



# Suzlon Energy Limited

Q3 & 9M FY17

10 Feb 2017

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# Agenda

**Q3 & 9M FY17  
Highlights**

Order Book

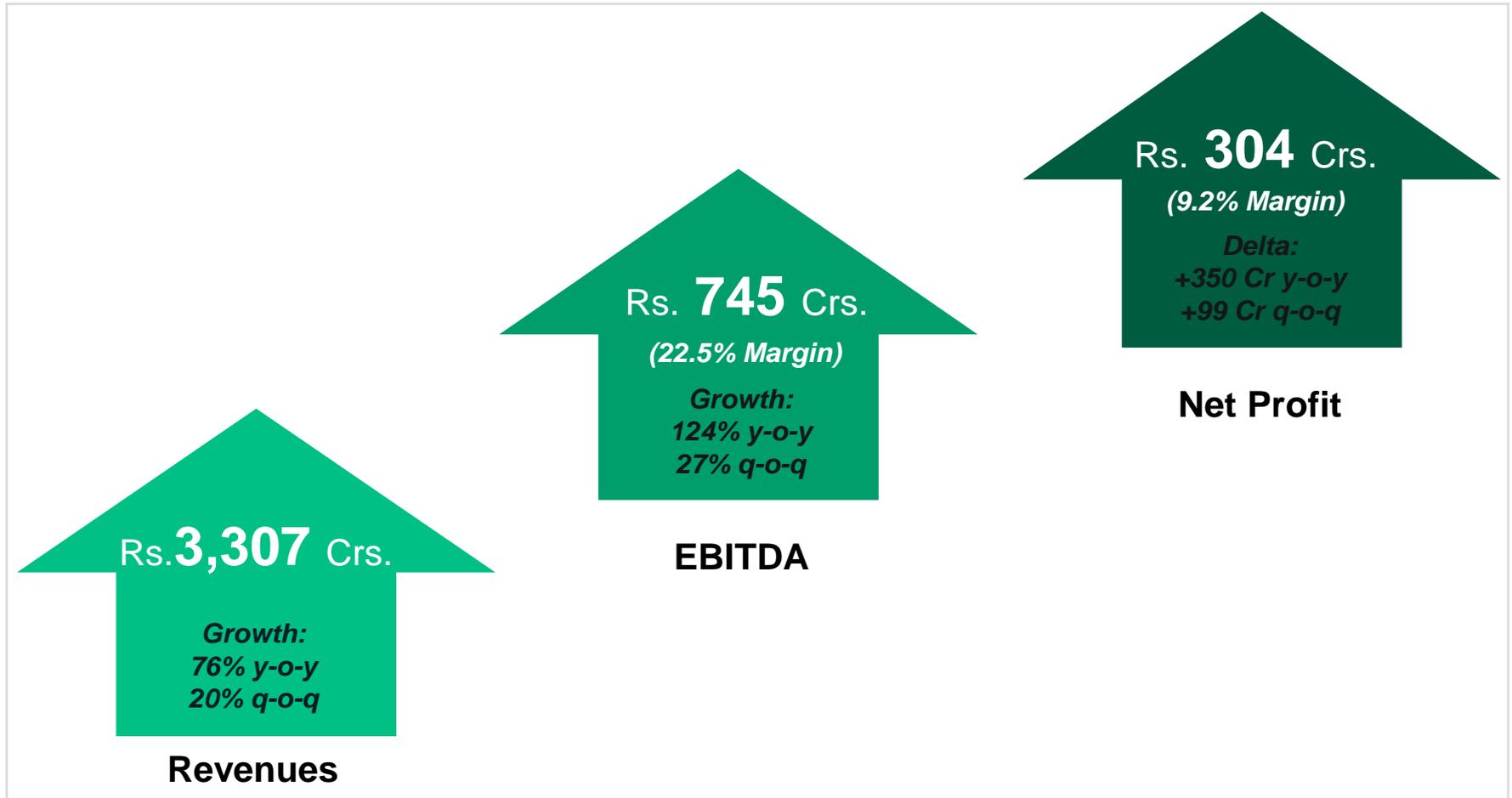
Debt Overview

Technology Update

Industry Opportunity

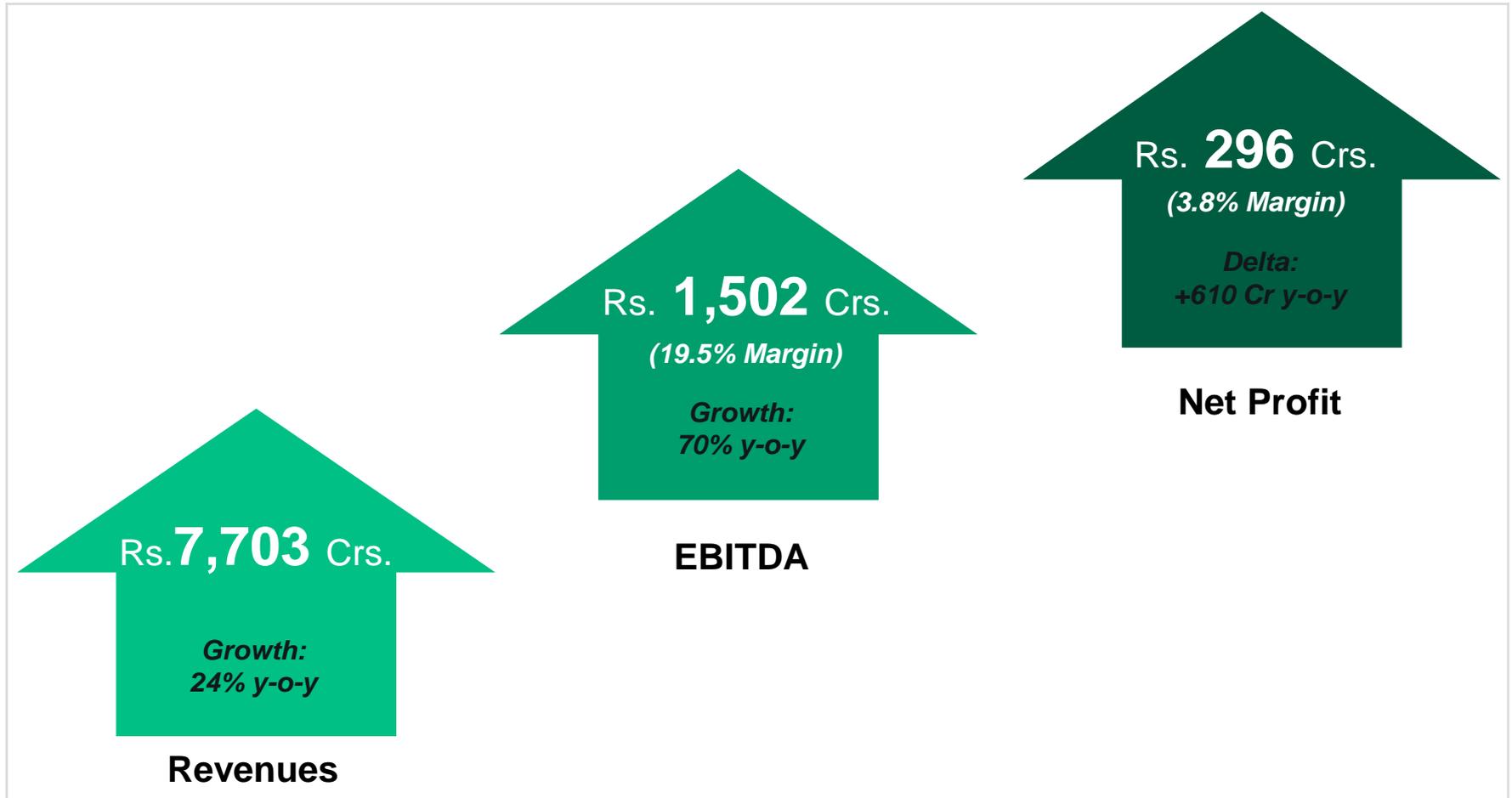
Detailed Financials

## Q3 FY17 Financial Performance Highlights



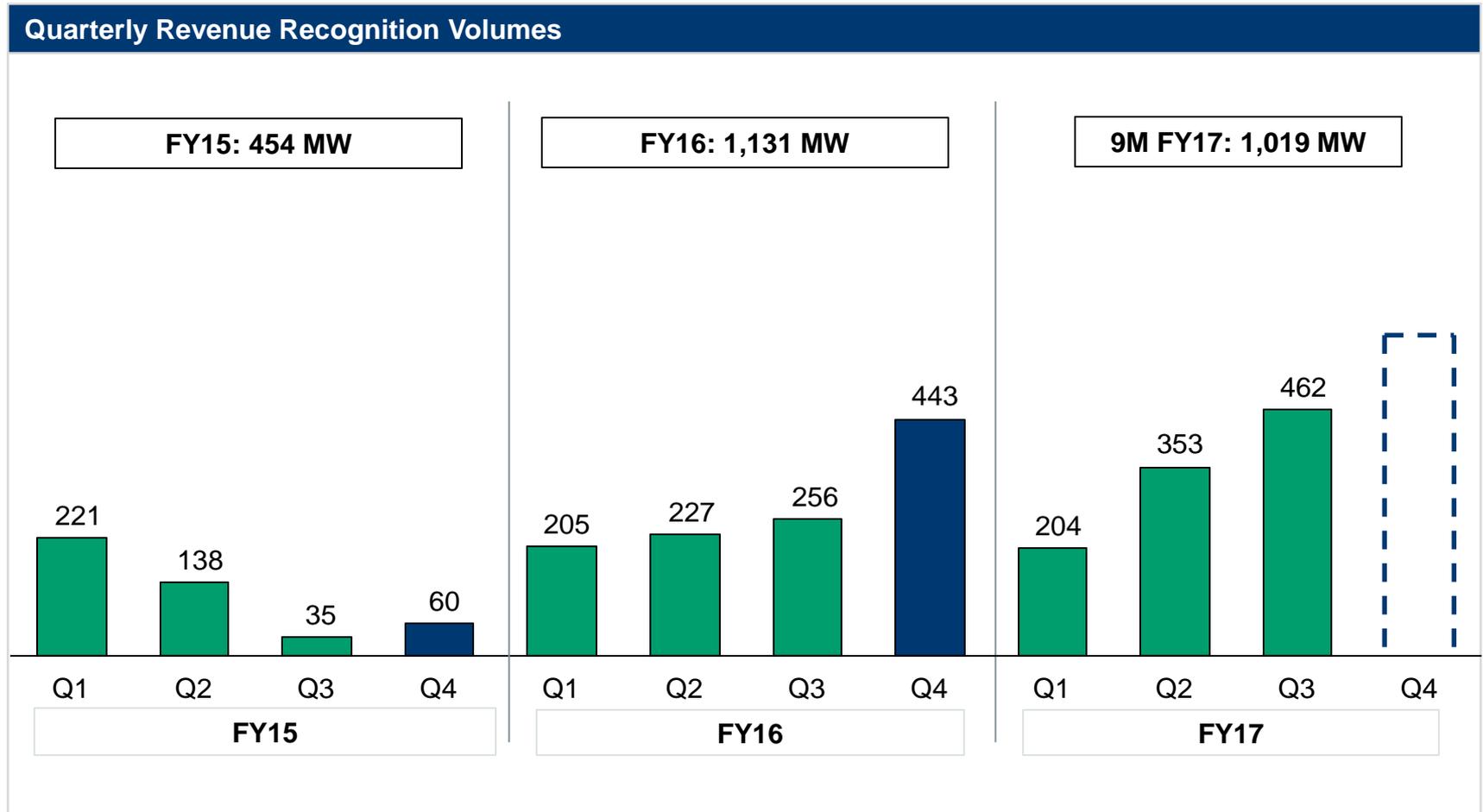
Continuing strong growth and profitability

# 9M FY17 Financial Performance Highlights



# Quarterly Volume Trend

(MW)



## Result Snapshot (Consolidated)

(Rs. Crs.)

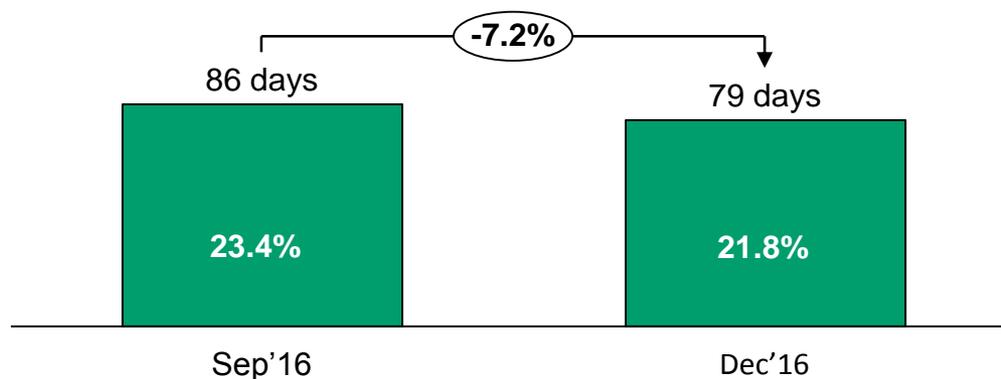
Particulars	Q3 FY17 Unaudited	Q2 FY17 Unaudited	Q3 FY16 Unaudited	9M FY17 Unaudited	9M FY16 Unaudited
Revenue	3,307	2,746	1,883	7,703	6,216
<b>Gross Profit</b>	<b>1,466</b>	<b>1,281</b>	<b>860</b>	<b>3,482</b>	<b>2,696</b>
<b>Gross Margin</b>	<b>44.3%</b>	<b>46.6%</b>	<b>45.7%</b>	<b>45.2%</b>	<b>43.4%</b>
Employee Expenses	256	259	202	774	732
Other Expenses (net)	465	436	326	1,206	1,082
<b>EBITDA (Pre FX)</b>	<b>745</b>	<b>586</b>	<b>332</b>	<b>1,502</b>	<b>882</b>
