



Suzlon Energy Limited

Q2 & H1 FY17

11 November 2016

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Agenda

**Q2 & H1 FY17
Highlights**

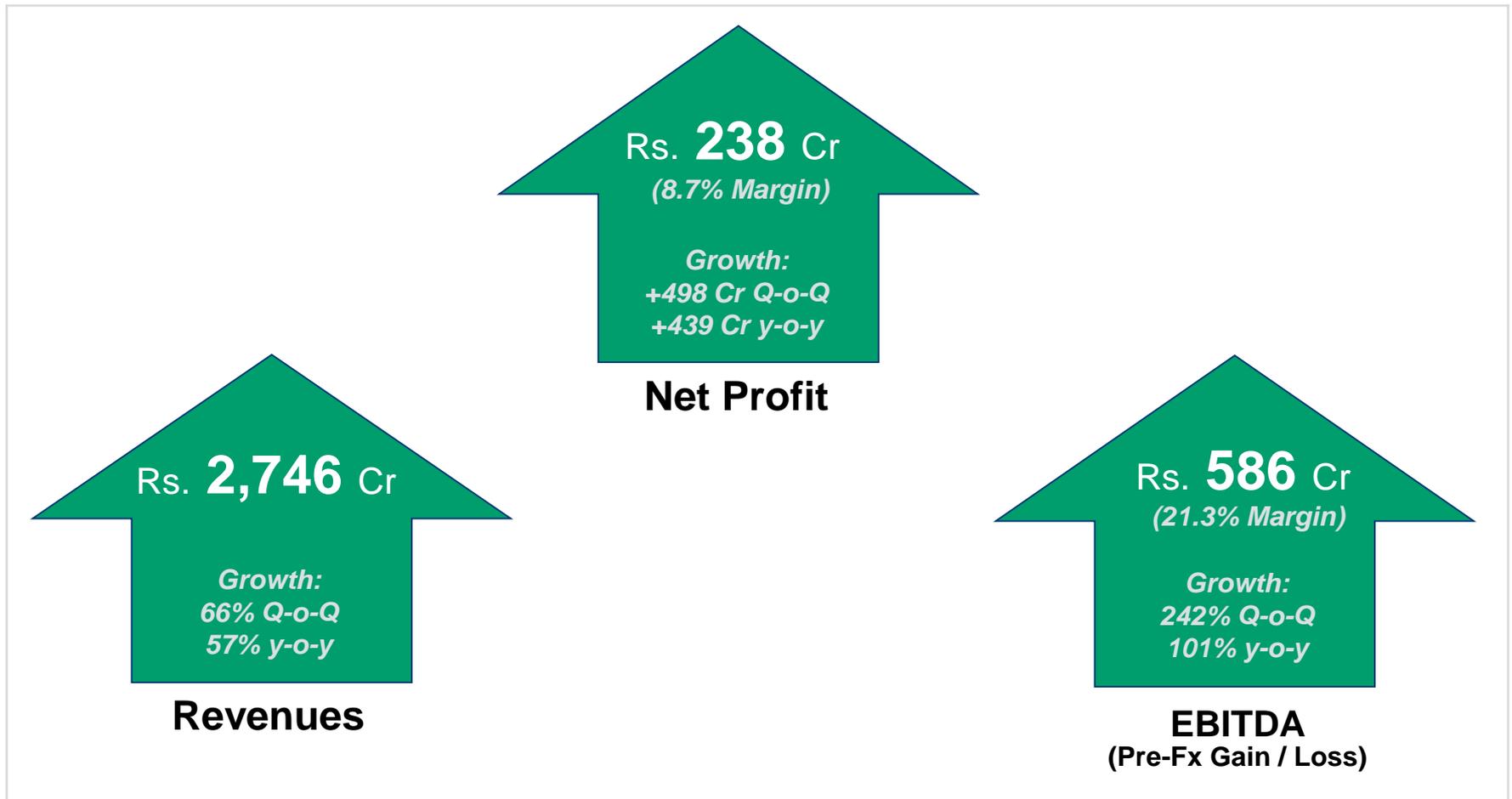
Order Book

