

Suzlon Energy Limited

H1 FY15 Earnings Presentation

31st October 2014

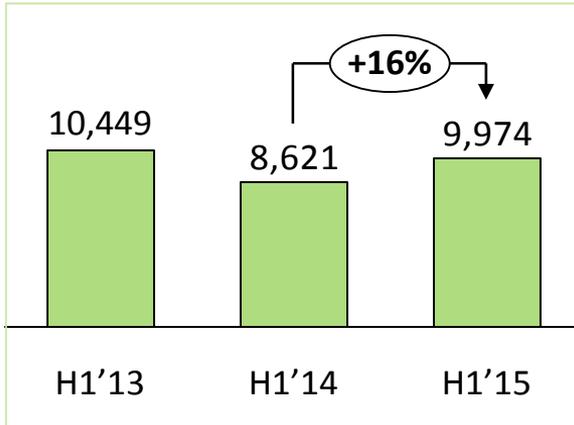
Senvion's offshore windfarm in Ormonde, U.K.

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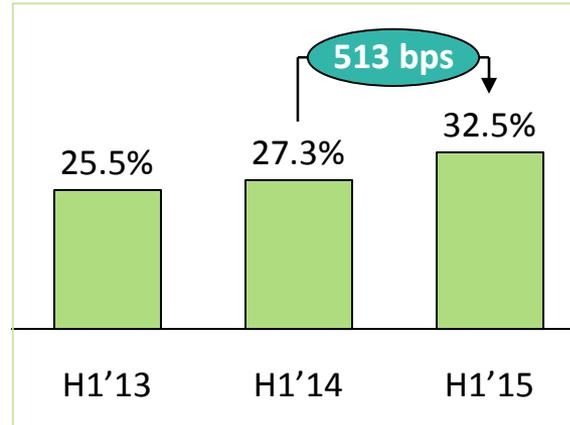
Key Takeaways – H1 FY15

Suzlon wind farm in Maharashtra, India

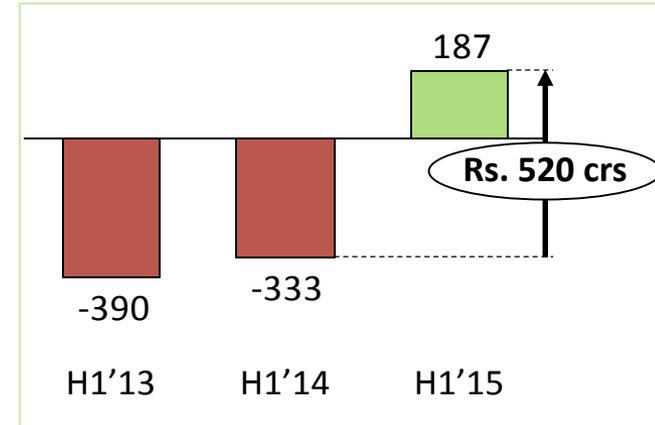
Revenue Trend (Rs. Crs)



Gross Margin (%)



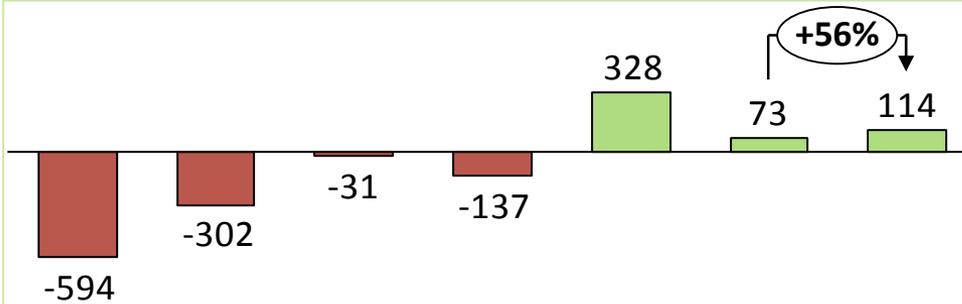
EBITDA Trend (Rs. Crs)



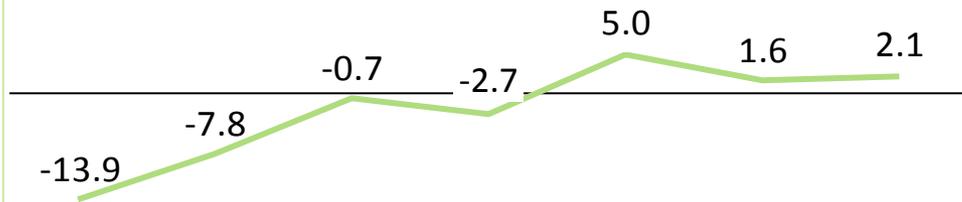
Positive EBITDA in H1 FY15

- **Positive EBITDA despite seasonally lower first half**
 - H1 is typically “low volume low profit” for the group
 - Volume upsides from Accelerated Depreciation not reflected in first half
- **Key Drivers – H1 FY15**
 - Robust performance at Senvion; revenue up **~18% YoY**
 - Increasing India volumes; up **~93% YoY**
 - Growing service revenue; up **~11% YoY**

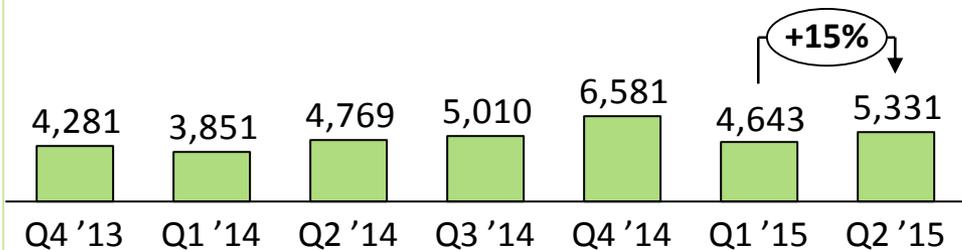
EBITDA Trend (Rs. Crs)



EBITDA Margin (%)



Revenue (Rs. Crs)



- **Achieved positive EBITDA despite low volume levels**
 - ~56% QoQ EBITDA increase against ~15% Revenue increase
- **Driven primarily by improving business efficiency**
 - Improved margins
 - Reduced fixed costs
- **Enhanced profitability from volume increase yet to be captured**

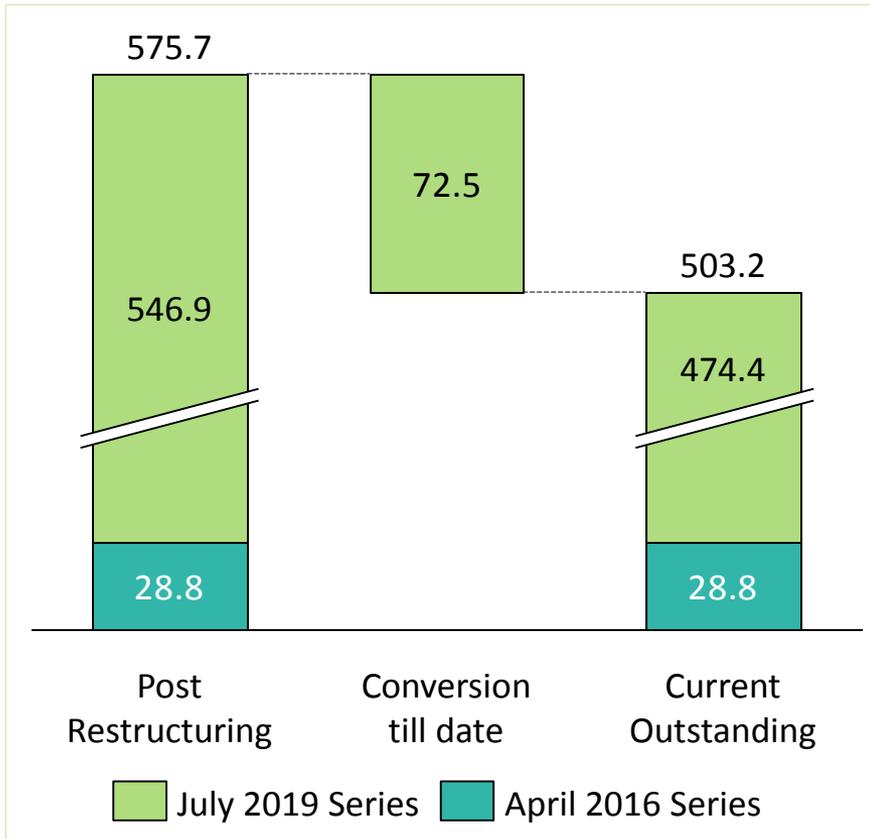
Economies of scale to drive future profits