<b>EBITDA Margin (Pre FX)</b>	<b>22.5%</b>	<b>21.3%</b>	<b>17.6%</b>	<b>19.5%</b>	<b>14.2%</b>
Depreciation	109	95	98	288	280
Net Finance Cost	314	281	272	885	912
Taxes, Minority and Others	19	6	9	33	3
<b>PAT (Pre Fx and Ex. Items)</b>	<b>304</b>	<b>204</b>	<b>-46</b>	<b>296</b>	<b>-314</b>
FX (Gain) / Loss	29	(33)	75	44	342
Exceptional Items	0	0	0	0	(1,347)
<b>Reported PAT</b>	<b>274</b>	<b>238</b>	<b>-122</b>	<b>252</b>	<b>691</b>

Note: Senvion was fully divested by Suzlon group on 29th April 2015. Accordingly 9M FY16 consolidated results include 1 month of Senvion performance, hence not directly comparable

## Other Key Highlights

- ✓ **Net working capital reduced** to 79 days as on Dec'16 compared to 86 days in Sep'16
- ✓ **Net term debt reduced** to Rs. 6,538 Crs. (excluding FCCB)
- ✓ **Credit rating upgraded** from BBB- to BBB for Suzlon and its domestic subsidiaries as well as SE Forge
  - SGSL (India OMS Division) rated A- (Provisional)
- ✓ **Strong quarterly order intake** of 557 MW; Closing order book at 1,231 MW
- ✓ **Solar project divestments completed** for 49% stake in 210 MW solar projects in Telangana
- ✓ **Surpasses 10 GW milestone in India**

