



# **Suzlon Energy Limited**

**Q1 FY16 Earnings Presentation**

**31<sup>st</sup> July 2015**

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**Quarterly Performance**

Industry Opportunities

Products & Technology

Strategic Focus

Detailed Financials

## Q1 FY16 - Key Performance Highlights

 **205 MW** –Domestic Sales Volume

 **15.3%** - Normalized EBITDA Margin

 **Rs. 7,010 crs** - Consolidated Net Debt (Excl. FCCB); From Rs. 14,821 crs QoQ

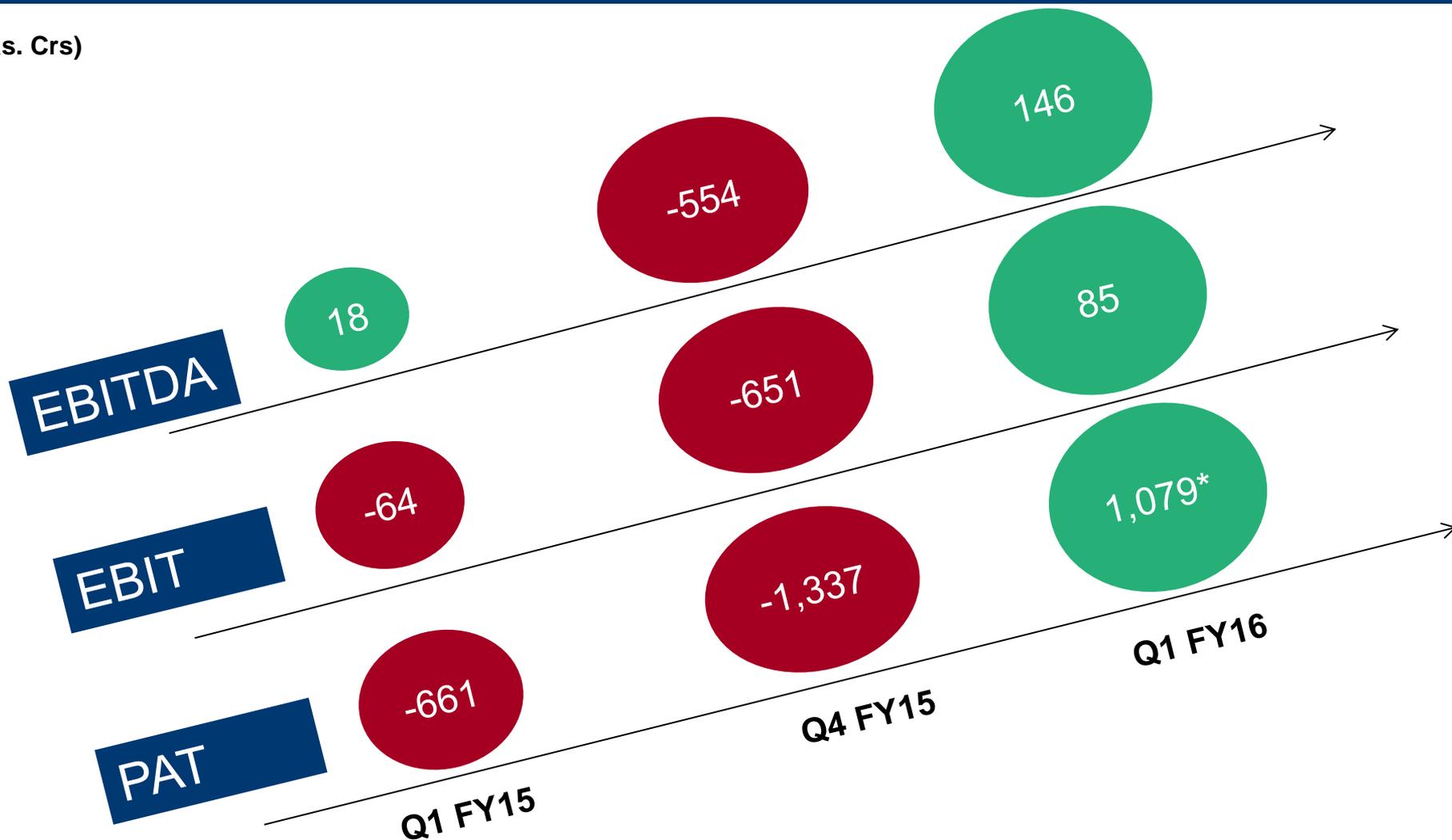
 **>1,107 MW** - Strong Order Book

 **Rs. 3,070 crs** –Strong liquidity position to capitalize growth opportunity

**Note:** 1. Information pertains to Suzlon Wind unless otherwise stated;  
2. Consolidated Results includes one month of Servion's performance, hence not comparable  
3. Normalised EBITDA adjusted for LD and Foreign Exchange fluctuations

# Business Turnaround

(Rs. Crs)



\*PAT includes one time exceptional gain of Rs. 1,289 crs (below EBIT line item)

**Turnaround Commences**

**Note:** 1. Information pertains to Suzlon Wind unless otherwise stated;  
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## Volume:

- Highest quarterly volume (205 MW) in India in last 3 years

## Financial Performance:

- Highest quarterly normalized EBITDA and Margin at 15.3% in last 3 years
- Quarterly EBIT break even after 3 years