Debt Overview

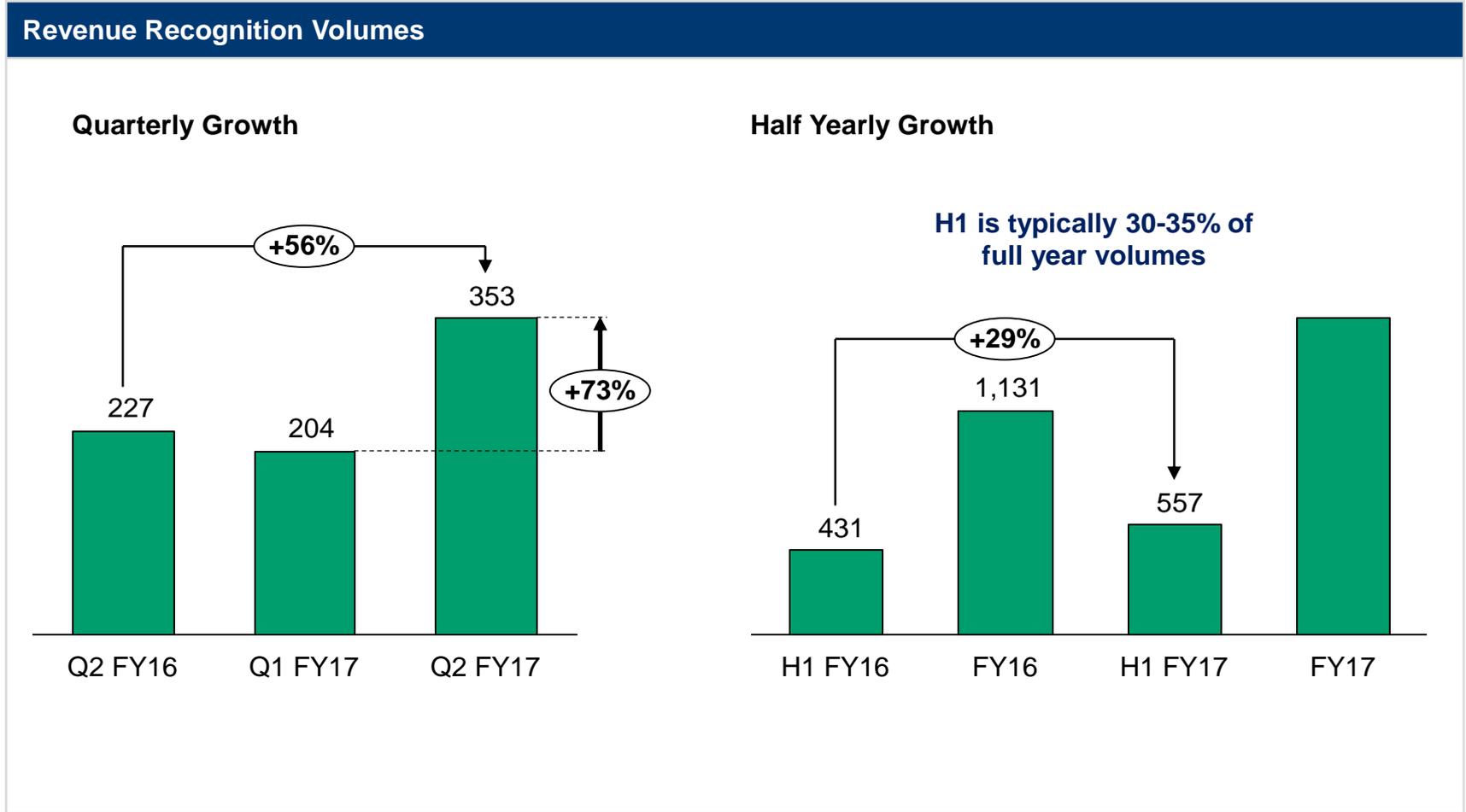
Technology Update

Industry Opportunity

Detailed Financials



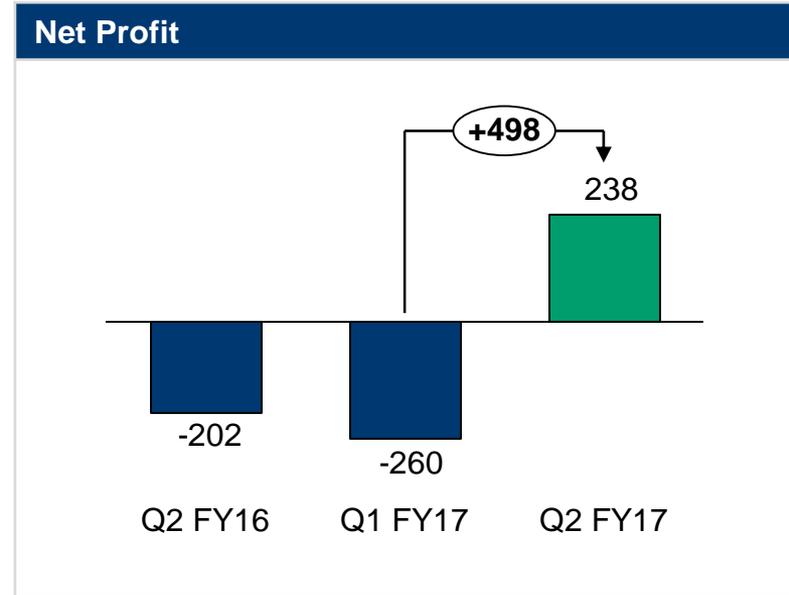
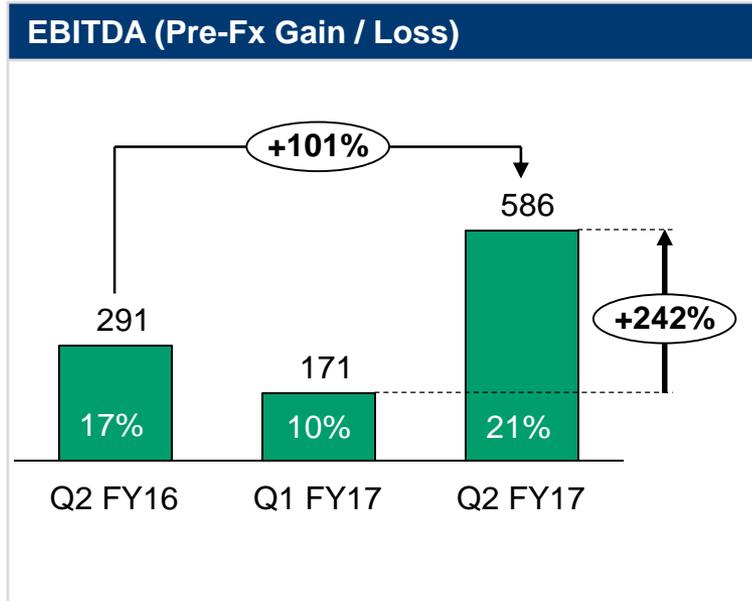
(MW)



Profitability Metrics

IND AS

(Rs. Cr)



**Blended Margins
driven primarily by mix of revenue type**

Revenue Type	Margin Profile
EPC	
WTG	
SEFL	
Service	

Result Snapshot (Consolidated)

IND AS

(Rs. Cr)