Accelerated Depreciation (AD) Notified

Quarter	Key Events	Volume Impact
Q1 FY15	<ul style="list-style-type: none"> New pro renewables government Sector incentives anticipated 	 NIL
Q2 FY15	<ul style="list-style-type: none"> 10th July: AD reinstated, but with pending clarity No order enquiries given the uncertainty 	 Increase in Order Inflow
	<ul style="list-style-type: none"> 25th July: Verbal clarification by MoF Rise in enquiries, but order inflow limited, awaiting formal notification 	
	<ul style="list-style-type: none"> 16th Sep: Formal notification by amendment to finance bill Order inflow window of only 15 days captured in Q2 	
Q3 FY15	<ul style="list-style-type: none"> Conversion of enquiries into orders expected Improved pricing, thus better margins Delivery to take 3-6 months 	 High Order Intake
Q4 FY15	<ul style="list-style-type: none"> Order inflow momentum to continue Maximum delivery of AD orders 	 High Order Intake High Deliveries
FY16	<ul style="list-style-type: none"> Full year impact of AD to be captured Higher order inflow and execution Operations to benefit from better pricing and margins 	 High Order Intake High Deliveries

~150+ MW AD orders already received till date

Principal Value (US\$ Mn)



- **Conversion Details**

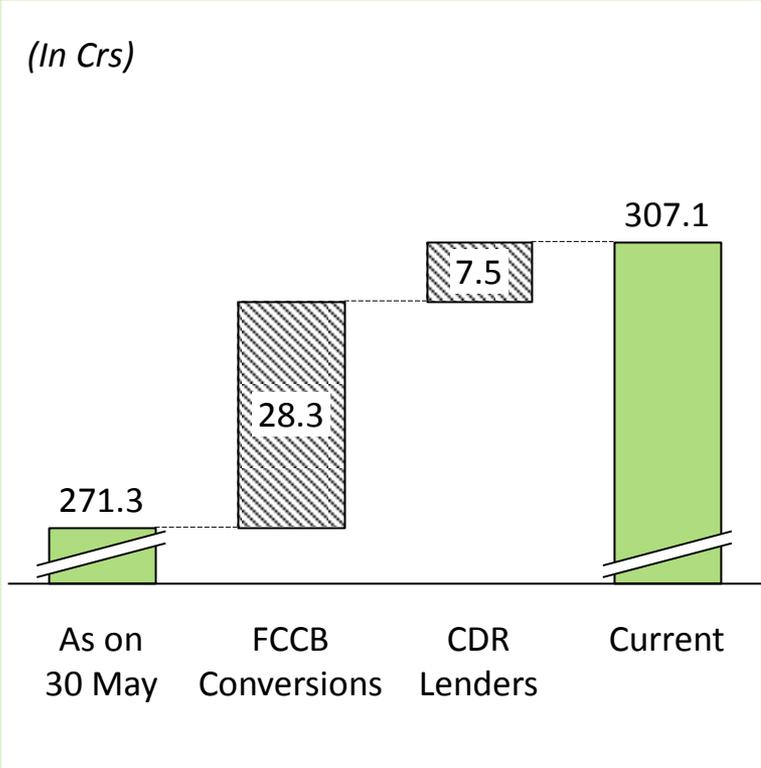
- Debt Converted: US\$72.5M
- Exchange Rate: Rs. 60.225
- Conversion Price: Rs. 15.46 per share
- Issue of ~28+crs shares

- **Strengthening Balance Sheet**

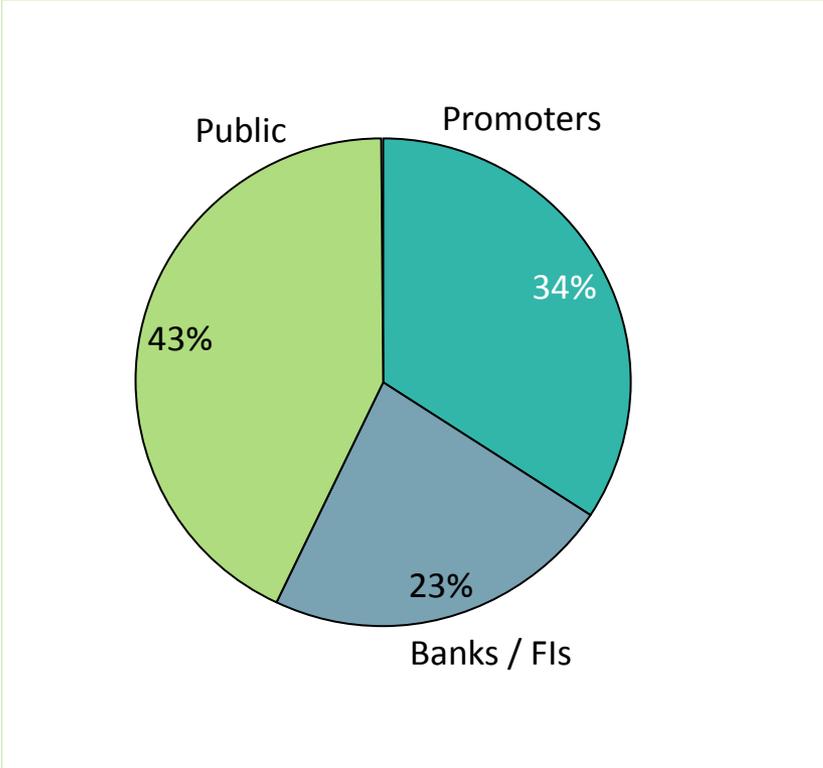
- Debt reduced by ~Rs. 450 crs
- Debt equity ratio improves

Reduced debt obligation

Equity Shares as on date



Shareholding Pattern



Performance Update

SENVION

3.2M₁₄

Senvion's 3XM turbine



Rs Crs

Particulars	Q2 FY15	Q2 FY14	Q1 FY15	H1 FY15	H1 FY14	FY14	FY13
Consolidated Revenue	5,331	4,769	4,643	9,974	8,621	20,212	18,743
Consolidated EBITDA	114	-31	73	187	-333	-141	-1,296
Consolidated EBIT	-64	-229	-106	-170	-711	-918	-2,037
Consolidated Net working capital	630	1,677	1,331	630	1,677	722	2,543

Key takeaways:

- **Improved Profitability**

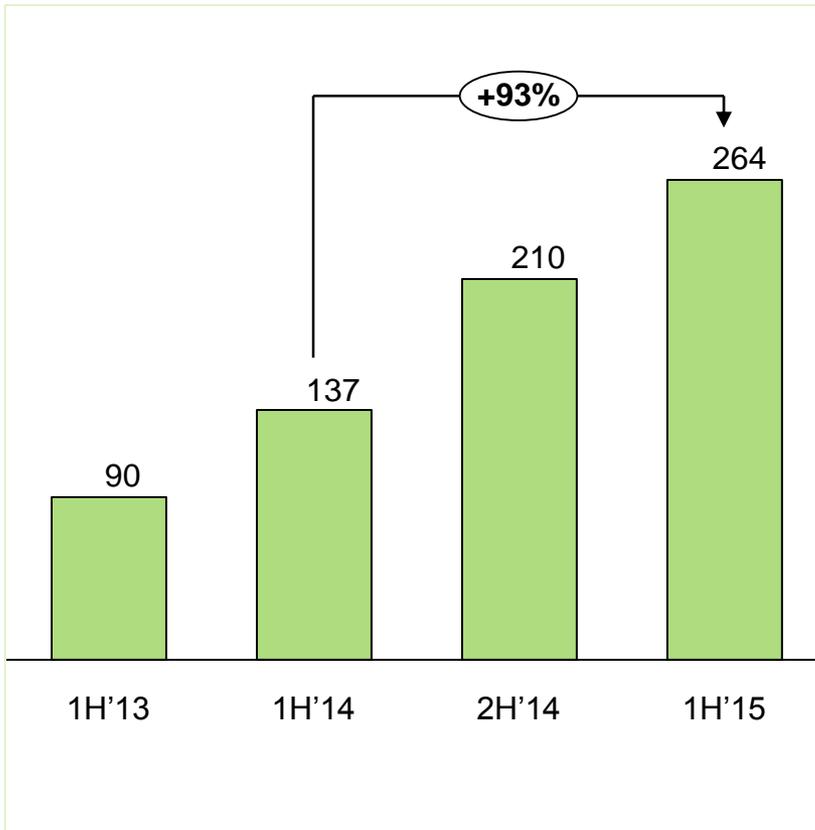
- Execution of better margin orders
- Focus on core profitable markets
- Increasing focus on newer products

- **Stable Volumes**

- Suzlon Wind H1 Volumes at ~359 MW
- Strong performance by Servion and Service verticals

3rd Consecutive quarter of positive EBITDA reaffirms improving performance

India Volumes (MW)



- **Increasing volumes in India Market**

- High growth, high volume market

- **Restructuring efforts paying off**

- Manpower expenses lower ~23% since H1FY12

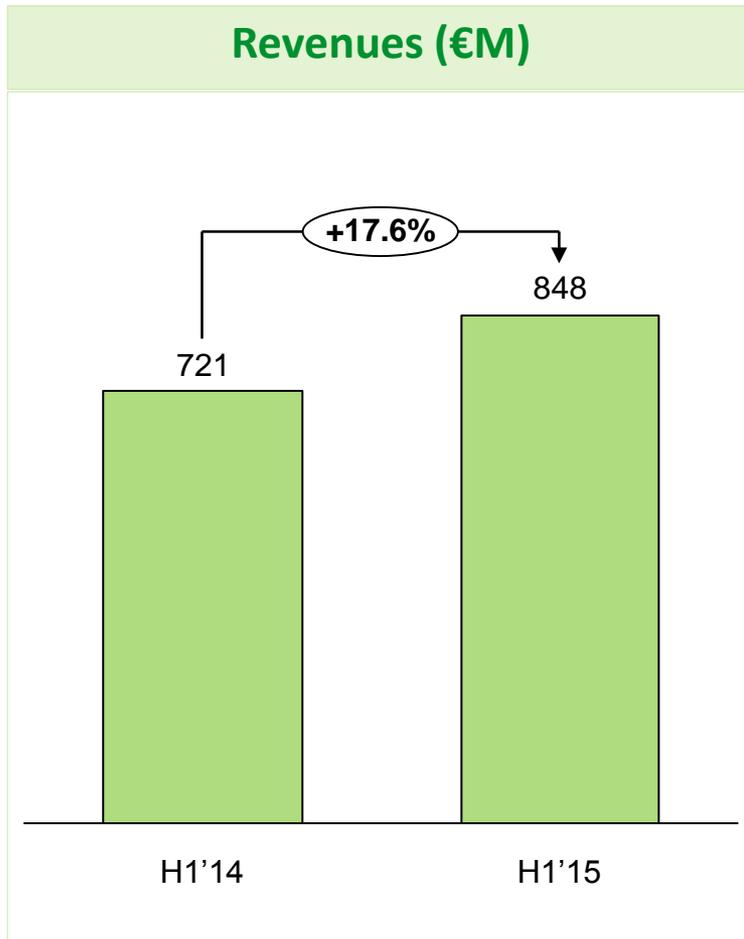
- Other Fixed Expense lower ~25% since H1FY12

- **1st Half volumes seasonally lower**

- Improvement to be seen in 2nd half

- Upside from AD expected to start in H2

Resurgence of India wind story



- **Strong Growth Momentum**

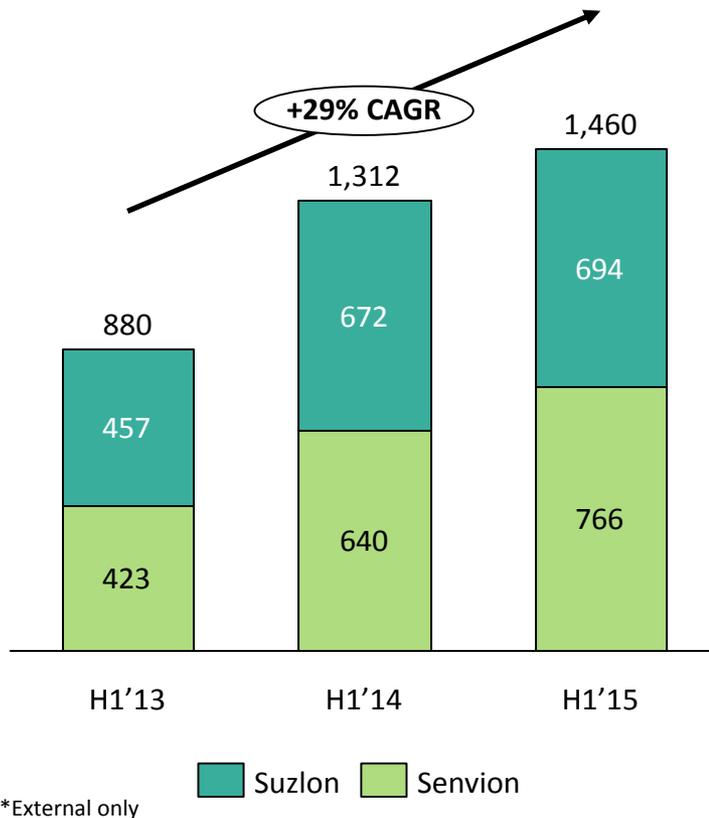
- Lead by installations in Europe and Canada

- **Key Updates**

- Expands 3XM series with 3.4M114 and 3.2M114VG
- 3.0M122 prototype commissioned in windfarm Mehrum (Germany)
- First MM92 nacelles assembled for the Australian market at Ventipower S.A.
- First project with blades produced at Powerblades Inc installed in Ontario (Canada)

Continues to grow...

Revenues (Rs. Crs)*



Key Highlights

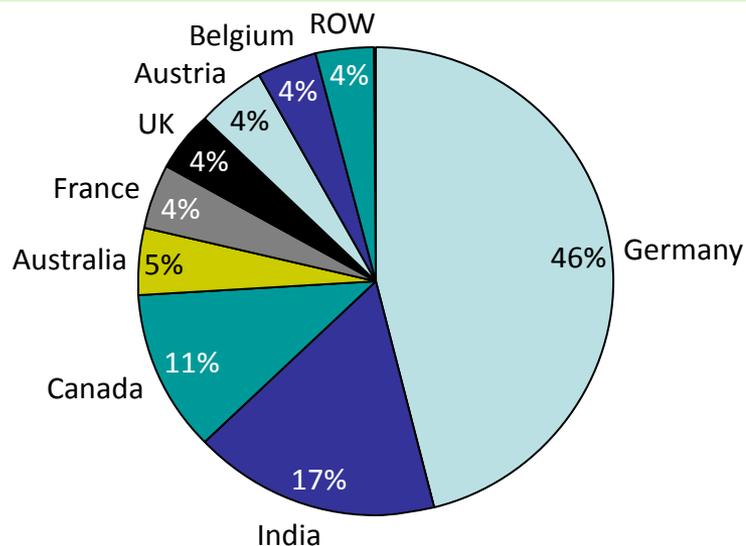
- **H1 FY15 OMS revenue at ~Rs. 1,460 crs**
— >11% higher than H1 FY14
- **High growth with stable and consistent margins**
- **Near 100% renewal track record**

