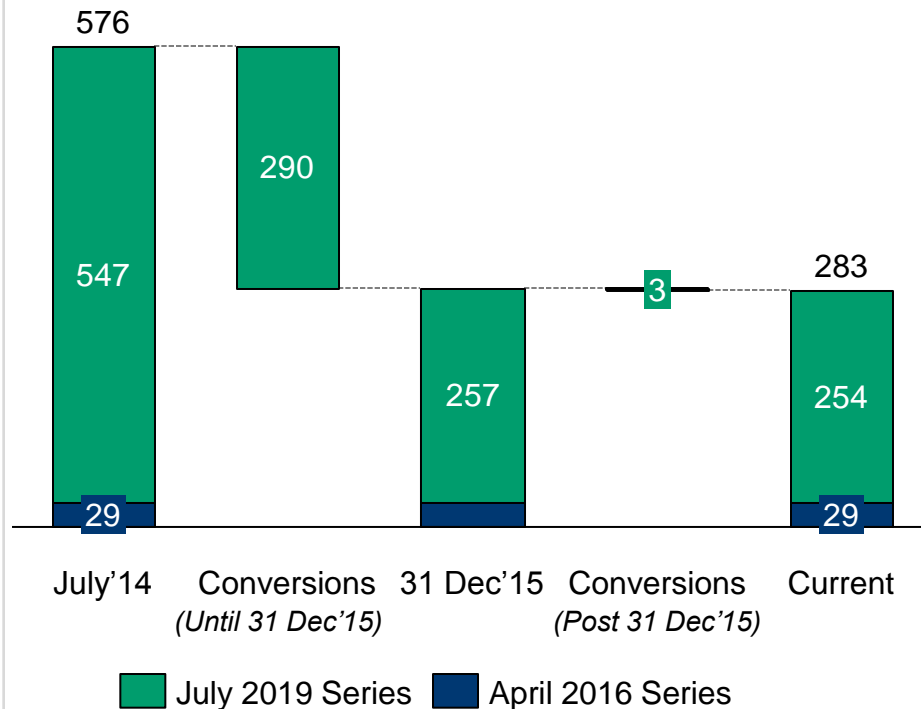
**Reducing interest cost to reduce PAT break-even**

*Note: Information pertains to Suzlon Wind*



# FCCB Overview

## FCCB Principal Value\* (US\$ Mn)



## Current and Diluted No. of Shares (Crs)

Current Outstanding	500
Pending Conversion (Jul'19 series)	99
Post Full Conversion	599