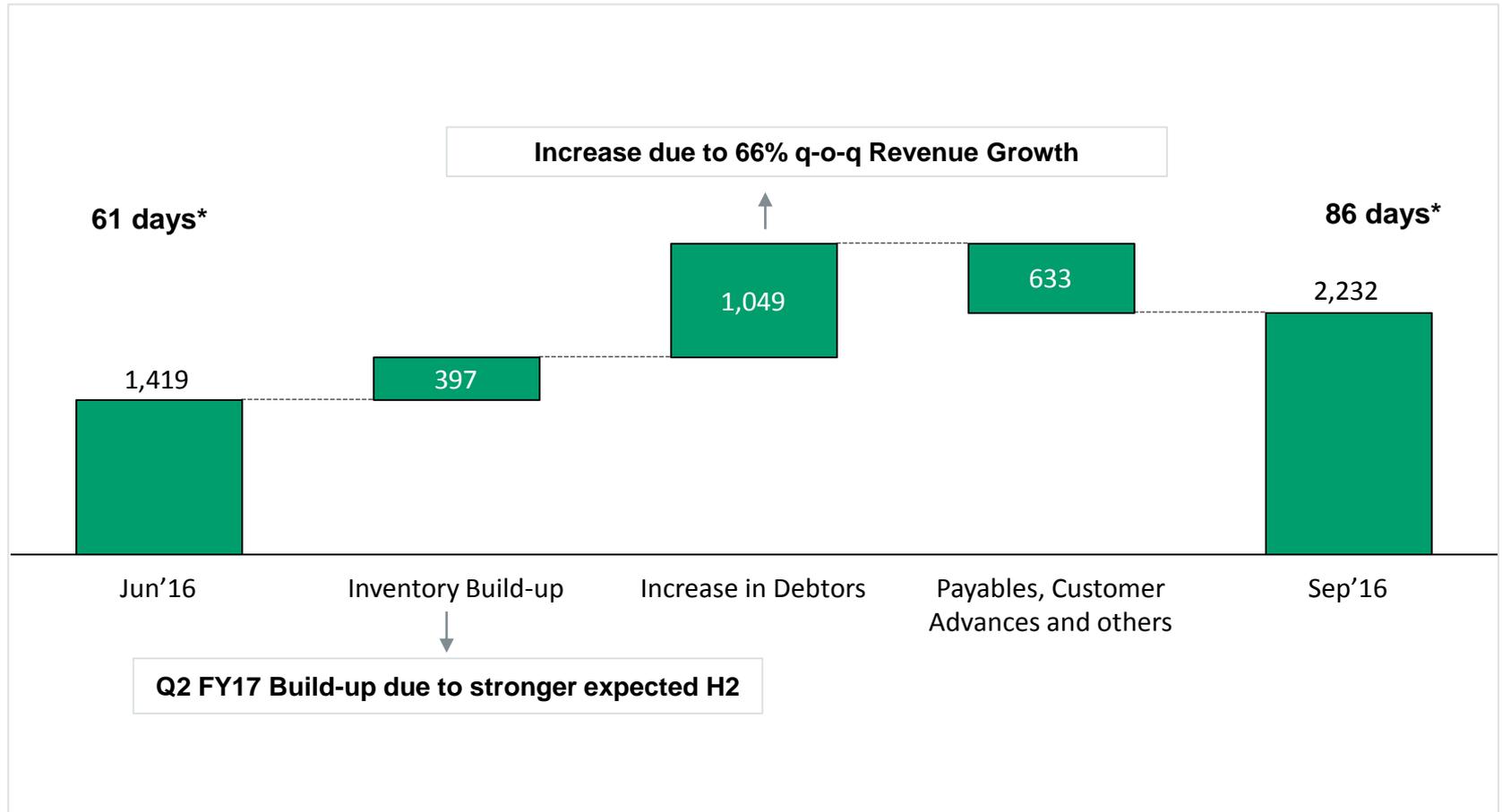
Particulars	Q2 FY17 Limited Review	Q1 FY17 Limited Review	Q2 FY16 Unaudited	H1 FY17 Limited Review	H1 FY16 Unaudited
Revenue	2,746	1,650	1,746	4,396	4,333
Gross Profit	1,281	735	807	2,016	1,836
Gross Margin	46.6%	44.6%	46.2%	45.9%	42.4%
Employee Expenses	259	259	201	518	530
Other Expenses (net)	436	305	315	741	757
EBITDA (Pre FX)	586	171	291	757	549
EBITDA Margin (Pre FX)	21.3%	10.4%	16.7%	17.2%	12.7%
Depreciation	95	84	77	178	183
Net Finance Cost	281	290	255	571	640
Taxes, Minority Interest and Others	6	9	4	15	-6
PAT (Pre Fx and Exceptional Items)	204	-212	-44	-7	-267
FX (Gain) / Loss	-33	48	190	15	267
Exceptional Items	0	0	-33	0	-1,347
Reported PAT	238	-260	-202	-22	813

Note: Senvion was fully divested by Suzlon group on 29th April 2015. Accordingly H1 FY16 consolidated results include 1 month of Senvion performance, hence not directly comparable