# Net Working Capital

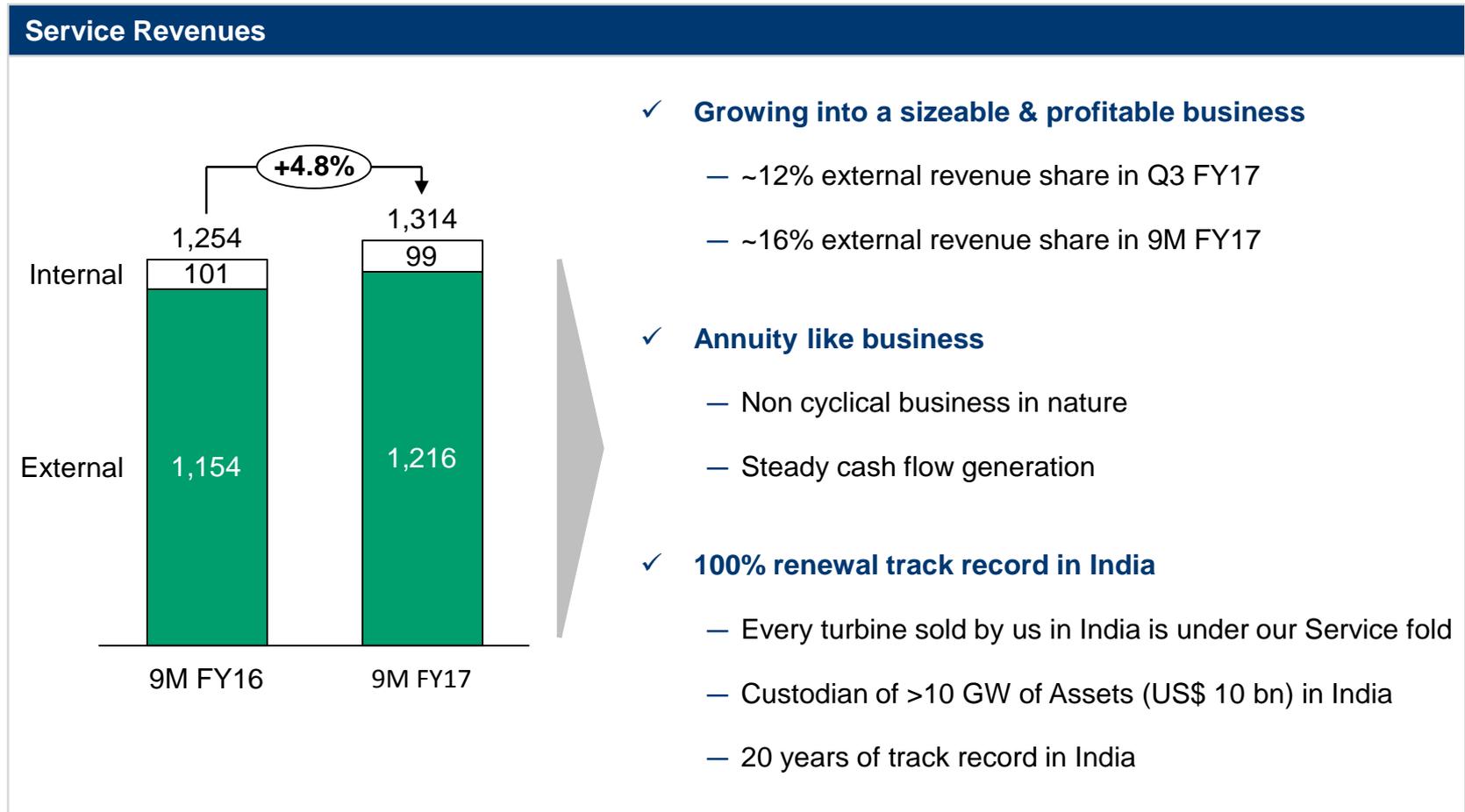


NWC as on Sep'16 (Rs. Crs.)	2,232	Remarks
Add: Inventories Build-up	294	Due to stronger expected Q4
Add: Increase in receivables	409	Increase due to 20% q-o-q Revenue Growth
Add: Loans, Advances & Others	181	Due to increase in volumes
Less: Increase in Creditors	(654)	Due to increase in volumes
Less: Increase in Customer Advances	(79)	Due to increased order inflow
<b>NWC as on Dec'16 (Rs. Crs.)</b>	<b>2,383</b>	

Note: NWC % and no. of days calculated on trailing 12 months Revenue

# Operation and Maintenance Service Business

(Rs. Crs.)



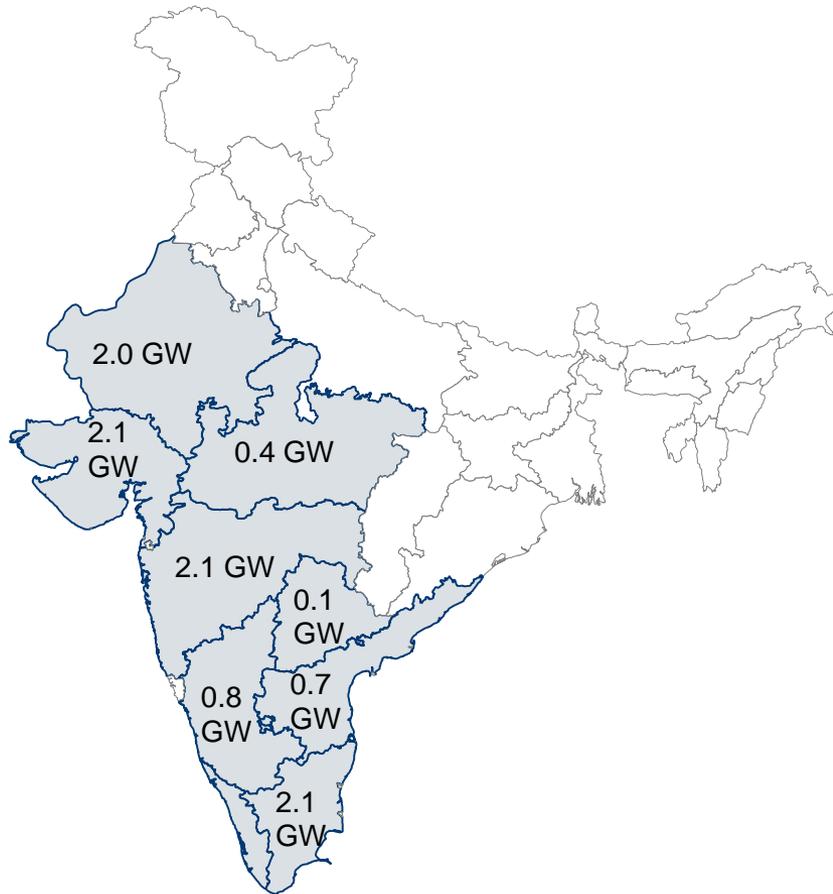
Note: All information pertaining to Suzlon Wind Only

**Stable cash generation**

# Surpasses 10 GW wind energy installations in India

Ranked **No. 1** in Renewables Sector  
 Ranked **No. 4** in Power Sector

Largest fleet under Operation and Maintenance fold in India



	# of Turbines	MW
<= 1 MW	1,751	850
>1 MW < 2 MW	4,195	5,701
=>2 MW	1,697	3,564
Total	7,643	10,115

- **35% - All India installed Wind Capacity**
- **22% - All India installed renewable capacity**
- **~1,700 customer relationships**
- **22 years of operating track record**
- **22 TWh estimated of annual clean energy;**  
 =1,500 mn trees planting p.a.  
 =16.2 mn tonnes coal avoidance p.a.  
 =~21.5 mn tonnes CO2 emission savings p.a.

**Custodian of 4<sup>th</sup> highest installed power capacity (from all sources) in India**

## Solar Bidding Status Update



### Summary of Divestments

SPV	Project Size	State	Investor	Cash Consideration	Stake Divested
SE Solar	100 MW	TL	CLP Wind Farms	Rs. 73.5 Crs.	49%
Prathmesh Solarfarms	50 MW	TL	Ostro Energy	Rs. 49.0 Crs.	49%
Vayudoot Solarfarms	15 MW	TL	Unisun Energy	Rs. 13.5 Crs.	49%
Amun Solarfarms	15 MW	TL	Canadian Solar	Rs. 26.4 Crs.	49%
Avighna Solarfarms	15 MW	TL	Canadian Solar		49%
Rudra Solarfarms	15 MW	TL	AMP Solar	Rs 13.7 Crs.	49%
<b>Total</b>	<b>210 MW</b>			<b>Rs. 176.0 Crs.</b>	

*Note: Additional bids won for 175 MW solar project in Jharkhand, for which PPA is yet to be signed*