## Jul'19 Series Conversion Details

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

Assuming full conversion, debt to further reduce by ~Rs1,700 crs

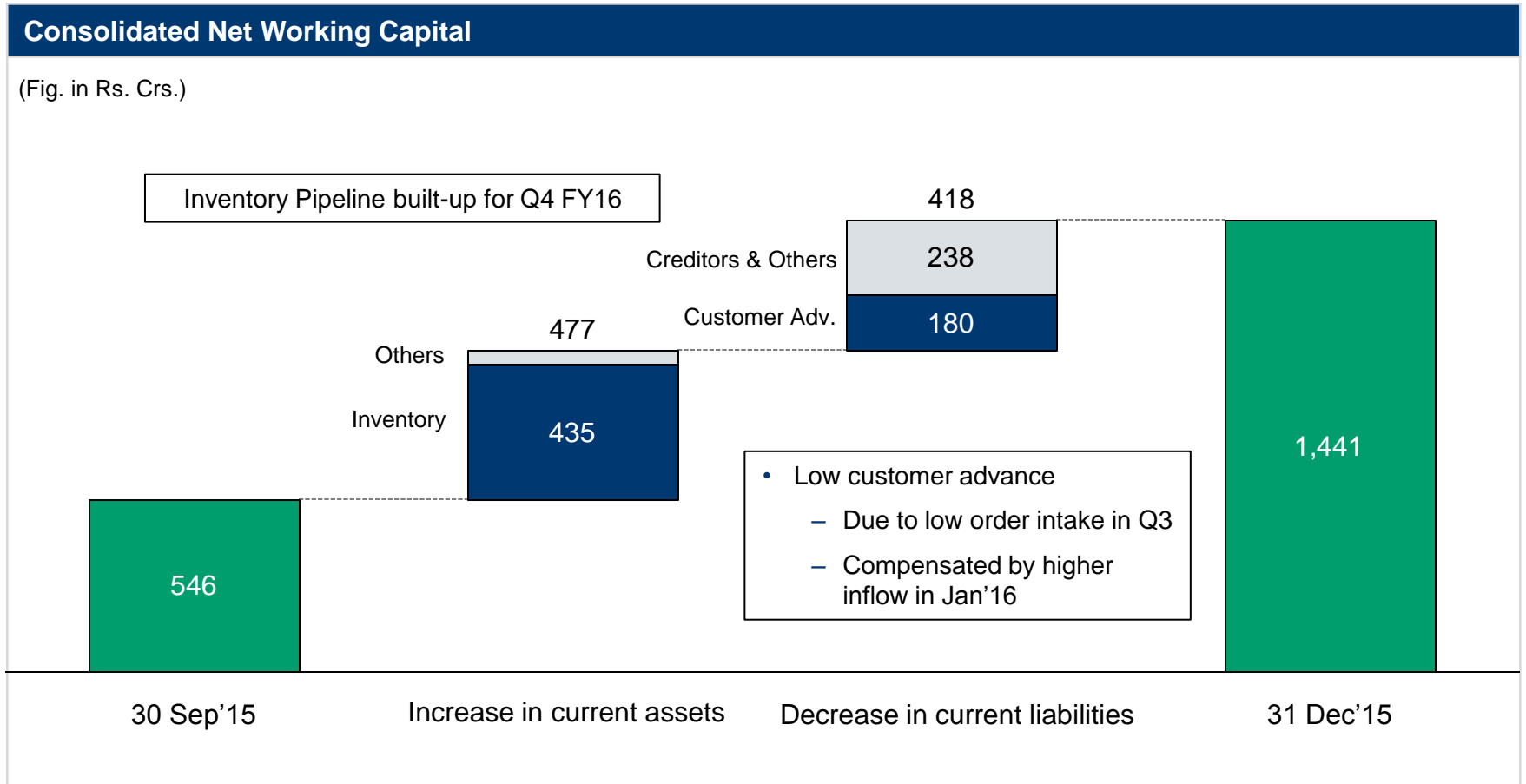
# Outlook with Financial Institutions Improving

Suzlon & Domestic Subsidiaries (other than SE Forge)	CARE Rating
Long Term Facilities	BBB-
Short Term Facilities	A3

- ✓ **Strong confidence of Lenders**
  - Reduced debt
  - Improved liquidity position
  - Turnaround in operations
  - Robust industry outlook
- ✓ **Additional Working Capital facility of Rs. 2,300 crs**
  - On the back of improved credit rating
  - Primarily non fund based
  - Enables quick scale up in volumes

**Catalyst to help Suzlon to tap growth opportunities**

# Net Working Capital



**Net Working Capital increase due to high growth period**

*Note: Consolidated = Suzlon Wind + SE Forge*

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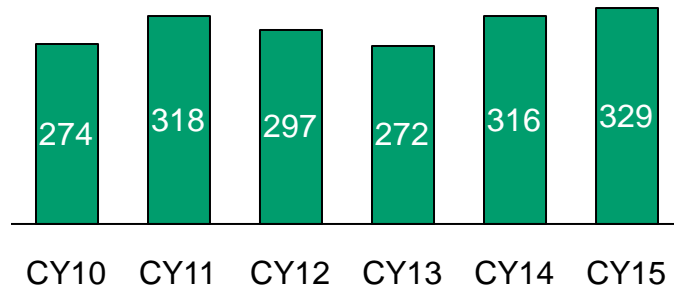
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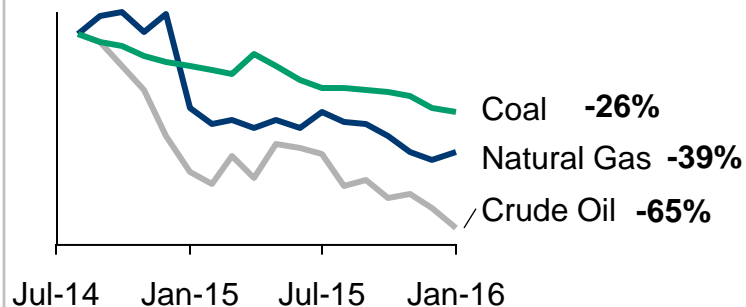
# Record Clean Energy Investments Despite Fuel Price Crash