Net Working Capital Bridge

IND AS

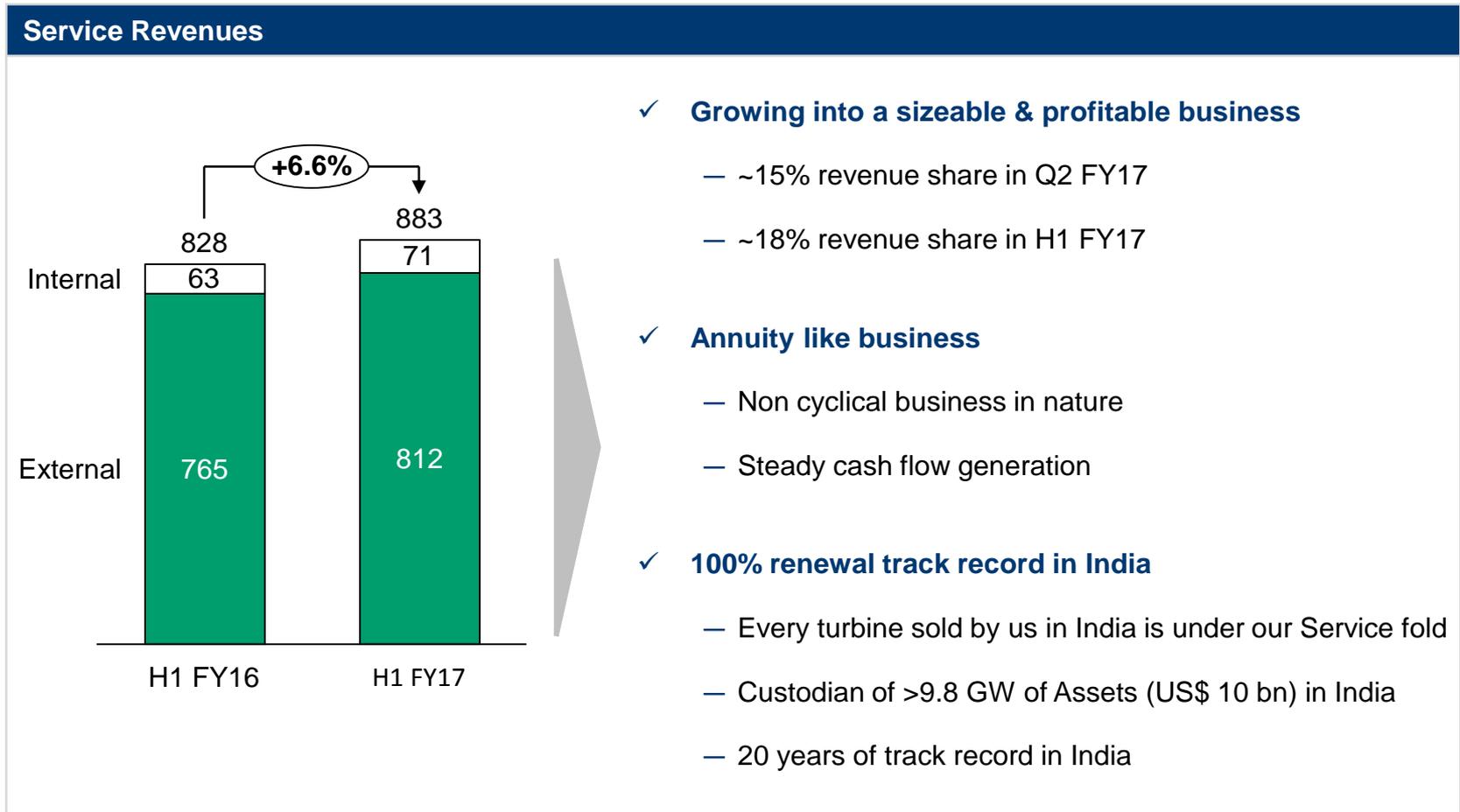
(Rs. Cr)



*Calculated on trailing 12 months Revenue

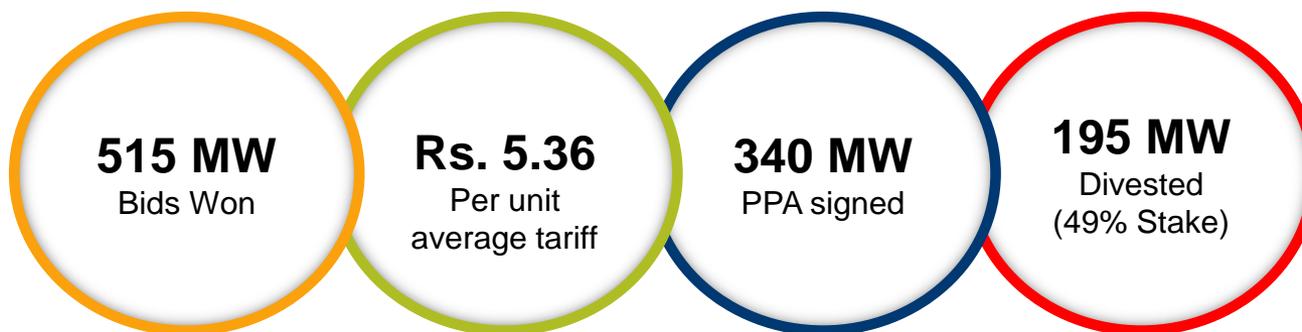
Temporary Build-up to cater to expected H2 volumes