**Advanced negotiations for further divestments**

# Agenda

Q3 & 9M FY17  
Highlights

**Order Book**

Debt Overview

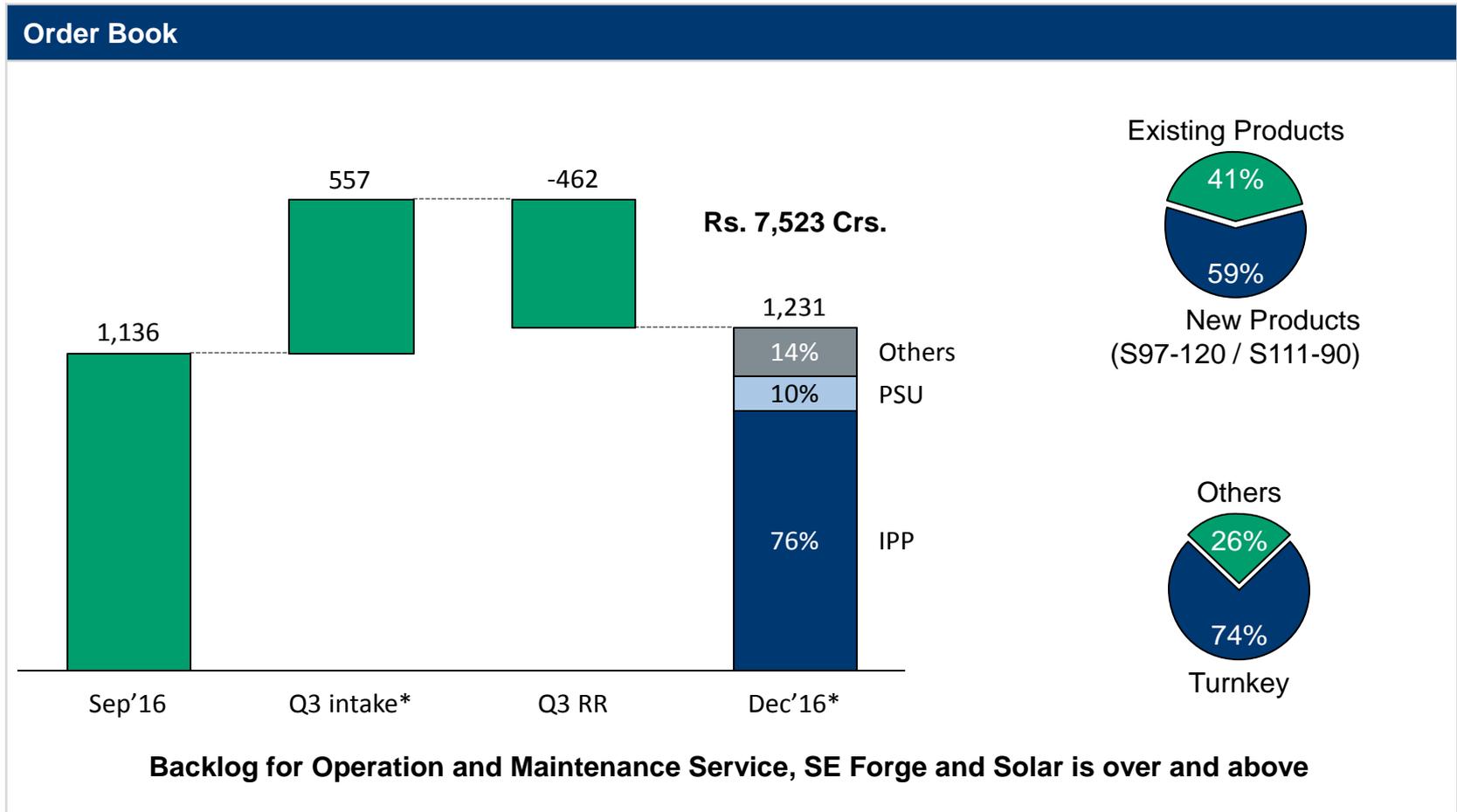
Technology Update

Industry Opportunity

Detailed Financials

# Strong Wind Order Backlog

(MW)



Note: Q3 order intake and order book includes orders announced post quarter ending

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

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## Enhancement in Credit Rating

Company	Previous Rating	Current Rating	Remarks
<b>Suzlon</b> <ul style="list-style-type: none"> <li>Suzlon Energy Limited and its domestic subsidiaries, except SE Forge</li> <li>Pooled together under CDR for security purposes</li> </ul>	<b>BBB-</b>	<b>BBB</b>	<i>1 Notch Upgrade</i>
<b>SE Forge Limited</b>	<b>BBB-</b>	<b>BBB</b>	<i>1 Notch Upgrade</i>
<b>Suzlon Global Services Limited</b> (India OMS Division Carve out) <ul style="list-style-type: none"> <li>For proposed debt raising at SGSL</li> </ul>		<b>A-</b> (Provisional)	<i>2 Notch higher than parent, (Reflects stable cash flow profile)</i>

*Note: Issued by CARE Ratings for domestic bank facilities*

**To result in interest cost optimization**

## Consolidated Debt Profile

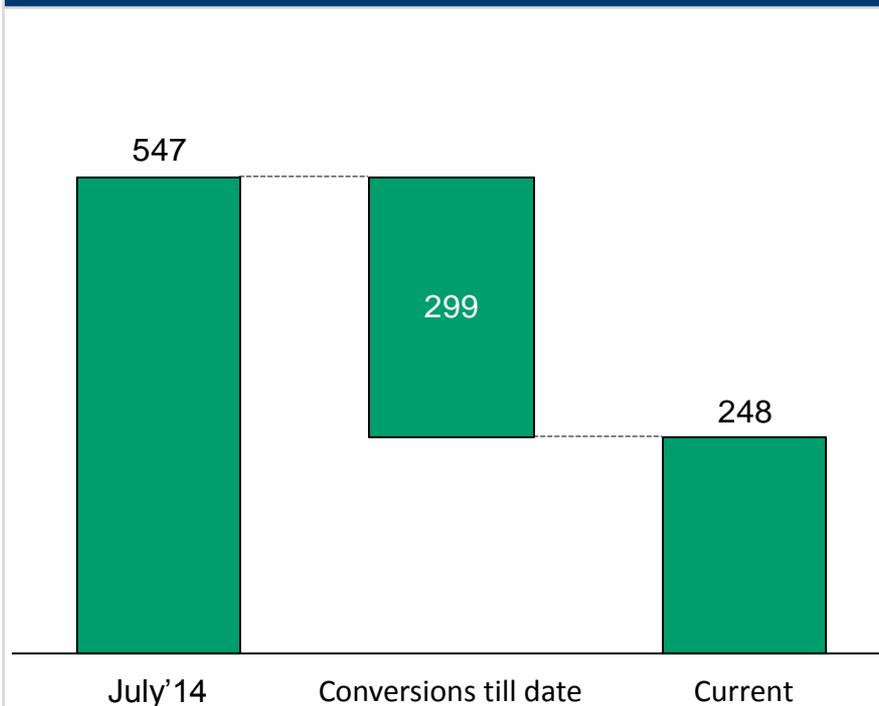
(Excluding FCCB)	31 <sup>st</sup> Dec'16	5 year Maturity Profile												
SBLC Backed AERH Debt	Rs. 4,229 Crs. (US\$ 626 M)	<ul style="list-style-type: none"> <li>• Current bullet maturity of March 2018</li> <li>• SBLC facility lenders consented to SBLC extension till 2023;</li> </ul>												
Other FX Term Debt	Rs. 570 Crs. (US\$ 85 M)	(Rs. Crs.) <table border="1"> <caption>5 year Maturity Profile (Rs. Crs.)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Value (Rs. Crs.)</th> </tr> </thead> <tbody> <tr> <td>FY17</td> <td>23</td> </tr> <tr> <td>FY18</td> <td>134</td> </tr> <tr> <td>FY19</td> <td>387</td> </tr> <tr> <td>FY20</td> <td>572</td> </tr> <tr> <td>FY21</td> <td>764</td> </tr> </tbody> </table>	Fiscal Year	Value (Rs. Crs.)	FY17	23	FY18	134	FY19	387	FY20	572	FY21	764
Fiscal Year	Value (Rs. Crs.)													
FY17	23													
FY18	134													
FY19	387													
FY20	572													
FY21	764													
Rupee Term Debt	Rs. 2,796 Crs.													
<b>Gross Term Debt</b>	<b>Rs. 7,594 Crs.</b>													
<b>Net Term Debt</b>	<b>Rs. 6,538 Crs.</b>													
Working Capital & Short Term Debt	Rs. 3,167 Crs.													