## Order Intake:

- Net Order Intake up 28% YoY, 69% QoQ;

## Leverage:

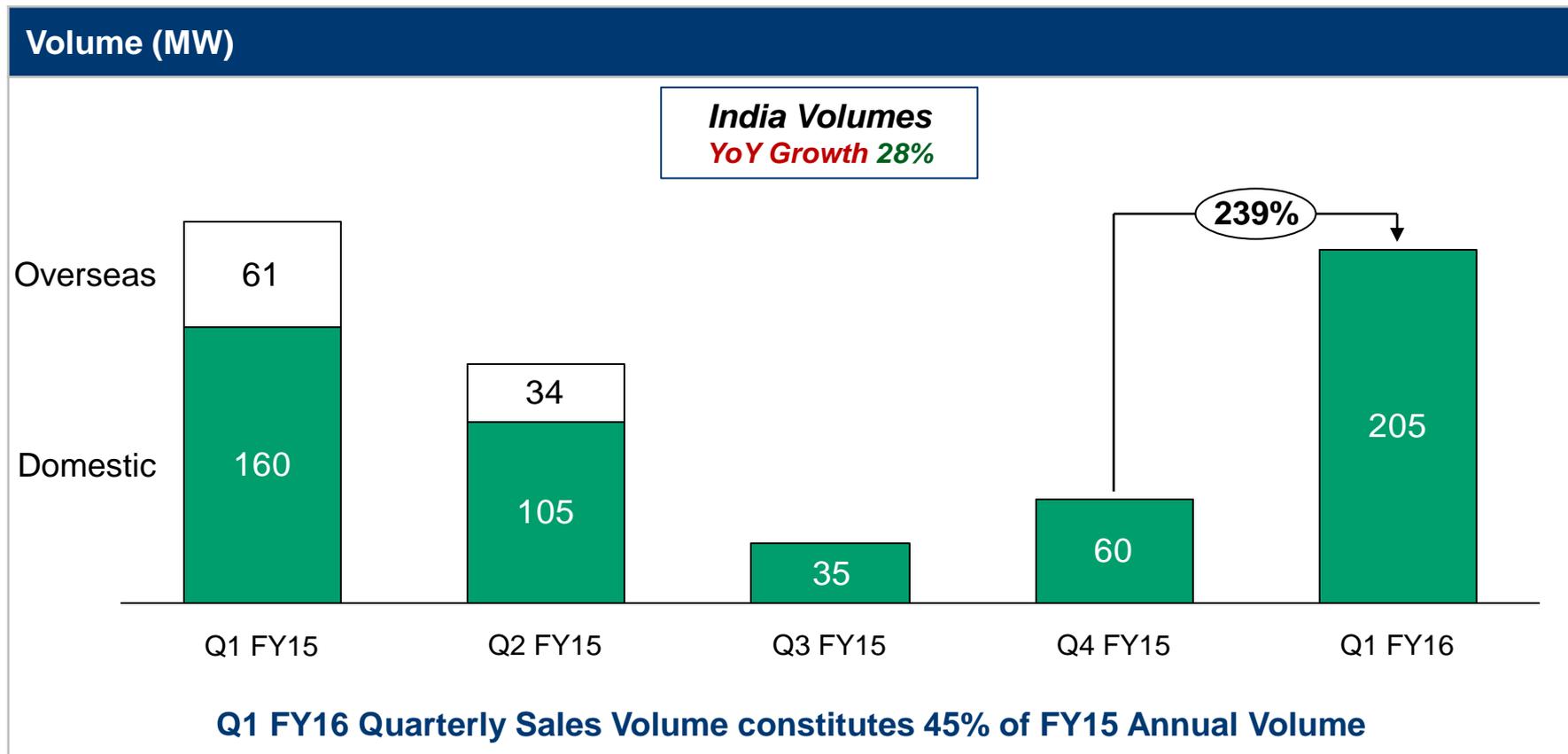
- Consolidated Net Debt (Excl. FCCB) down at Rs. 7,010 crs from Rs. 14,821 crs
- Interest expenses down 36% QoQ;

**Demonstrates  
Turnaround**

***Delivers best quarterly performance in last 3 years***

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# Domestic Volume Gains Traction