Annuity like cash flows over turbine life

Robust Order Book Position

Total value of US\$6.3 bn (as on 30th Sep 2014)

Order book by geography – US\$6.3bn*



- Order book at ~4.6 GW
- Order book value: US\$ 6.3bn
 - Emerging : ~US\$1.1bn
 - Developed : ~US\$5.2bn*
- Strong order book with deliveries up to FY17

Order Book lower than last reported (US\$7.0bn as on 25th Jul'14)

- Change in reporting date: Quarter End Date vs Board Meeting Date
 - Orders received post 30th Sep'14 not included
 - Incremental order inflow for 67 days only (since 25th Jul'14)
- Higher execution in Q2 FY15

As on 30th Sep 2014. Exchange rate – USD/EUR – 1.27, INR/EUR – 76.92, INR/USD – 61.23

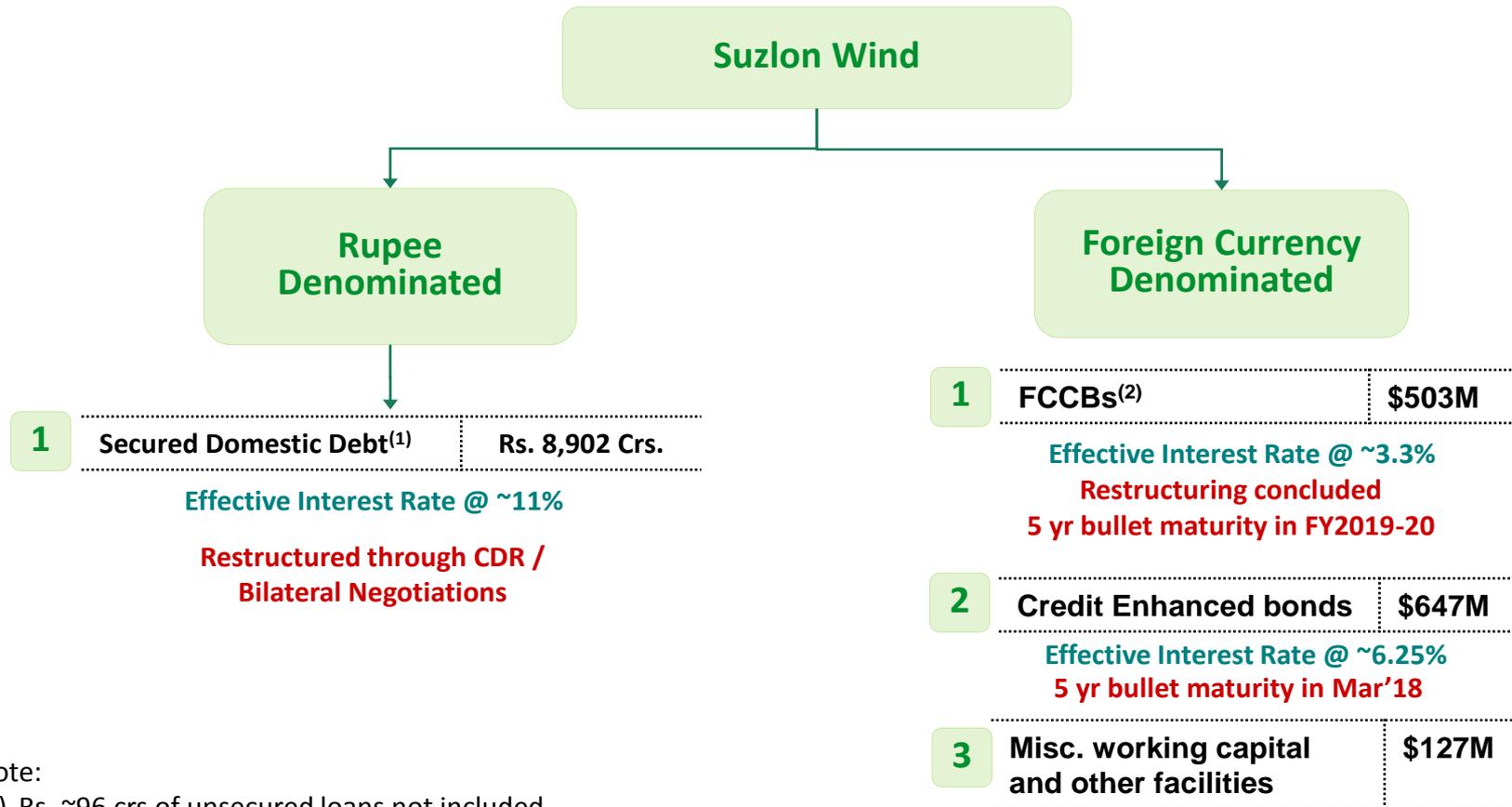
*Includes POC revenues (US\$ 1.8 bn) already recognized (project risk yet to be transferred)

Debt Overview



Suzlon wind farm in Camocim, Brazil

As on 30th Sep 2014



Note:

(1) Rs. ~96 crs of unsecured loans not included

(2) Adjusted for US\$3.1M converted after 30th Sep'14

Technology Update



Suzlon wind farm in Rajasthan, India



S97_120M HYBRID Tower

- Prototype installation completed
- Type Certificate Received
- Inauguration planned on 6th Nov 2014

- First Blade SB54 produced and tested
- Proto type installation approval received from TANGEDCO
- Proto type installation on track for completion in FY15



S111 2.1



3XM Expanded

- Introduced 3.4M114
- Higher yield as compared to existing 3.2M114
- Suited for locations with average wind speeds in Europe and Australia

- First project with blades produced at Powerblades Inc installed in Ontario (Canada)