**Back ended maturity profile; Sufficient headroom for operations**

# July 2019 FCCB Series Overview

(US\$ Mn)

## FCCB Principal Value



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

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 (~Rs 1,749 Crs.)**

Note: 1 US\$ = Rs 67.93; Numbers post impact of Ind-AS

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# Globally Proven In-House R&D Capabilities

Suzlon Technology Locations:		
Germany	Hamburg	<ul style="list-style-type: none"> <li>- Development &amp; Integration</li> <li>- Certification</li> </ul>
	Rostock	<ul style="list-style-type: none"> <li>- Development &amp; Integration</li> <li>- Design &amp; Product Engineering</li> <li>- Innovation &amp; Strategic Research</li> </ul>
The Netherlands	Hengelo	<ul style="list-style-type: none"> <li>- Blade Design and Integration</li> </ul>
India	Pune	<ul style="list-style-type: none"> <li>- Design &amp; Product Engineering</li> <li>- Turbine Testing &amp; Measurement</li> <li>- Technical Field Support</li> <li>- Blade Engineering</li> </ul>
	Vadodara	<ul style="list-style-type: none"> <li>- Blade Testing Center</li> </ul>
	Hyderabad	<ul style="list-style-type: none"> <li>- Design &amp; Product Engineering (BOP team)</li> </ul>
	Chennai	<ul style="list-style-type: none"> <li>- Design &amp; Product Engineering (Gear Box Team)</li> </ul>
Denmark	Aarhus Vejele	<ul style="list-style-type: none"> <li>- SCADA</li> <li>- Blade Science Center</li> </ul>



Hamburg



Rostock



Hengelo



Pune



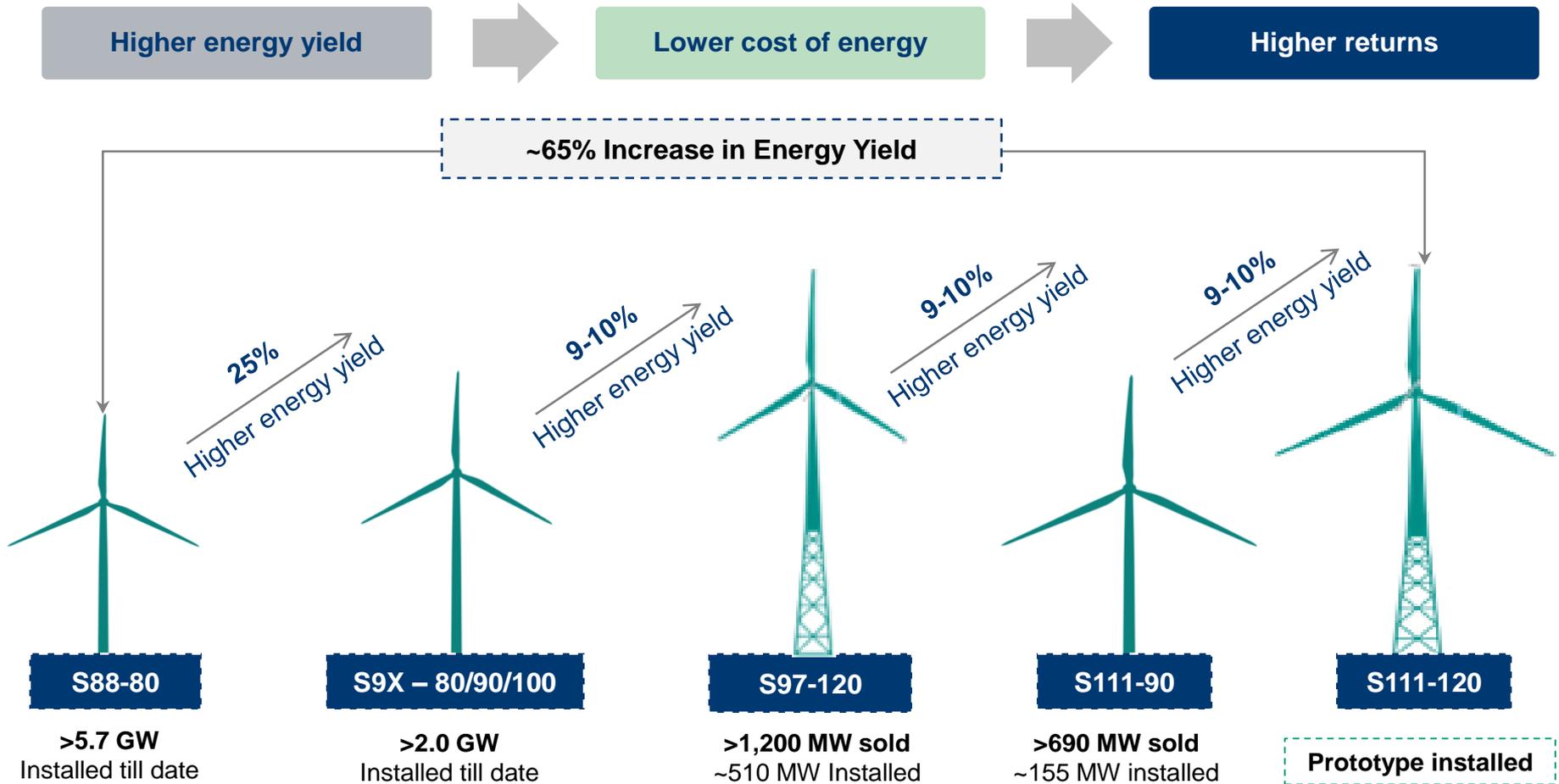
Aarhus



Vejle

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

Accessing higher wind speed at higher altitude, increasing energy output



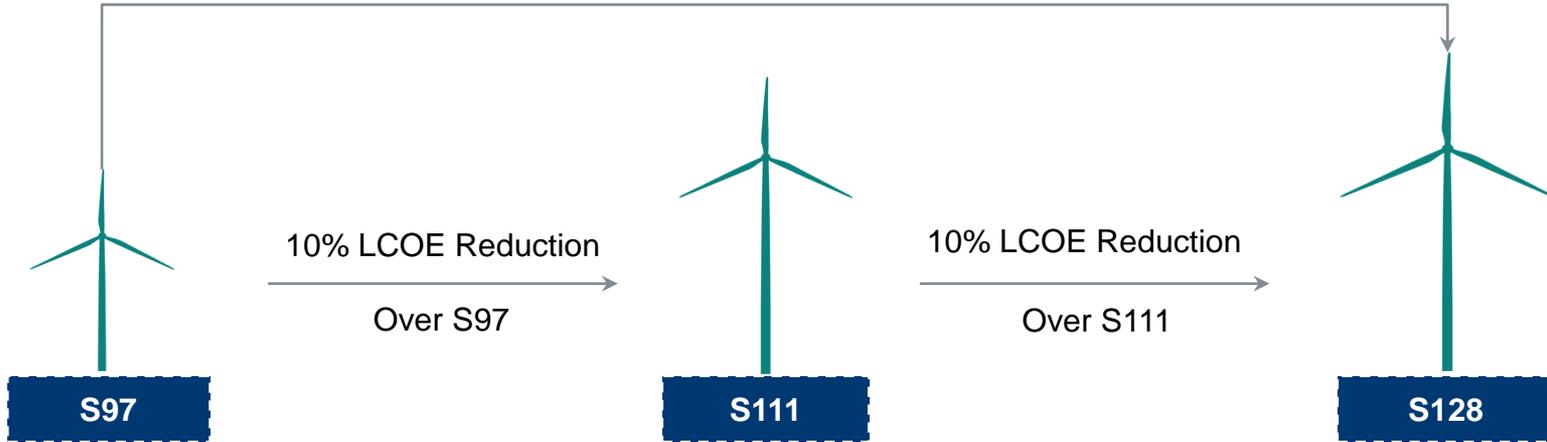
## Advantage Hybrid

- Enables to achieve higher hub height at optimized cost
- Reduced steel requirement; reduced overall weight
- Lower foundation cost
- Simplified logistics and lower cost
- 24 sq. m base enhances stability and strength of the structure

Hub Height Variants	120 M	
Product Suites	S97-120	S111-120
Prototype Installation Date	Jan'14	Mar'16
Prototype Location	Gujarat	Gujarat
Prototype 1 <sup>st</sup> Year PLF	~35%	~40% (E)