**Delivers highest quarterly volumes in India since FY12**

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# Reduced Debt Balance

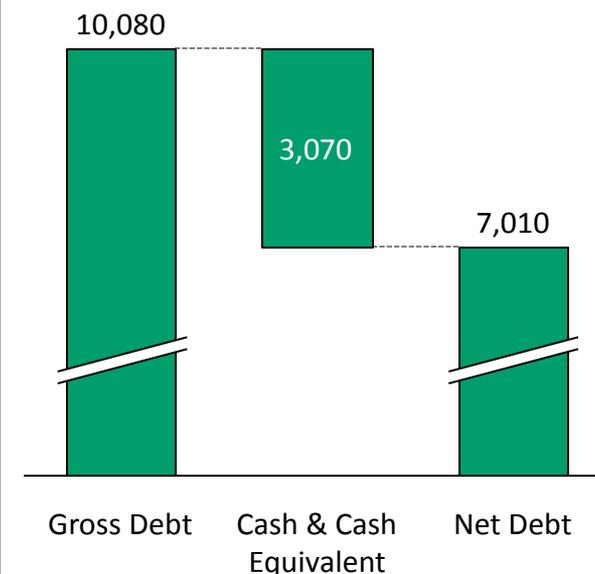
As on 30<sup>th</sup> June 2015

## Suzlon Consolidated Debt Overview

Particulars	Amount	Rate	Maturity
Rupee Term Debt (Rs. Crs)	Rs. 3,322 Crs.	~11%	Back Ended Next 3 years - Nil
<b>\$ Denominated Term Debt</b>	<b>\$689M</b>		
Credit Enhanced Bonds (\$M)	\$647M	~6.25%	Mar'18 (Bullet)
Others (\$M)	\$42M	~6.25%	Until FY21
FCCBs (\$M)	\$299M	~3.25%	Jul'19 (Bullet)
	\$28.8M	~5%	Apr'16 (Bullet)
Working Capital (Rs. Crs)	Rs. 2,375 crs	~11%	Annual Renewal

## Total Debt (Excluding FCCB)

(Rs. Crs)



- Deleveraging completed in May'15
- Interest cost down 36% QoQ; To reduce further in next quarter

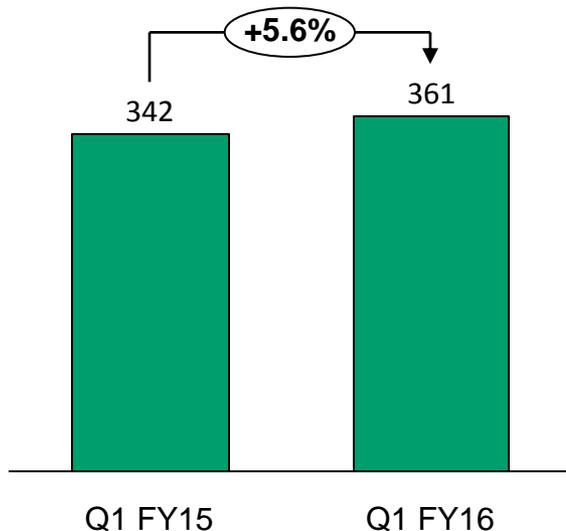
***Deleveraging from strategic initiatives complete***

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# Service Business

## External Service Revenues (Rs. Crs.)



- **Growing into a sizeable & highly profitable business**
  - Reduces turbine volume break even level
- **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 8.6 GW of Assets
  - 20 years of track record in India

**Annuity like business with high cash generation**

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# Result Snapshot

<i>Rs Crs</i>	Q1 FY16	Q4 FY15	Q1 FY15
MW Sales	205	60	221
Revenue	1,542	926	1,698
Gross Profit	694	264	599
<i>Gross Margin</i>	45.0%	28.5%	35.3%
Normalized EBITDA	237	-224	57
<i>EBITDA Margin</i>	15.3%	-24.2%	3.3%
Normalized EBIT	175	-322	-25
<i>EBIT Margin</i>	11.3%	-34.8%	-1.5%
Net Profit/Loss	1,079	-1,337	-661

## Gross Profit

- India volume ramp up
- Improved service profitability
- Execution of current orders
- Favorable product mix and scope

## Operating Profit

- After considering provisions ~3-4%
- Operating Leverage
- Lower freight
- Fixed cost optimization

## Net Profit

- Interest cost down 36% QoQ
- Nil Tax
- Special Items
  - FX Loss: Rs.66 crs; LD: Rs.24 crs (Before EBITDA)
  - Servion Related Reversals (Gain): Rs.1,289 crs

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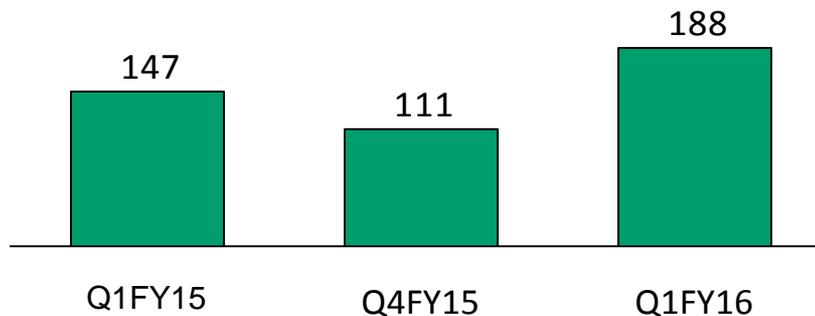
2. Consolidated Results includes one month of Servion's performance, hence not comparable

# Order Book

## Order Book as on 30<sup>th</sup> June 2015

Particulars	Amount
Order Book Volume	~1,107 MW
Order Book Value	Rs. 6,839 crs.