## Global Clean Energy Investment Trend

(Fig. \$bn)



## Despite Crash in Conventional Fuel Price



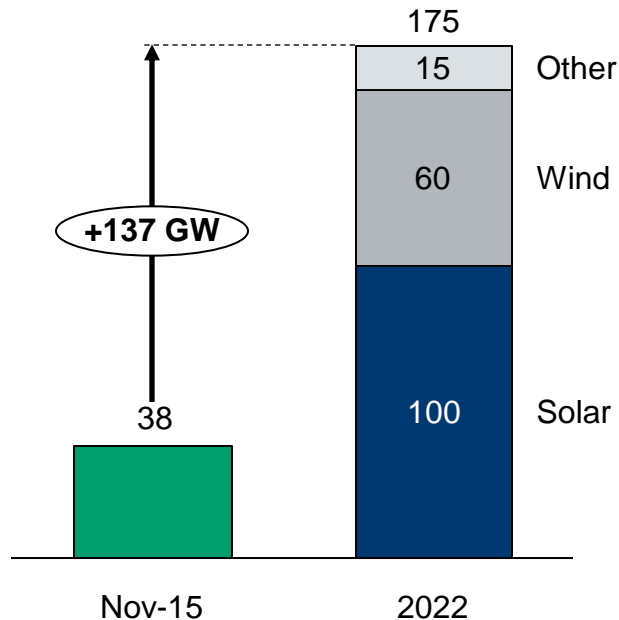
- ✓ Majority of Investments came from emerging market
- ✓ Increasing pie in generation mix
  - Capacity Added in 2015
    - Wind (64 GW)
    - Solar (57 GW)
  - Together constitutes about half of total power capacity added from all technologies (including conventional)
- ✓ Why Wind and Solar are being preferred?
  - Improving cost competitiveness
  - Scalable; low gestation period
  - No fuel price uncertainty
  - Lowering carbon footprint

From “Alternative” to “Mainstream”

Source: Bloomberg New Energy Finance

# India Renewable Market: Government Target

## Government Target : 2022



Implies ~20GW of Annual Market

## Policy

- ✓ Incentives reinstated (AD, GBI)
- ✓ RE eligible investment under CSR
- ✓ Proposed amendment in EA 2003; RE Act; Recent supreme court judgment to lead to RGO and better RPO compliance
- ✓ CERC finalized forecasting & scheduling of wind projects for inter-state transactions
- ✓ National Tariff Policy amended to exempt transmission charges & losses for inter-state sales

## Transmission & Distribution

- ✓ Green Corridor to enable smooth transmission of renewable energy
- ✓ Planning for evacuation through developing solar parks
- ✓ Facilitates intra state transmission of RE; Aids RPO compliance
- ✓ Introduced UDAY for improving financial health of DISCOMS

## Financing

- ✓ Renewables classified under Priority sector lending
- ✓ Access to cheap funding through Green bonds / Masala bonds
- ✓ Increased financial commitment from various Financial Institutions

**Unprecedented growth potential**

# Key Strengths in India: Unique Leadership Position

01

## Pan India Presence

- Large project pipeline across states
- Presence across customer segments
- **>1,700 satisfied customer base**
- High repeat business potential

02

## Technology Leadership

- In-house R&D team since 2000
- Based out of Europe, India and USA
- Vertically integrated supply chain