# 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	CY18	CY18

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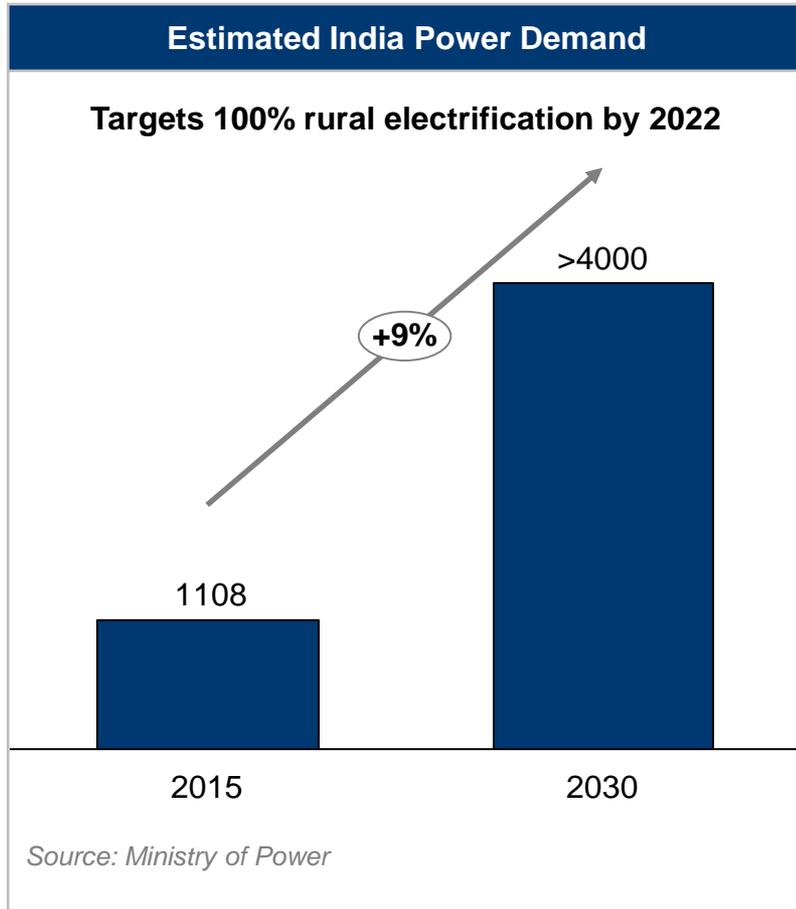
Technology Update

**Industry Opportunity**

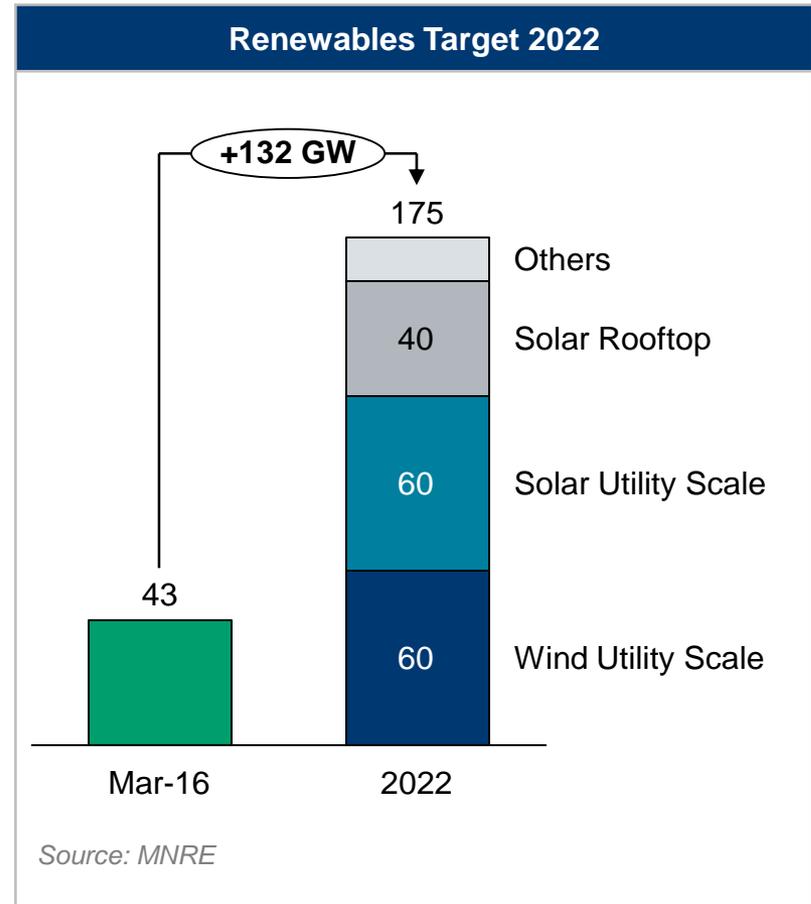
Detailed Financials

# India: Strong Growth Fundamentals for Renewables

(Billion Units)



(GW)

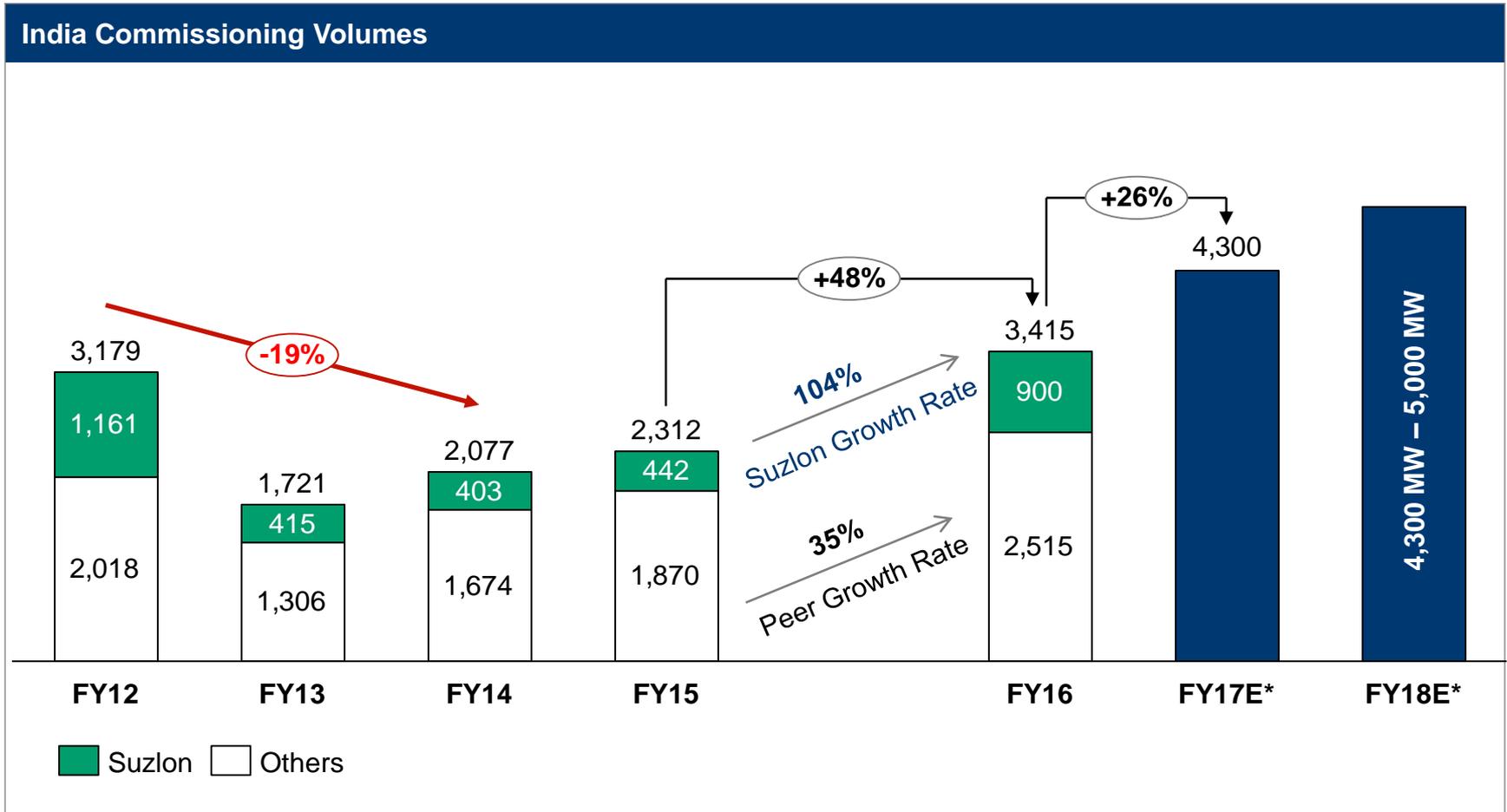


**India's COP21 commitment: To reduce 33-35% carbon emissions by 2030**

**Renewables preferred for affordability, sustainability and security**

# Annual Wind Capacity Addition

(MW)