Blade produced in Canada

Expanded Our Successful 3XM Offering

Optimized yield for medium wind sites

Class II: Medium Wind Sites

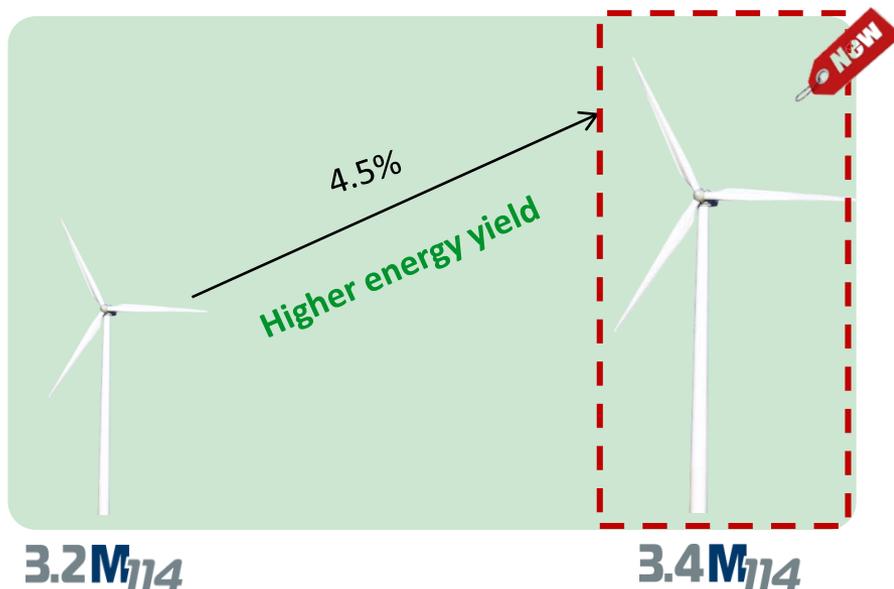
Higher energy yield



Lower cost of energy



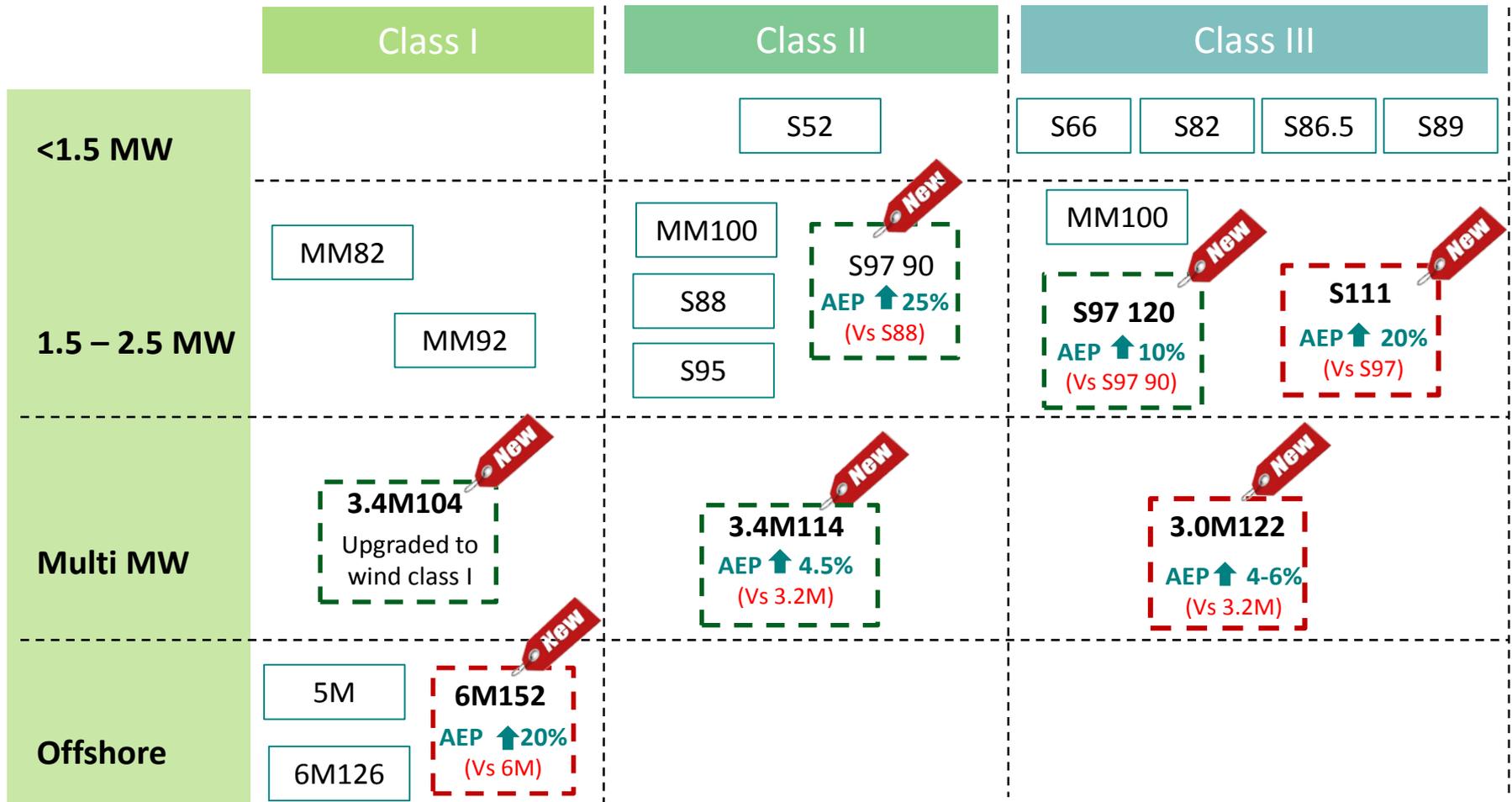
Higher returns



- Aerodynamically optimized product
- Hub Height: Available in 93, 123 and 143 M
- Certification in process
- Proto-type: Already Installed
- Serial Production: Summer 2015

Note: AEP increase are approximate and under certain conditions

Expansive product portfolio covering all wind classes



New Product Launches in last 2 years Upgraded products in last 2 years

AEP = Average Energy Production

Warranty provisions consistently below 2%

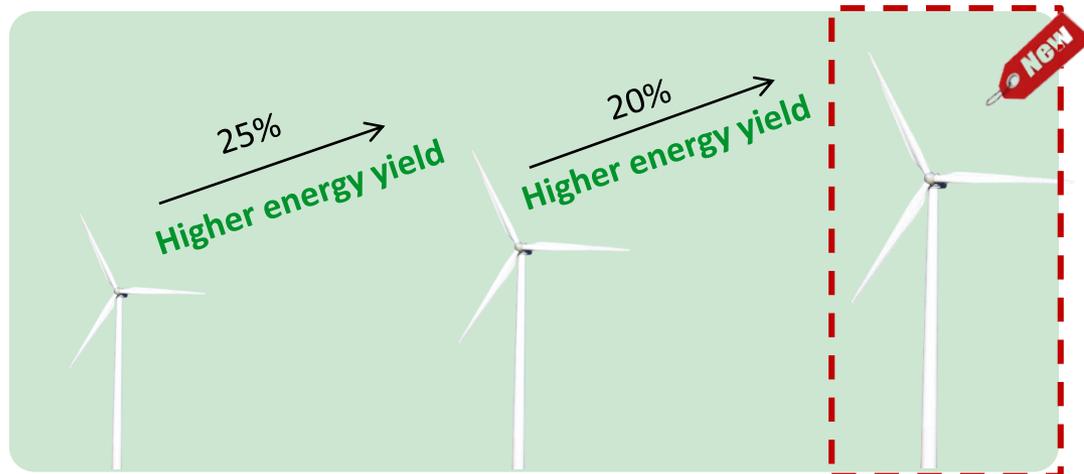
Note: AEP increase are approximate and under certain conditions

Class III: Low Wind Sites

Higher energy yield

Lower cost of energy

Higher returns



S88

S9X

S111

~5.5 GW already installed till date

~900 MW already installed till date

First agreement in US concluded

- Better generation
- Lower cost of energy
- Higher IRR for customers
- Makes low wind sites viable

S111 best suited for low wind sites in India and US markets

Note: AEP increase are approximate and under certain conditions

Hybrid Tower



- **Prototype Installed: Jamanwada, Gujarat**
- **Available in S97 and S111 product suite**

- **Hybrid Tower**
 - Combination of lattice and tubular
 - Saves costs
- **Higher Hub height – 120 mts (33% increase over current 90 mts)**
 - ~ 3-4% better wind speed at higher height
 - 10-12% increase in annual generation
- **Higher generation and lower costs results in higher profitability for clients**
- **3-4 years head start in this technology**
 - Commissioned in June 2014
 - First order with new tower variant booked for 100MW

Game changer for low wind sites across the globe

Note: AEP increase are approximate and under certain conditions

India Wind Story – A Huge Opportunity

Suzlon wind farm in Rajasthan, India

Accelerated Depreciation (AD)

Overview and Policy

- Withdrawn in Mar 2012, reintroduced in July 2014 and notified in September 2014

Impact: Brings back SME interest, Captive demand

Generation Based Incentives (GBI)

Overview and Policy

- Withdrawn in March 2012, reintroduced in Mar 2013 and notified in Sep 2013
- Rs.0.50/unit incentive to generators with a cap of Rs.1 cr/MW, up from Rs.0.62 cr/MW

Impact: IPPs to focus on setting up new capacities

Access to low cost funding

Overview and Policy

- National Clean Energy cess doubled to Rs.100/mt
- This Fund to be used for GBI, low cost funding and green corridors

Impact: Higher corpus available to facilitate growth

Mandatory CSR (Renewables)

Overview and Policy

- Under new Companies Act, eligible companies have to spend 2% of its average net profit on CSR activities
- Renewable energy / WTG qualifies under mandatory CSR spend