**India Net Order Intake**  
**QoQ Growth 69% ; YoY Growth 28%**



- Huge traction seen, especially in India market
- Service order backlog is over and above this

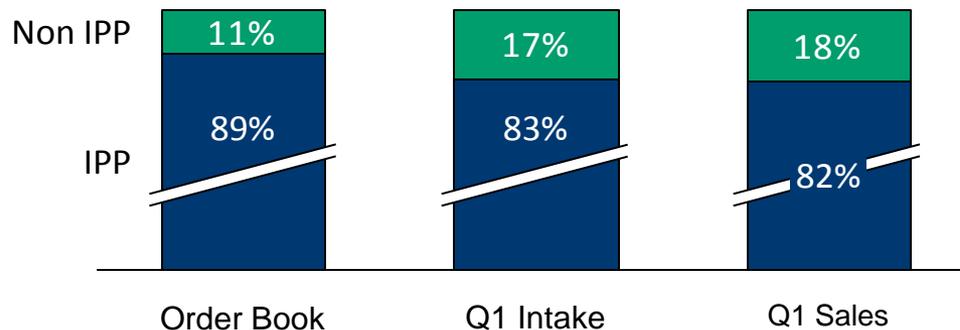
**Sizeable current order book and orders in pipeline for FY16**

# Strong Momentum Across Customer Segments

## Customer Segment Wise Break-up - Order Book, Q1 Order Intake and Q1 Sales

### Our Key Strength in India

- >20 years of operating history
- Strong & diversified customer base
- Pan India presence
- Proven & reliable technology
- Land sites and execution expertise
- Best in class service capabilities



### Customer Segment wise seasonality analysis

	H1		H2	
	IPP	NON IPP	IPP	NON IPP
<b>Order Intake</b>	Moderate	Low	High	High
<b>Execution</b>	Moderate	Low	High	High

- H2 typically High Order Inflow and High execution period

***Suzlon strongly positioned in all customer segments; Poised to gain market share***

# Only Player with Pan India Presence



## States with Dominant IPP demand

### Key Drivers of Demand

- Remunerative FiTs
- Conducive state policies

### Reason for Low Non IPP Demand

- Low level of industrialization

## States with Dominant Non IPP demand

### Key Drivers for Non IPP Demand

- Moderate FiTs
- Good Industrialization Level
- Conducive Captive Policy
- TN / KN (Group Captive)

### Reasons for Low IPP Demand

- Low FiT in GJ / TN
- Lack of conducive policy in MH

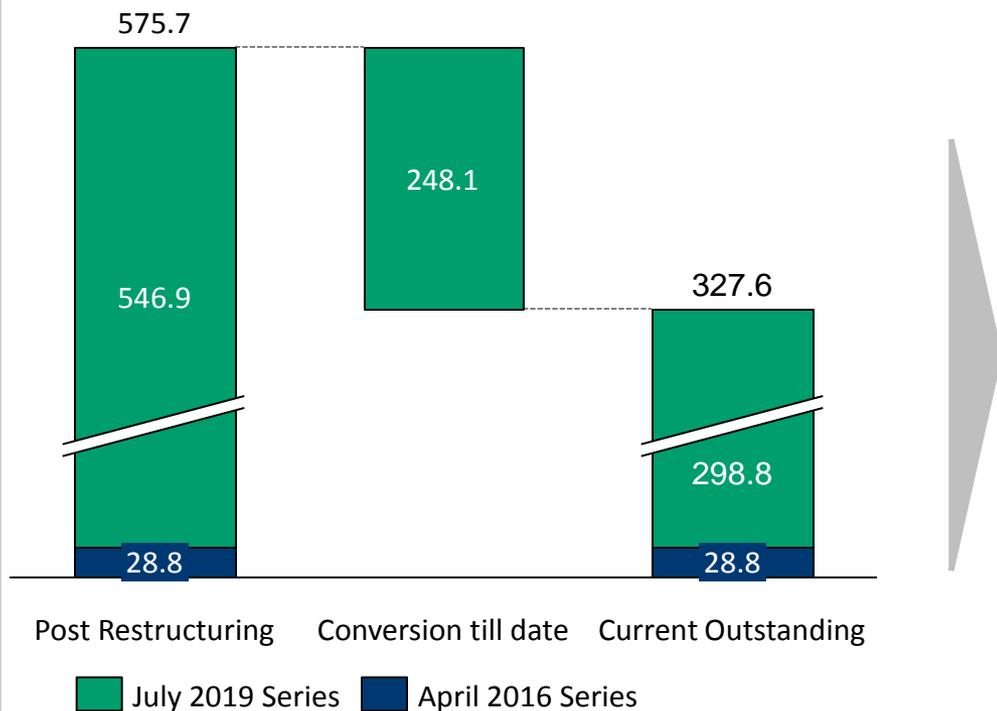
As on 31<sup>st</sup> Mar' 15

	States with Dominant IPP Demand	States with Dominant Non IPP demand	Total India
Total Installation (MW)	7,773	15,582	23,355
Suzlon Share (%)	36%	37%	37%