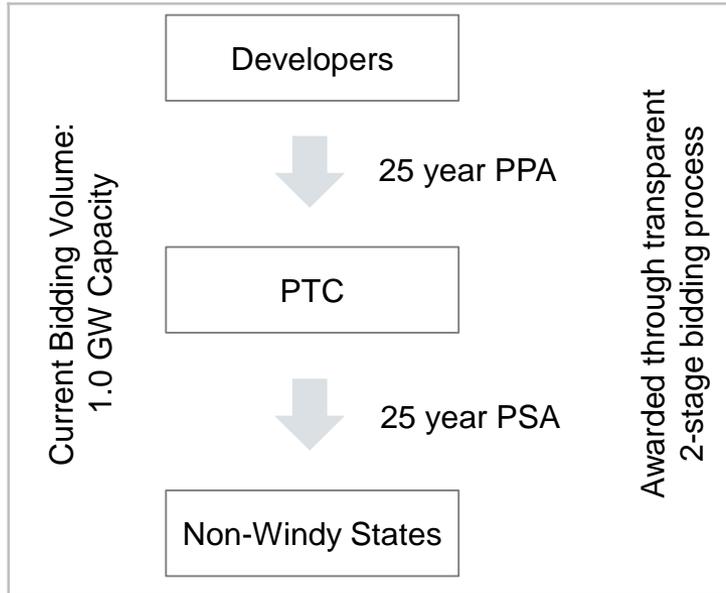


\*Source: Internal Estimates

India now 4<sup>th</sup> largest market globally on cumulative basis

# SECI Competitive Bidding Wind: Overview

## Bidding Structure



## Incremental Demand

	Existing	With ISTS
<b>4-5 GW p.a.</b> (MNRE Target ISTS market)		
Project Location	8 Windy States	8 Windy States
Power Demand	8 Windy States	29 States / 9 UTs

## Key Timelines

Developer Tariff Bidding	Completed
Reverse Auctioning and LOA with Developers	Feb'2017 (Expected)
Bidding Process and PSA with DISCOMS	To commence post LOA with developers
PPA with Developers	6 months from LOA
Project Commissioning	18 months from LOA

**Market size = Wind states demand (FiT) + Non wind states ISTS market (Competitive Bidding)**

# SECI Wind Bidding: OEM Business Model

## OEM Direct Bidding

Becomes a 3<sup>rd</sup> party order post bid capacity won is sold



### Capital Intensive

- OEM to invest his capital until he finds buyer for the project
- Even if divested immediately after the winning of the bid, min. 51% compulsory to hold until 1 year from COD



- **NIL MW capacity bid by Suzlon under this route**
- **Strategy was followed in Solar only to establish initial track record; not required in wind**

## Customer Bidder + Tie-up with OEM

Becomes a 3<sup>rd</sup> party order immediately after the bid is won



### Conservation of Capital

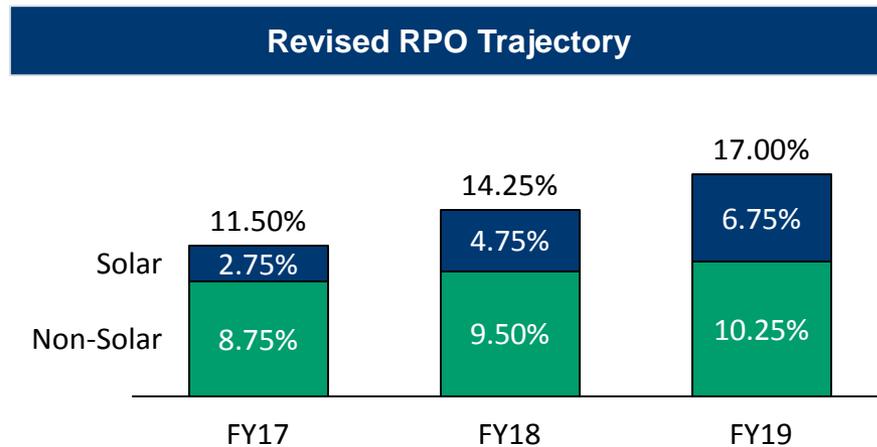
- Project ownership and capital investment by customer
- No capital investment required from OEMs



- **Bids for 1,750 MW capacity has been placed by bidders who are customers of Suzlon**

## Stable Feed in Tariff (FiT) Regime and Revised RPO Trajectory

State	Control Period	Non AD Tariff (Rs./Unit)	
		FY17	FY16
AP	31 <sup>st</sup> March 2020	4.84 	4.83
GJ	31 <sup>st</sup> March 2019	4.19 	4.15
KN	31 <sup>st</sup> March 2018	4.50 	4.50
MP	31 <sup>st</sup> March 2019	4.78 	5.92
TN	31 <sup>st</sup> March 2018	4.16 	3.96
RJ	31 <sup>st</sup> March 2019	6.04-5.76 	5.74-6.02
MH	31 <sup>st</sup> March 2020	5.56-3.82 	5.71-3.92



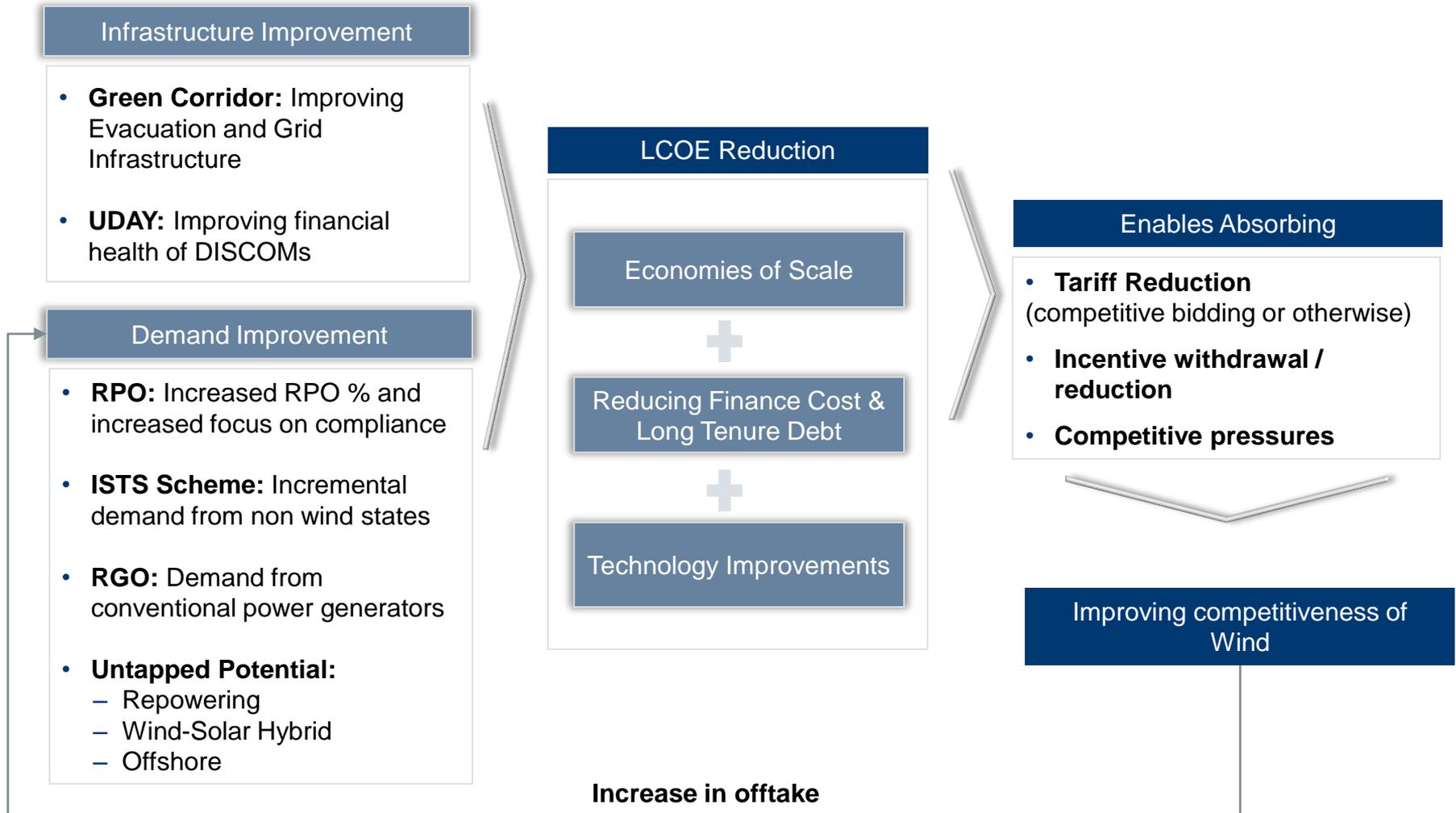
Source: Ministry of Power

- Applicable to open access and captive power generators
- Uniformly applicable to all states in India
- Draft RPO regulations for MP, RJ, KN and AP
- UDAY requires mandatory compliance with RPO norms