Impact: Demand from Corporates / PSUs to strengthen

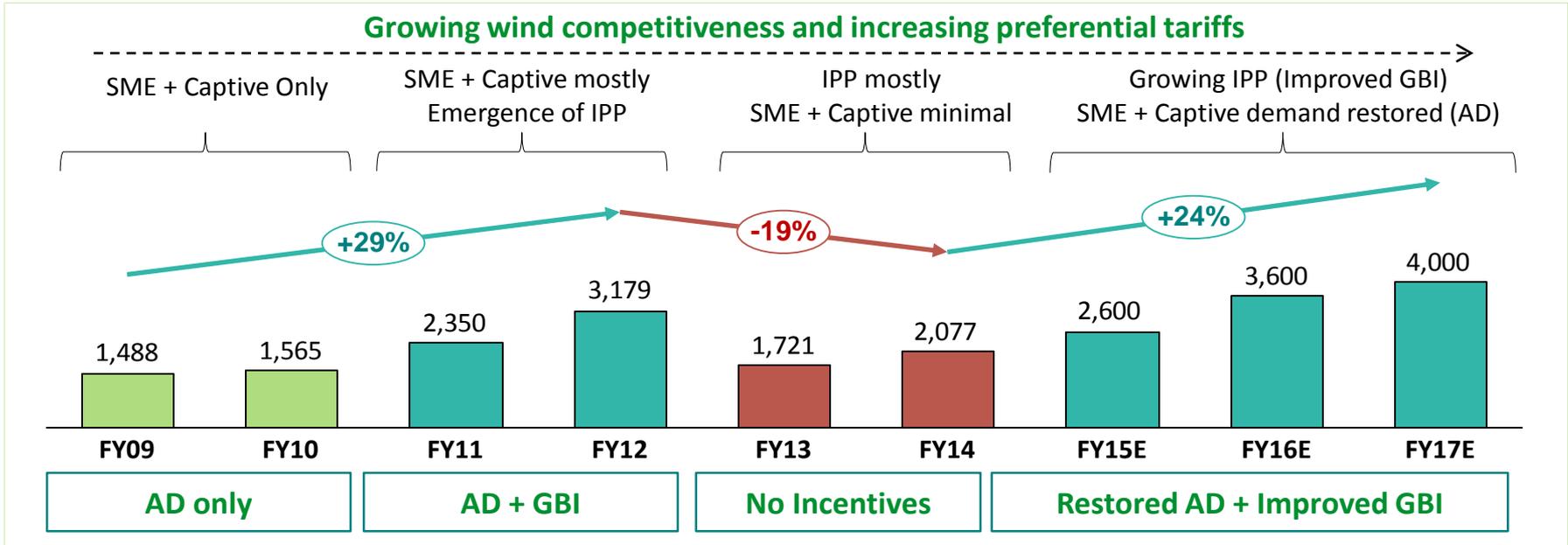
Other incentives

- Fast tracking of implementation of **Green Corridor** will address evacuation constraints
- Long term funding to infrastructure projects (Up to 25 years)
- 4% SAD on parts and raw material for WTG manufacturing removed

Suzlon, market leader in India, stands to be biggest beneficiary

Annual Wind Installations (MW) - India

Growing wind competitiveness and increasing preferential tariffs



MNRE Estimates

Suzlon Unique Leadership Position to help capture...

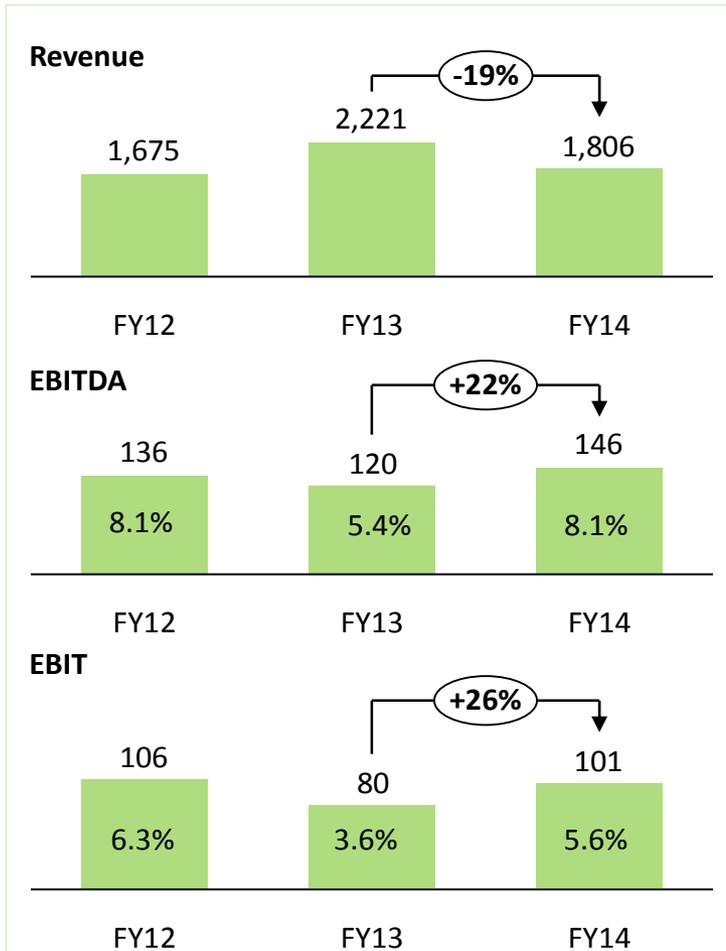
- ✓ Pan – India presence with strong sales force in each state
- ✓ >1,700 satisfied SME and captive customer base with high repeat business potential
- ✓ End to end solution provider;
- ✓ Best in class service; custodian of 8+ GW assets
- ✓ Strong track record of 18+ years of leadership in India and proven execution capabilities

...resurging India wind story

Senvion

Clauen Onshore Wind Farm, Germany

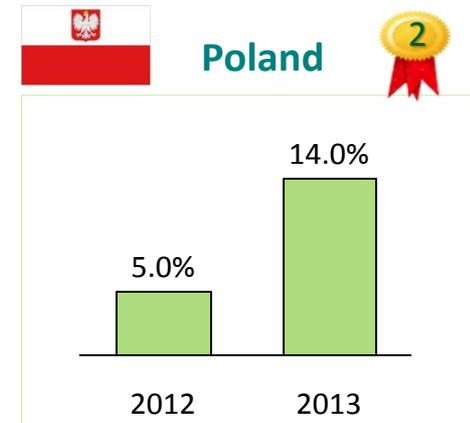
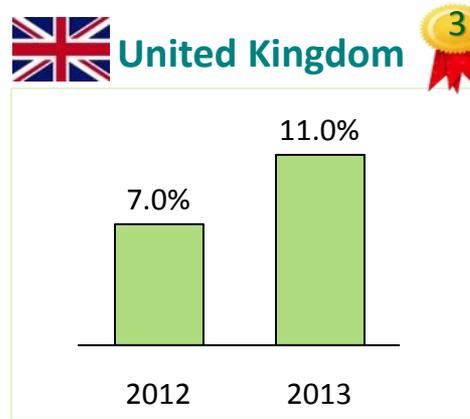
Financial Performance (€M)



Highlights of FY14

- **Performance on track despite adverse market dynamics**
 - ~25% increase in profitability despite ~20% decline in revenue
- **Restructuring goal achieved**
 - Exceeded the €100m cost saving target
- **Asset Light and nimble**
 - Helps react to changing environments swiftly
- **Installation feat:**
 - Crosses **5,000 WTGs**; cumulatively at >10 GW
 - Crosses **1 GW** milestone in UK
- **Marquee Orders**
 - Its largest onshore contract in Canada for 350 MW
 - Its largest EPC contract in Australia for 106.6 MW

One of the most profitable asset in wind space, even during difficult industry periods

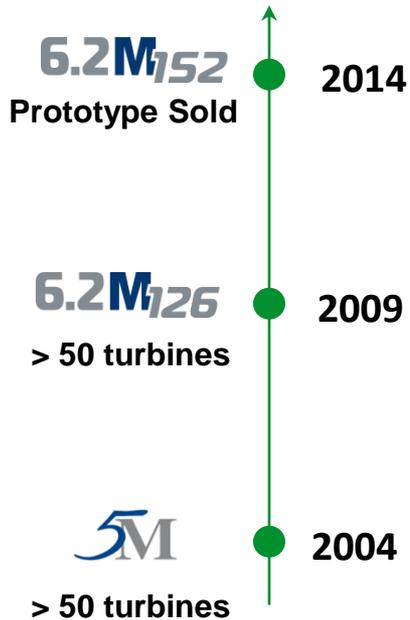


Source: MAKE consult report 2013

 Market Position

Strengthened position in core markets, expanding presence in new and emerging markets