(Rs. Cr)



Note: H1 FY16 Operation and Maintenance Service revenue does not include Servion

Solar Bidding Status Update



Summary of Divestments

SPV	Project Size	State	Investor	Cash Consideration	Stake Divested
SE Solar	100 MW	AP	CLP Wind Farms	Rs. 73.5 crs	49%
Prathmesh Solarfarms	50 MW	AP	Ostro Energy	Rs. 49.0 crs	49%
Vayudoot Solarfarms	15 MW	AP	Unisun Energy	Rs. 13.5 crs	49%
Amun Solarfarms	15 MW	AP	Canadian Solar	Rs. 26.4 crs	49%
Avighna Solarfarms	15 MW	AP	Canadian Solar		49%
Total	195 MW			Rs. 162.4 crs	

Advanced negotiations for further divestments

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Q2 & H1 FY17 Highlights

Order Book

Debt Overview

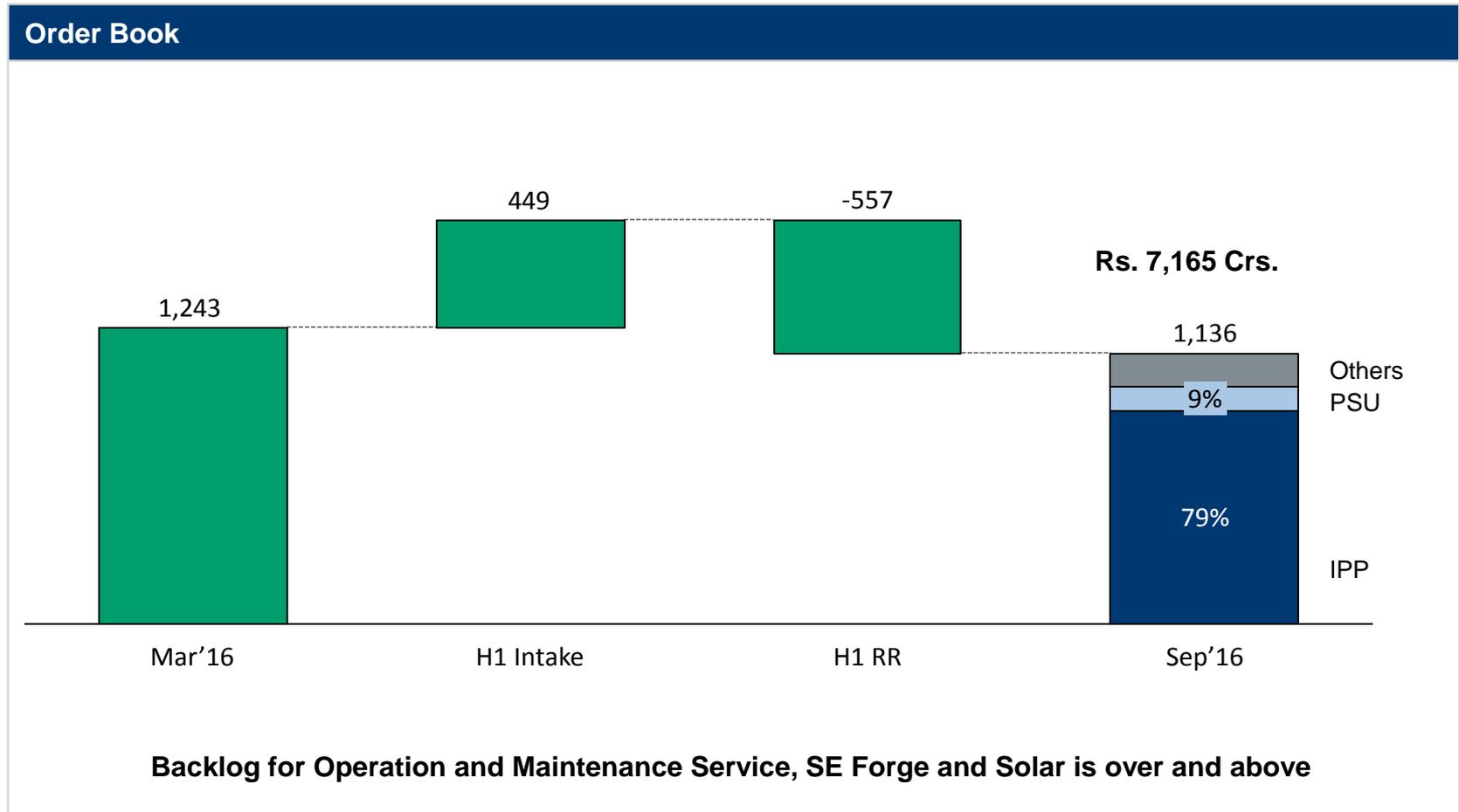
Technology Update

Industry Opportunity

Detailed Financials

Strong Wind Order Backlog

(MW)