***Pan India presence key to cater across customer segments***

# FCCB Conversion to Equity

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



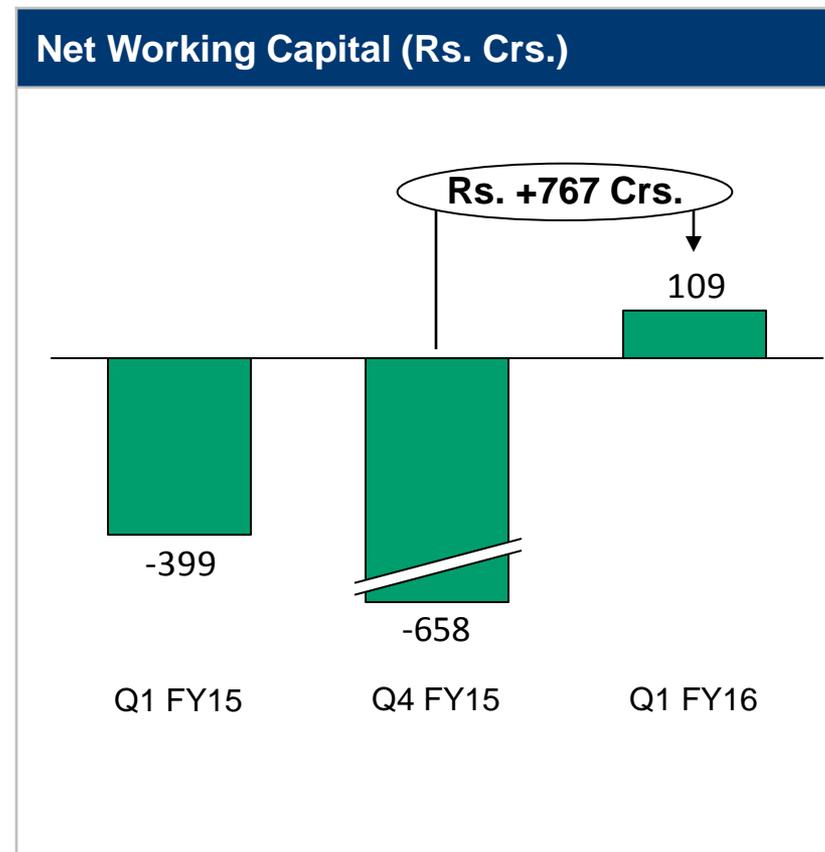
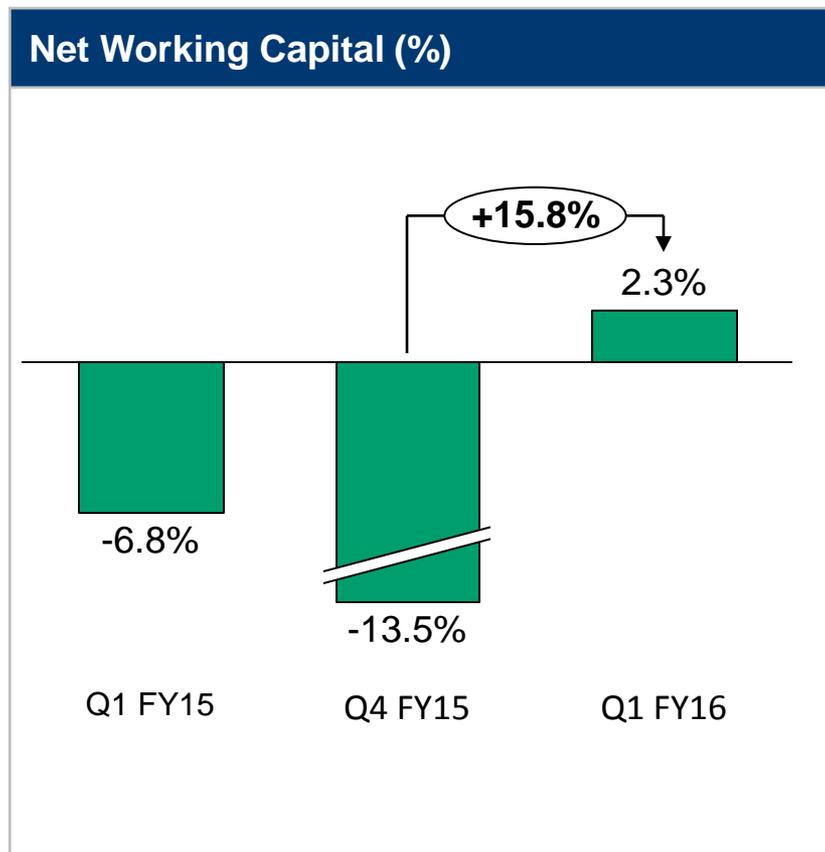
Current and Diluted No. of Shares (Crs)	
Current Outstanding	483
Pending Conversion (Jul'19 series)	116
Post Full Conversion	599

Jul'19 Series Conversion Details	
Price	Rs. 15.46 per share
Exchange Rate	Rs. 60.225

\* Includes conversions until 31<sup>st</sup> Jul

**Assuming full conversion, debt to reduce and equity to increase by Rs. 2000 crs**

# Net Working Capital



- Increase in NWC primarily due to decrease in current liabilities

**Business cycle getting normalized**

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**Industry Opportunities**

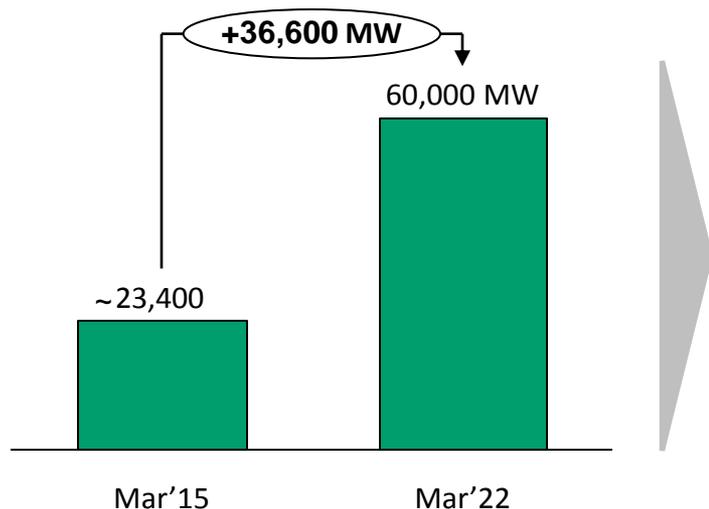
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# India Market: Government Target