Evolving Product Technology



- **Proven product technology**

- Largest commercially proven offshore turbine – 6.2 MW
- Large rotor diameter with sweeping area larger than 3 football pitches – 152 mts
- Nacelle alone is as big as two detached houses

- **>10 years of operating experience**

- ~100 offshore turbines with ~600 MW installed

- **Competence in “true offshore”**

- “True offshore” is >50KM distance from shore and >32M in water depth
- Installations far more complex than near shore wind
- One of the very few players with far offshore competence

We believe “true offshore” to be the fastest growing segment in coming years

Beatrice



**2 x 5M
(10 MW)**

2006-2007

Thornton Bank I



**6 x 5M
(30 MW)**

2008-2009

Alpha ventus



**6 x 5M
(30 MW)**

2009-2010

Ormonde



**30 x 5M
(150 MW)**

2011

Thornton Bank II/III



**48 x 6.XM
(295 MW)**

2012-2013

Nordsee Ost



**48 x 6.XM
(295 MW)**

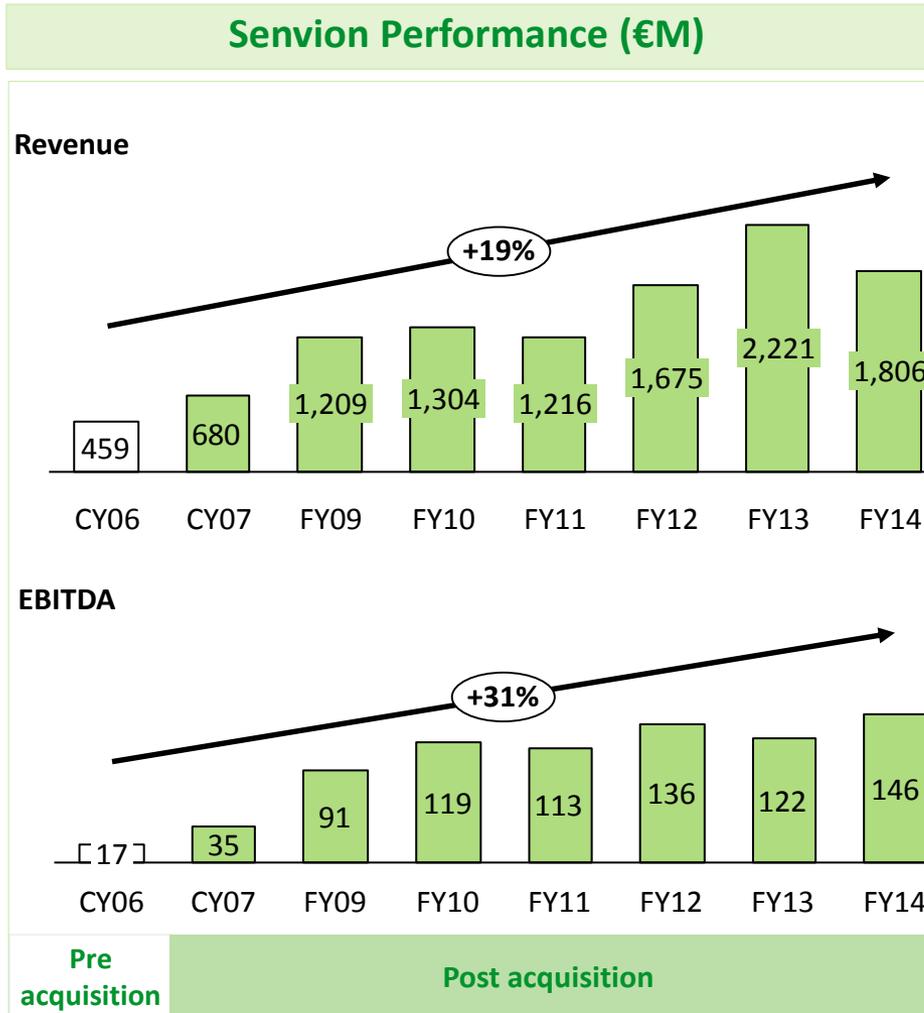
2014*

*under installation



- **Project with largest fleet of 6M turbines**
- **One of the largest project financed offshore wind farms in Europe (~€900mn)**
- **Total project cost: ~€1.3bn**
- **~30KM off the coast & up to ~30 meters deep)**
- **On time and within budget**
- **Showcase project for the European Offshore Industry**

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



*As per Senvion's local GAAP

- **High Growth and Profitability**

- Revenue 4x since acquisition, profitability 8 times

- **Newer markets**

- Entered new high growth markets such as USA, Canada, Australia, Romania etc.

- **Introduced newer technology and products**

- Highly successful 3XM onshore series
 - Highly successful 6XM offshore series
 - Broadened product portfolio covering all site types and wind classes

- **Operational efficiency**

- Successful restructuring efforts to optimize cost and manpower
 - Rationalized working capital requirements

From regional to global player

FY15 Outlook and Next Steps



Suzlon Manufacturing unit in Dhule, India

	Factors	Past 2 years	Current	Impact / Change
Industry	India	<ul style="list-style-type: none"> Lack of Incentives Unfavorable policy shifts Political Uncertainty 	<ul style="list-style-type: none"> GBI + AD re-introduced Low cost fund from National Clean Energy Fund Strong renewable push from central and state government 	<ul style="list-style-type: none"> Market Size Halved  <ul style="list-style-type: none"> Poised to grow @ 40+%
	Global	<ul style="list-style-type: none"> Global Slowdown 	<ul style="list-style-type: none"> Recovering US and Europe economies 	<ul style="list-style-type: none"> Global installations down 21%  <ul style="list-style-type: none"> Poised to grow @ 40%
Operational	Business Model	<ul style="list-style-type: none"> Made to Stock Multiple product suite 	<ul style="list-style-type: none"> Made to Order Streamlined product offering 	<ul style="list-style-type: none"> High Working capital Low Profitability High Break even levels
	Payment Terms	<ul style="list-style-type: none"> Up to 40% on delivery, balance on commissioning 	<ul style="list-style-type: none"> Up to 70% on delivery, balance on commissioning 	
	Employee Base & Cost Structure	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Rationalized 	 <ul style="list-style-type: none"> Low Working capital Normalized profitability Low Break even levels
	Revenue Mix	<ul style="list-style-type: none"> Less profitable legacy orders Long pending orders for old products and LDs for delays 	<ul style="list-style-type: none"> Legacy orders executed in full Profitable current orders 	
Leverage	Debt Overhang	<ul style="list-style-type: none"> Under Default Repayment pressures 	<ul style="list-style-type: none"> Comprehensive liability management completed Back ended repayment structure 	<ul style="list-style-type: none"> Volume compromised due to liability management Strained cash flows No external financing  <ul style="list-style-type: none"> Complete volume focus Improved liquidity Capital rebalancing opportunity
	Capital Structure	<ul style="list-style-type: none"> 70% of debt in India, contributing less than 15% of revenue (FY14) 	<ul style="list-style-type: none"> Focus on capital rebalancing Low cost FX funds to pay down high cost domestic debt 	