03

## End-to-End Solution Provider

- One stop total solution for customers

04

## Best in Class Service

- Custodian of ~9 GW assets
- 24X7 online tracking system

05

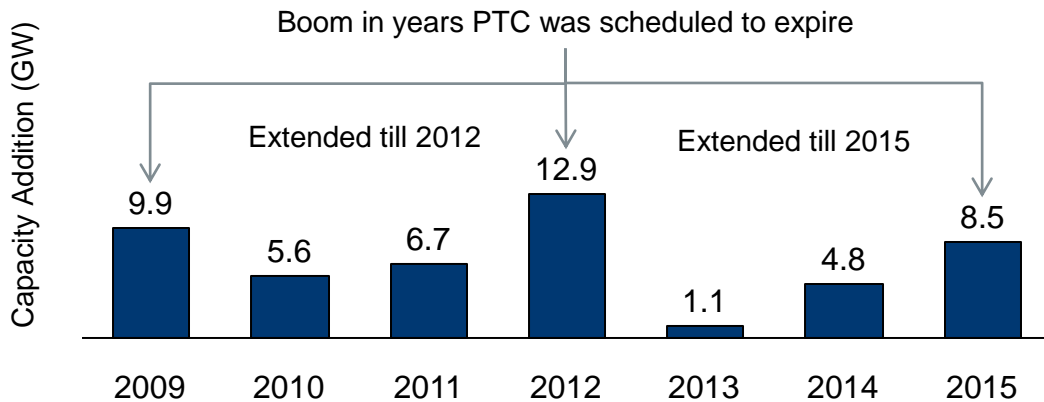
## Strong Track Record

- 18+ years of leadership in India
- Proven execution capabilities



# US Wind Market: Multi Year PTC Extension

## Typically a Boom & Bust Market Due to PTC Uncertainty



## PTC now extended for a block of 5 years

Construction Starting in:	Benefit*	Key Advantages
2016	100%	<ul style="list-style-type: none"> <li>• Long term certainty on federal policy</li> <li>• Available benefit expiring each year;</li> <li>• Benefit available next year to be lower</li> <li>• Multi Year boom market expected</li> </ul>
2017	80%	
2018	60%	
2019	40%	

\* % of Benefit Available under current PTC

## Suzlon Strengths in USA

- ✓ ~15 Years of Strong Presence
- ✓ ~2.7 GW of Cumulative Installations
- ✓ Proven Technology
- ✓ Strong customer relationships
- ✓ Proven execution track record
- ✓ Proven Service Capabilities
- ✓ Strong Brand Name
- ✓ Low cost manufacturing base

**Strong ordering momentum expected in 2016**

Source: MAKE



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# S111: Moving Towards Bigger Turbines and Better Yields

## 2MW Series Evolution

Higher energy yield

Lower cost of energy

Higher returns

~65% Increase in Energy Yield

25%  
Higher energy yield

10%  
Higher energy yield

10%  
Higher energy yield

10%  
Higher energy yield

S88-80

S9X-90

S97-120

S111-90

S111-120

5.5 GW  
Installed till date

>1.5 GW  
Installed till date

>500 MW sold  
~60 MW commissioned

>300 MW sold

2016 Launch  
Targeted

Maximizes energy output for low wind sites in India and abroad

Note: AEP increase are approximate and under certain conditions

# Hybrid Tower: First of its Kind

## Hybrid Tower: Combination of Lattice And Tubular



- ✓ **Higher hub height (120 M) at optimized cost**
  - Reduced LOCE due to higher AEP
  - Reduced steel requirement and logistic friendly
  
- ✓ **Available in S97 and S111 product suite**
  - S97-120 : >500 MW orders received till date, ~60 MW commissioned
  - S111-120: Target launch in 2016
  
- ✓ **Prototype achieved 35% PLF**
  - Prototype installed in Jan'14;
  - At Nani Ber District of Kutch, Gujarat
  - Generated 64.28 lacs units (kWh) over last 12 months

Optimizing cost and generation for low wind sites

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# Strategic Focus

## Renewable Energy Player

- Tap huge opportunity in Solar, Wind and Wind-Solar hybrid



## High growth, High volume, Better margin markets only

- Focus on the Indian market as well as North America, China & Latin America



## Reliable Technology

- Continued focus on R&D aimed at reducing cost of energy



## Best in Class Service; Growing Service business

- Aimed at maximising energy yield



## Asset Light / Debt Light

- Minimize fixed expenses
- Reduction in interest cost
- Optimization of facility and resources

**Increasing  
Market  
Competitiveness**

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# Income Statement

(Fig. in Rs. Crs.)