## India plans to increase wind capacity to 60,000 MW by March 2022



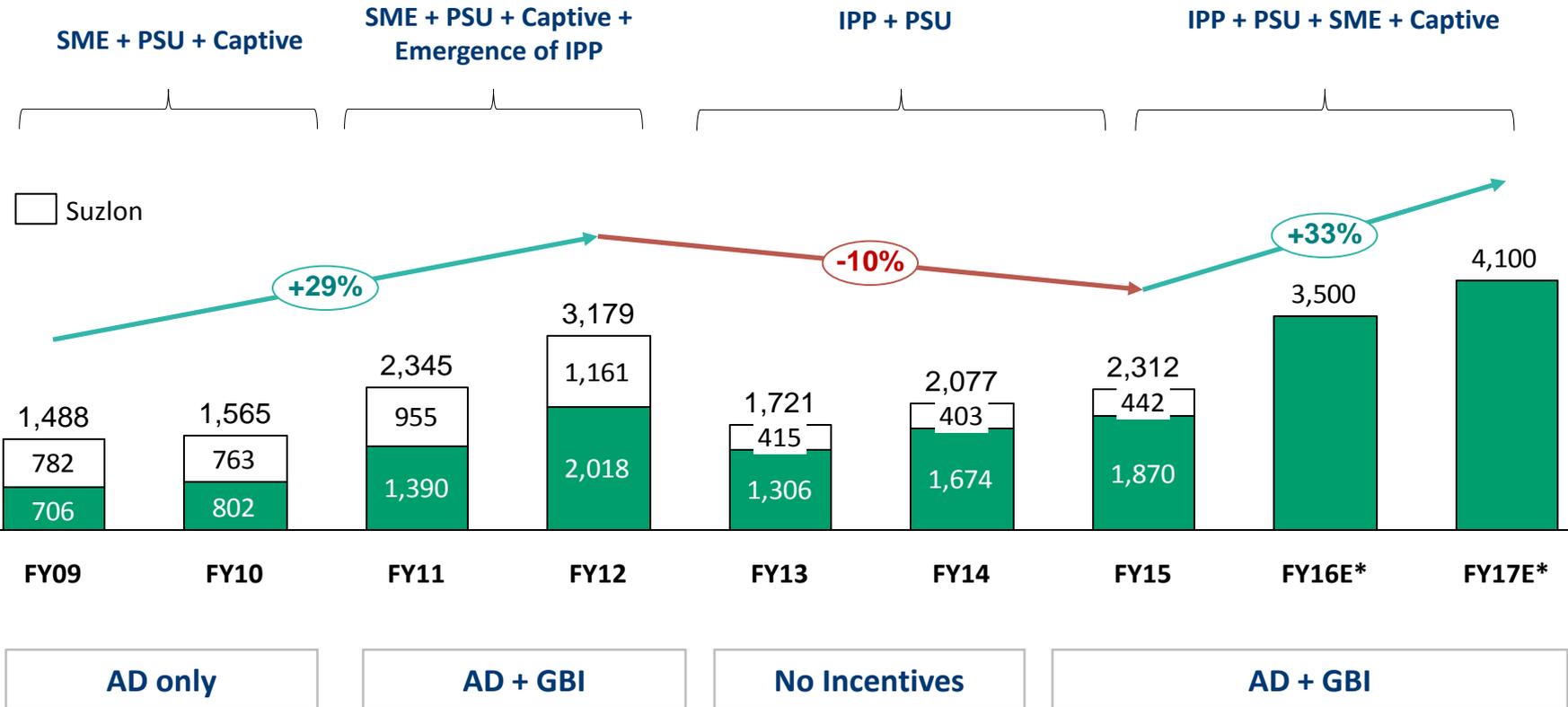
- **Translates into > 5,000 MW of annual market size**
  - More than double the size of FY15 market (~2,300 MW)
- **Key Initiatives taken:**
  - Reinstatement of key incentives (AD, GBI)
  - Green Corridor initiative in key states
  - Clean energy classified as Priority Sector Lending
  - Renewable energy is an eligible investment under CSR
  - Proposed amendment in EA 2003; Recent supreme court judgment
    - to lead to RGO and better RPO compliance
    - increased market for REC and captive/open access