Focus on Select Markets

- High Growth, High volume, Better margin markets only



Superior Technology

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



Best in Class Service

- Aimed at maximising energy yield, increasing customer IRR

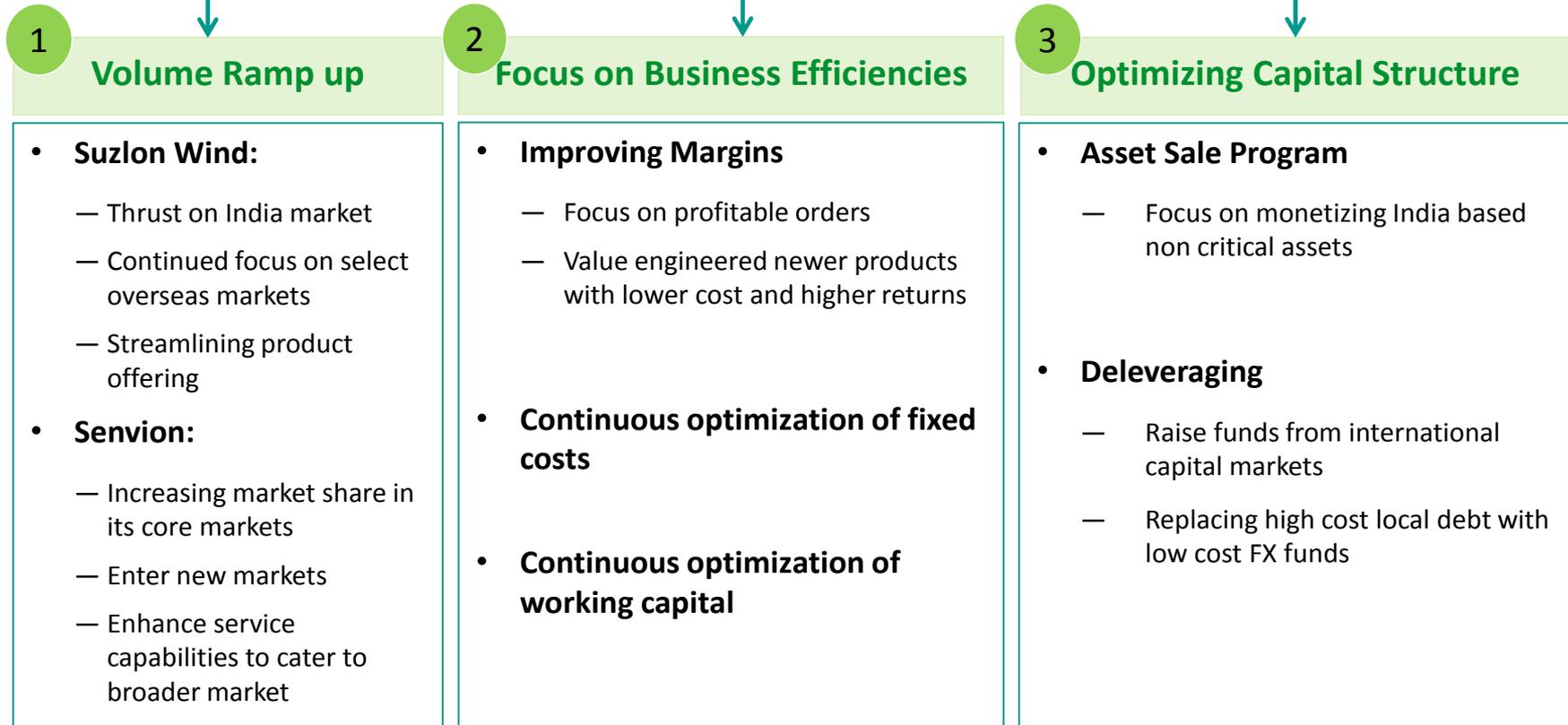


Operational Efficiency

- Optimizing fixed cost and working capital

**Increasing
Market
Competitiveness**

Specific Priorities for FY15



Higher Volume + Increased Business Efficiency + Optimized capital structure = Higher profitability

Detailed Financials

Suzlon Wind farm in Cookhouse, South Africa

Rs Crs.

Particulars	Q2 FY15	Q1 FY15	Q2 FY14	H1 FY15	H1 FY14	FY14	FY13
Revenue from operations	5,331	4,643	4,769	9,974	8,621	20,212	18,743
Less: COGS	-3,649	-3,087	-3,533	-6,736	-6,264	-14,435	-13,640
Gross Profit	1,681	1,556	1,236	3,238	2,356	5,776	5,104
Gross Profit %	31.5%	33.5%	25.9%	32.5%	27.3%	28.6%	27.2%
Employee benefits expense	-551	-583	-552	-1,134	-1,106	-2,231	-2,133
Other expenses	-979	-958	-684	-1,937	-1,443	-3,621	-4,131
Exchange (Loss) / Gain	-85	29	-70	-56	-225	-256	-307
Other Operating Income	48	29	40	77	85	191	170
EBITDA	114	73	-31	187	-333	-141	-1,296
EBITDA %	2.1%	1.6%	-0.7%	1.9%	-3.9%	-0.7%	-6.9%
Less: Depreciation	-178	-179	-198	-357	-378	-777	-740
EBIT	-64	-106	-229	-170	-711	-918	-2,037
EBIT %	-1.2%	-2.3%	-4.8%	-1.7%	-8.2%	-4.5%	-10.9%
Finance costs	-523	-537	-484	-1,061	-981	-2,070	-1,855
Finance Income	13	12	12	25	22	71	152
Profit / (Loss) before tax	-575	-631	-702	-1,205	-1,669	-2,916	-3,740
Less: Exceptional Items	0	-103	-67	-103	-203	-487	-643
Less: Tax	-60	-17	-10	-76	33	-144	-349
Less: Minority	-22	0	-4	-22	-2	28	8
Net Profit / (Loss) after tax	-656	-751	-782	-1,407	-1,841	-3,520	-4,724

Consolidated Net Working Capital

Rs Crs

Particulars	As on 30 th Sep'14	As on 30 th Jun'14	As on 31 st Mar'14	As on 31 st Dec'13	As on 30 th Sept'13	As on 30 th June'13	As on 31 st Mar '13
Inventories	3,838	4,104	4,033	5,016	5,274	5,386	5,264
Trade receivables	5,196	5,953	5,946	5,725	5,889	5,759	6,382
Loans & Advances and Others	3,192	3,355	2,911	3,303	3,409	3,028	2,837
Total (A)	12,226	13,412	12,890	14,044	14,572	14,173	14,483
Sundry Creditors	5,328	5,413	5,285	5,243	5,183	4,645	4,651
Advances from Customers	2,199	2,413	2,620	3,295	3,766	3,987	4,168
Provisions and other liabilities	4,068	4,255	4,263	4,016	3,946	3,514	3,121
Total (B)	11,596	12,081	12,168	12,554	12,895	12,146	11,940
Net Working Capital (A-B)	630	1,331	722	1,490	1,677	2,027	2,543
NWC as % of sales	2.9%	6.3%	3.6%	8.3%	9.9%	11.4%	13.6%

Consolidated Balance Sheet (As per new Schedule VI format)

Rs Crs.

Liabilities	Sep'14	Mar'14
Shareholders' Fund		
a) Share Capital	611	498
b) Reserves and Surplus	-2,571	-1,041
	-1,960	-544
Share application money pending allotment	138	162
Preference Shares	6	6
Minority Interest	58	58
Non Current Liabilities		
a) Long Term Borrowings	13,770	11,641
b) Deferred tax Liability	778	792
c) Other Non Current Liabilities	408	355
	14,957	12,788
Current Liabilities		
a) Short Term Borrowings	3,553	3,523
b) Trade Payables	5,328	5,285
c) Other Current Liabilities	4,351	6,625
d) Due to customers	217	211
e) Short Term Provisions	1,708	2,201
	15,158	17,844
Total equity and liabilities	28,356	30,315

Assets	Sep'14	Mar'14
Non Current Assets		
a) Fixed Assets	13,279	13,948
b) Non Current Investments	3	4
c) Deferred Tax Asset (Net)	61	54
d) Long Term Loans & Advances	517	518
e) Other Non Current Assets	309	321
	14,169	14,845
Current Assets		
a) Current Investments	80	703
b) Inventories	3,838	4,033
c) Trade Receivables	2,942	2,687
d) Cash and bank balances	2,480	2,448
e) Short Term Loans & Advances	2,101	1,845
f) Due from customers	2,254	3,259
g) Other Current Assets	493	496
	14,187	15,470
Total Assets	28,356	30,315

Thank You

Suzlon wind farm in Paracuru, Brazil