- **State Specific Uncertainties Averages Out on Pan India Basis**
- Every year only 2-3 states are major contributors to wind, while others go through slow down phase

Long Term certainty on tariff policy and growing RPO trajectory

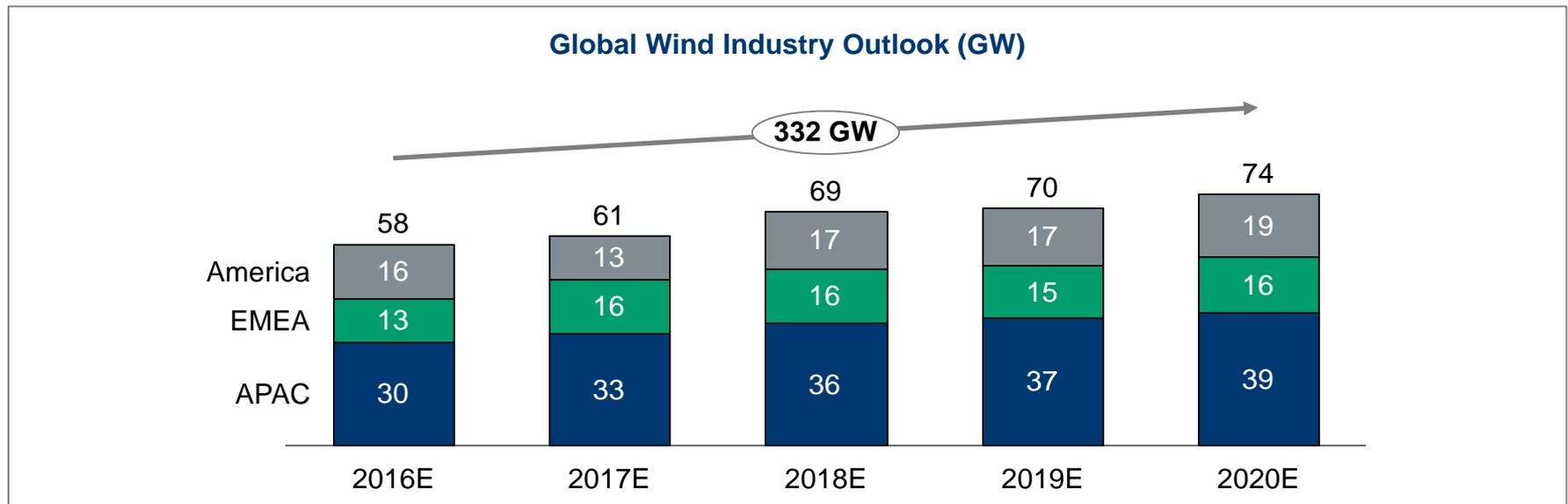
# India Wind Industry Growth Triggers



# 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

(Rs. Crs.)

Particulars	Q3 FY17 Unaudited	Q2 FY17 Unaudited	Q3 FY16 Unaudited	9M FY17 Unaudited	9M FY16 Unaudited	FY16 Unaudited
Revenue from operations	3,307	2,746	1,883	7,703	6,216	9,461
Less: COGS	1,841	1,466	1,023	4,221	3,520	5,602
<b>Gross Profit</b>	<b>1,466</b>	<b>1,281</b>	<b>860</b>	<b>3,482</b>	<b>2,696</b>	<b>3,859</b>
<b>Margin %</b>	<b>44.3%</b>	<b>46.6%</b>	<b>45.7%</b>	<b>45.2%</b>	<b>43.4%</b>	<b>40.8%</b>
Employee benefits expense	256	259	202	774	732	965
Other expenses (net)	465	436	326	1,206	1,082	1,552
Exchange Loss / (Gain)	29	-33	75	44	342	373
<b>EBITDA</b>	<b>716</b>	<b>619</b>	<b>257</b>	<b>1,458</b>	<b>539</b>	<b>969</b>
<b>EBITDA (Pre-FX Gain / Loss)</b>	<b>745</b>	<b>586</b>	<b>332</b>	<b>1,502</b>	<b>882</b>	<b>1,342</b>
<b>Margin %</b>	<b>22.5%</b>	<b>21.3%</b>	<b>17.6%</b>	<b>19.5%</b>	<b>14.2%</b>	<b>14.2%</b>
Less: Depreciation	109	95	98	288	280	398
<b>EBIT</b>	<b>607</b>	<b>524</b>	<b>159</b>	<b>1,170</b>	<b>259</b>	<b>571</b>
<b>EBIT (Pre-FX Gain / Loss)</b>	<b>636</b>	<b>491</b>	<b>235</b>	<b>1,215</b>	<b>601</b>	<b>943</b>
<b>Margin %</b>	<b>19.2%</b>	<b>17.9%</b>	<b>12.5%</b>	<b>15.8%</b>	<b>9.7%</b>	<b>10.0%</b>
Net Finance costs	314	281	272	885	912	1,216
<b>Profit / (Loss) before tax</b>	<b>293</b>	<b>243</b>	<b>(113)</b>	<b>285</b>	<b>(653)</b>	<b>(645)</b>
Less: Exceptional Items	0	0	0	0	(1,347)	(1,080)
Less: Taxes and Minority	19	6	9	33	3	(5)
<b>Net Profit / (Loss) after tax</b>	<b>274</b>	<b>238</b>	<b>(122)</b>	<b>252</b>	<b>691</b>	<b>439</b>
<b>Net Profit / (Loss) after tax (Pre-FX and Exceptional Items)</b>	<b>304</b>	<b>204</b>	<b>(46)</b>	<b>296</b>	<b>(314)</b>	<b>(268)</b>

Note: Servion was fully divested by Suzlon group on 29th April 2015. Accordingly 9M FY16 and FY16 consolidated results include 1 month of Servion performance, hence not directly comparable

## Reconciliation between IND GAAP and IND AS – Income Statement

(Rs. Crs.)

Net Profit	Q3 FY16	9M FY16	FY16
Reported Consolidated Profit / (Loss) as per IND GAAP	(113)	753	483
Effect of discounting long term liabilities	(6)	(17)	(24)
Acturial gain/ (loss) on defined benefit obligation recognised in other comprehensive income	(0)	(2)	1
Effect of Measuring ESOP at fair value	(3)	(14)	-17
Others	0	(30)	-3
<b>Reported Profit / (Loss) as per IND AS</b>	<b>(122)</b>	<b>691</b>	<b>439</b>

## Consolidated Net Working Capital

(Rs. Crs.)

	31 <sup>st</sup> Dec'16	30 <sup>th</sup> Sep'16	30 <sup>th</sup> Jun'16	31 <sup>st</sup> Mar'16
Inventories	3,769	3,475	3,078	2,554
Trade receivables	3,518	3,109	2,060	2,616
Loans & Advances and Others	1,917	1,667	1,675	1,481
<b>Total (A)</b>	<b>9,204</b>	<b>8,251</b>	<b>6,814</b>	<b>6,651</b>
Sundry Creditors	3,613	2,959	2,540	2,813
Advances from Customers	1,433	1,354	1,116	1,130
Provisions and other liabilities	1,775	1,705	1,739	1,536
<b>Total (B)</b>	<b>6,821</b>	<b>6,018</b>	<b>5,395</b>	<b>5,479</b>
<b>Net Working Capital (A-B)</b>	<b>2,383</b>	<b>2,232</b>	<b>1,419</b>	<b>1,172</b>

## Key Accounting Policies – Revenue Recognition and Order Booking

Opening Order Book	
<p><b>(-) Sales during the period</b></p>	<ul style="list-style-type: none"> <li>• <b>Sales (WTG Revenue Recognition)</b> <ul style="list-style-type: none"> <li>– WTG revenue is recognised upon transfer of risks and rewards to the buyer of complete WTG viz: Nacelle, Blade and Tower.</li> </ul> </li> </ul>
<p><b>(+) Order Intake during the period</b></p>	<ul style="list-style-type: none"> <li>• <b>Order Intake during the period</b> <ul style="list-style-type: none"> <li>– Only firm orders backed by threshold advance is added to order book</li> </ul> </li> </ul>
<p><b>Closing Order Book</b></p>	<ul style="list-style-type: none"> <li>• <b>Closing Order Book</b> <ul style="list-style-type: none"> <li>– Represents MW value of contract against which no revenue is recognized in the income statement</li> </ul> </li> </ul>

# Key Accounting Policy: Maintenance Warranty Provisions

## Maintenance Warranty Provisions

### ✓ 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



**THANK YOU**