**Targets ~36,600 MW of incremental capacity in 7 years**

# India Market: A Huge Opportunity

## Annual Wind Installations (MW) - India

Growing wind competitiveness and increasing preferential tariffs →



*Favorable incentive structure for all customer segments*

# 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
- Enables to maintain competitive edge

03

## End-to-End Solution Provider

- One stop total solution for customers

04

## Best in Class Service

- Custodian of 8+ GW assets
- 24X7 online tracking system

05

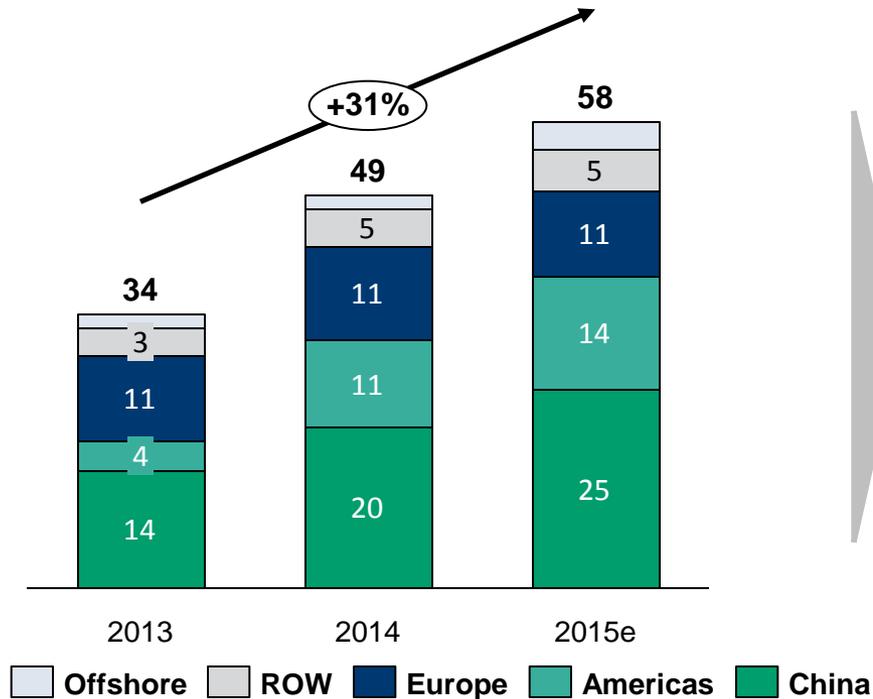
## Strong Track Record

- 18+ years of leadership in India
- Proven execution capabilities
- ~9 GW cumulative installations



# Global Industry Overview

## Global Wind Industry Installations (GW)



- **Wind approaching grid parity**
  - Wind energy not linked to oil
  - Oil contributes only 4% of world power
- **Installations to reach record high in 2015**
  - US, China and India to drive the growth

*Our focus is on markets like India, North America, China, Brazil etc.*

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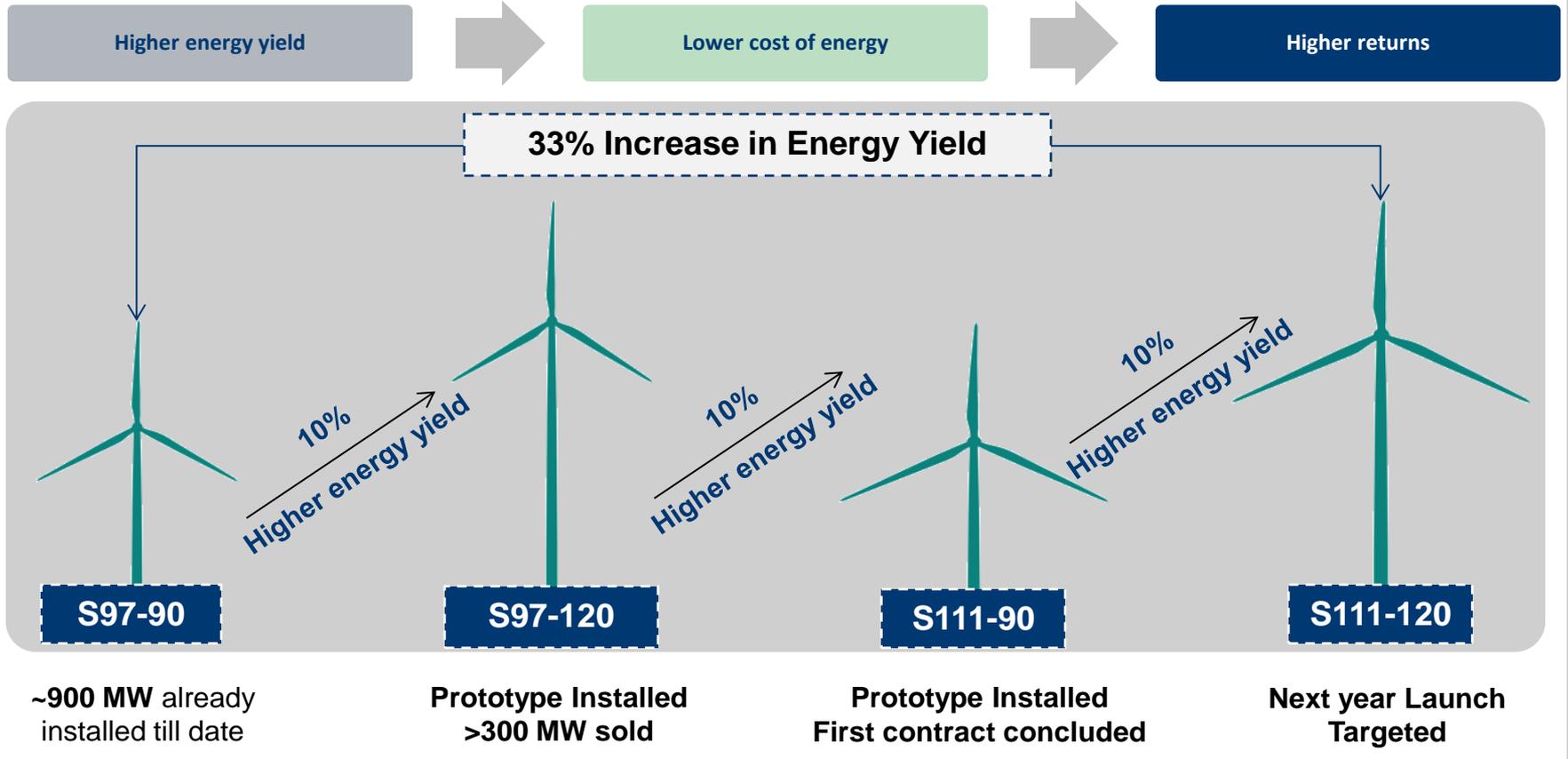
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# S111: Moving Towards Bigger Turbines and Better Yields