	Consolidated		Suzlon Wind				
	Q3 FY16	Q2 FY16	Q3 FY16	Q3 FY15	9M FY16	9M FY15	FY15
Revenue from operations	1,889	1,768	1,832	861	5,083	3,957	4,883
Less: COGS	1,026	941	1,021	478	2,806	2,476	3,138
Less: Employee benefits expense	200	199	193	188	580	586	747
Less: Other expenses (net)	337	322	312	235	898	1,063	1,336
Less: Exchange Loss / (Gain)	86	209	86	59	361	111	495
<b>EBITDA</b>	<b>241</b>	<b>97</b>	<b>220</b>	<b>-100</b>	<b>438</b>	<b>-280</b>	<b>-833</b>
<b>Normalized EBITDA</b>	<b>336</b>	<b>318</b>	<b>315</b>	<b>25</b>	<b>846</b>	<b>59</b>	<b>-166</b>
<b>Margin %</b>	<b>17.8%</b>	<b>18.0%</b>	<b>17.2%</b>	<b>2.9%</b>	<b>16.6%</b>	<b>1.5%</b>	<b>-3.4%</b>
Less: Depreciation	99	78	83	107	208	279	376
<b>EBIT</b>	<b>142</b>	<b>19</b>	<b>138</b>	<b>-207</b>	<b>230</b>	<b>-558</b>	<b>-1,209</b>
<b>Normalized EBIT</b>	<b>237</b>	<b>240</b>	<b>233</b>	<b>-83</b>	<b>637</b>	<b>-220</b>	<b>-542</b>
<b>Margin %</b>	<b>12.6%</b>	<b>13.6%</b>	<b>12.7%</b>	<b>-9.6%</b>	<b>12.5%</b>	<b>-5.6%</b>	<b>-11.1%</b>
Net Finance costs	256	233	230	335	737	1,141	1,562
<b>Profit / (Loss) before tax</b>	<b>-114</b>	<b>-214</b>	<b>-92</b>	<b>-542</b>	<b>-507</b>	<b>-1,699</b>	<b>-2,771</b>
Less: Exceptional (Gain) / Loss	-	-33	-	5,990	-1,322	6,094	6,312
Less: Taxes and Minority	1	1	1	51	-1	74	68
<b>Net Profit / (Loss) after tax</b>	<b>-113</b>	<b>-181</b>	<b>-92</b>	<b>-6,584</b>	<b>813</b>	<b>-7,867</b>	<b>-9,150</b>

**Note:** For Q3 and Q2'16 Consolidated = Suzlon Wind + SE Forge

# Consolidated Net Working Capital

(Fig. in Rs. Crs.)

Particulars	31 <sup>st</sup> Dec'15	30 <sup>th</sup> Sep'15	30 <sup>th</sup> Jun'15
Inventories	2,523	2,088	1,786
Trade receivables	2,042	2,030	1,692
Loans & Advances and Others	1,709	1,679	1,640
<b>Total (A)</b>	<b>6,274</b>	<b>5,797</b>	<b>5,118</b>
Sundry Creditors	2,328	2,447	2,267
Advances from Customers	865	1,045	881
Provisions and other liabilities	1,640	1,759	1,889
<b>Total (B)</b>	<b>4,833</b>	<b>5,251</b>	<b>5,037</b>
<b>Net Working Capital (A-B)</b>	<b>1,441</b>	<b>546</b>	<b>81</b>



**THANK YOU**

**S111 Turbine, USA**

**S-111** | One of the largest commercially available rotor diameters in India