## 2MW series evolution



*Maximizes energy output for low wind sites in India and abroad*

Note: AEP increase are approximate and under certain conditions

# Hybrid Towers: First of its Kind

## Hybrid Tower: Combination of lattice and tubular



- Higher hub height (120 M) at optimized cost
- 10-12% increase in annual generation
- Optimized logistical solution
- Available in S97 and S111 product suite
- Over 300MW orders already received

- Prototype installed in Jan'14
- >1 year of operational performance
- 3-4 years of head start in this technology

***Optimizing cost and generation for low wind sites***

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# Strategic Focus

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

- Focus on the Indian market as well as North America, China and Brazil



## Superior 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

Rs Crs.

Particulars	Q1 FY16	Q1 FY15	Q4 FY15	FY15
Revenue from operations	1,542	1,698	926	4,883
Less: COGS	848	1,099	662	3,138
<b>Gross Profit</b>	<b>694</b>	<b>599</b>	<b>264</b>	<b>1,745</b>
<b>Margin %</b>	<b>45.0%</b>	<b>35.3%</b>	<b>28.5%</b>	<b>35.7%</b>
Employee benefits expense	192	198	161	747
Other expenses (net)	289	411	273	1,336
Exchange Loss / (Gain)	66	-28	384	495
<b>EBITDA</b>	<b>146</b>	<b>18</b>	<b>-554</b>	<b>-833</b>
<b>Normalized EBITDA</b>	<b>237</b>	<b>57</b>	<b>-224</b>	<b>-166</b>
<b>Margin %</b>	<b>15.3%</b>	<b>3.3%</b>	<b>-24.2%</b>	<b>-3.4%</b>
Less: Depreciation	62	82	97	376
<b>EBIT</b>	<b>85</b>	<b>-64</b>	<b>-651</b>	<b>-1,209</b>
<b>Normalized EBIT</b>	<b>175</b>	<b>-25</b>	<b>-322</b>	<b>-542</b>
<b>Margin %</b>	<b>11.3%</b>	<b>-1.5%</b>	<b>-34.8%</b>	<b>-11.1%</b>
Net Finance costs	293	474	474	1,766
<b>Profit / (Loss) before tax</b>	<b>-209</b>	<b>-538</b>	<b>-1,125</b>	<b>-2,976</b>
Less: Exceptional Items	-1,289	103	218	6,312
Less: Taxes and Minority	2	20	-6	68
<b>Net Profit / (Loss) after tax</b>	<b>1,079</b>	<b>-661</b>	<b>-1,337</b>	<b>-9,355</b>

**Note:** 1. Information pertains to Suzlon Wind unless otherwise stated;

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# One Time Exceptional Gain – Senvion Related

## Exceptional gain primarily pertains to release of foreign currency translation reserve (FCTR) due to currency impact

Reversal on account of Senvion Impairment Provision	
Release on account of investment, Sale and deconsolidation of Senvion	1,289

### Rationale for release

- FCTR was getting accumulated in reserve and surplus
- Release of FCTR allowed only on loss of control on subsidiary
- Since loss of control was established in current quarter, entire release is now recognised
- Net Worth neutral

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# Working Capital

Rs Crs.

Particulars	As on				
	30 <sup>th</sup> Jun 2015	31st Mar 2015	31st Dec 2014	30th Sep 2014	30th June 2014
Inventories	1,699	1,639	1,630	1,683	1,734
Trade receivables	1,665	1,614	1,796	1,928	1,985
Loans & Advances and Others	1,630	1,809	1,897	2,184	2,184
<b>Total (A)</b>	<b>4,995</b>	<b>5,061</b>	<b>5,323</b>	<b>5,795</b>	<b>5,902</b>
Sundry Creditors	2,169	2,469	2,672	2,931	2,946
Advances from Customers	879	1,125	1,179	784	852
Provisions and other liabilities	1,838	2,125	2,305	2,260	2,504
<b>Total (B)</b>	<b>4,886</b>	<b>5,719</b>	<b>6,156</b>	<b>5,975</b>	<b>6,302</b>
<b>Net Working Capital (A-B)</b>	<b>109</b>	<b>-658</b>	<b>-833</b>	<b>-180</b>	<b>-399</b>
<b>NWC as % of sales</b>	<b>2.3%</b>	<b>-13.5%</b>	<b>-15.3%</b>	<b>-3.2%</b>	<b>-6.8%</b>

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**THANK YOU**

**S111 Turbine, USA**

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