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

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Credit Rating upgraded to Investment Grade BBB

(Bank facilities of SEL and its 8 domestic subsidiaries)

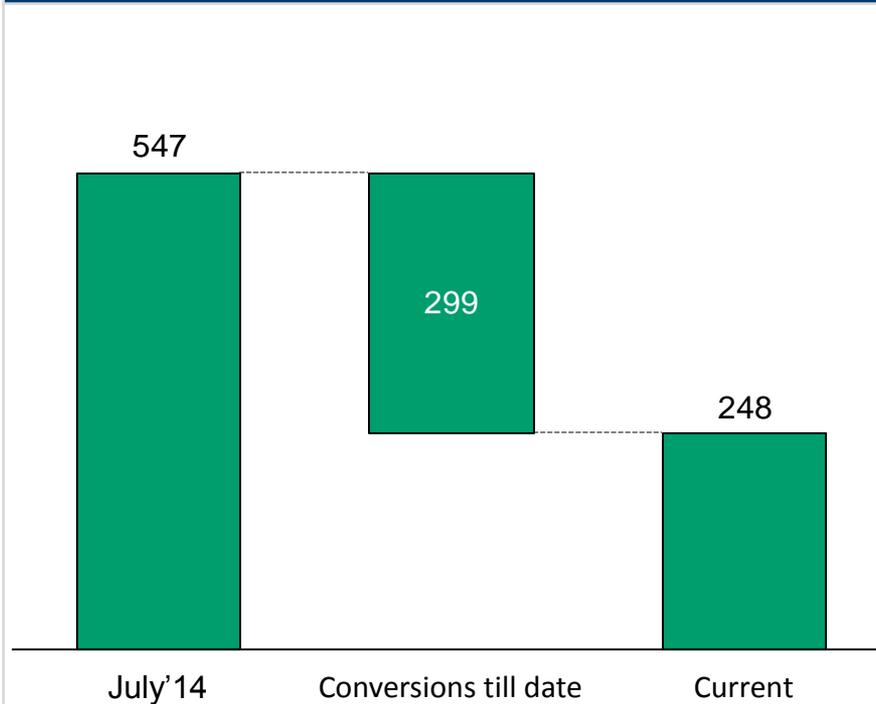
(Excluding FCCB)	30 th Sep'16	5 year Maturity Profile												
SBLC Backed AERH Debt	Rs. 4,145 Cr (US\$ 626 M)	<ul style="list-style-type: none"> Current bullet maturity of March 2018 SBLC facility lenders consented to SBLC extension till 2023; 												
Other FX Term Debt	Rs. 334 Cr (US\$ 50 M)	(Rs. Crs.) <table border="1"> <caption>5 year Maturity Profile (Rs. Crs.)</caption> <thead> <tr> <th>FY</th> <th>Rs. Crs.</th> </tr> </thead> <tbody> <tr> <td>FY17</td> <td>45</td> </tr> <tr> <td>FY18</td> <td>138</td> </tr> <tr> <td>FY19</td> <td>331</td> </tr> <tr> <td>FY20</td> <td>483</td> </tr> <tr> <td>FY21</td> <td>645</td> </tr> </tbody> </table>	FY	Rs. Crs.	FY17	45	FY18	138	FY19	331	FY20	483	FY21	645
FY	Rs. Crs.													
FY17	45													
FY18	138													
FY19	331													
FY20	483													
FY21	645													
Rupee Term Debt	Rs. 2,791 Cr													
Gross Term Debt	Rs. 7,270 Cr													
Net Term Debt	Rs. 6,646 Cr													
Working Capital Debt	Rs. 3,193 Cr													

Gross Term Debt further reduced by Rs. ~230 crs

Back ended maturity profile; Sufficient headroom for operations

(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 1,700 crs)

Note: 1 US\$ = Rs 66.62

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Globally Proven In-House R&D Capabilities

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



Hamburg



Rostock



Hengelo



Pune



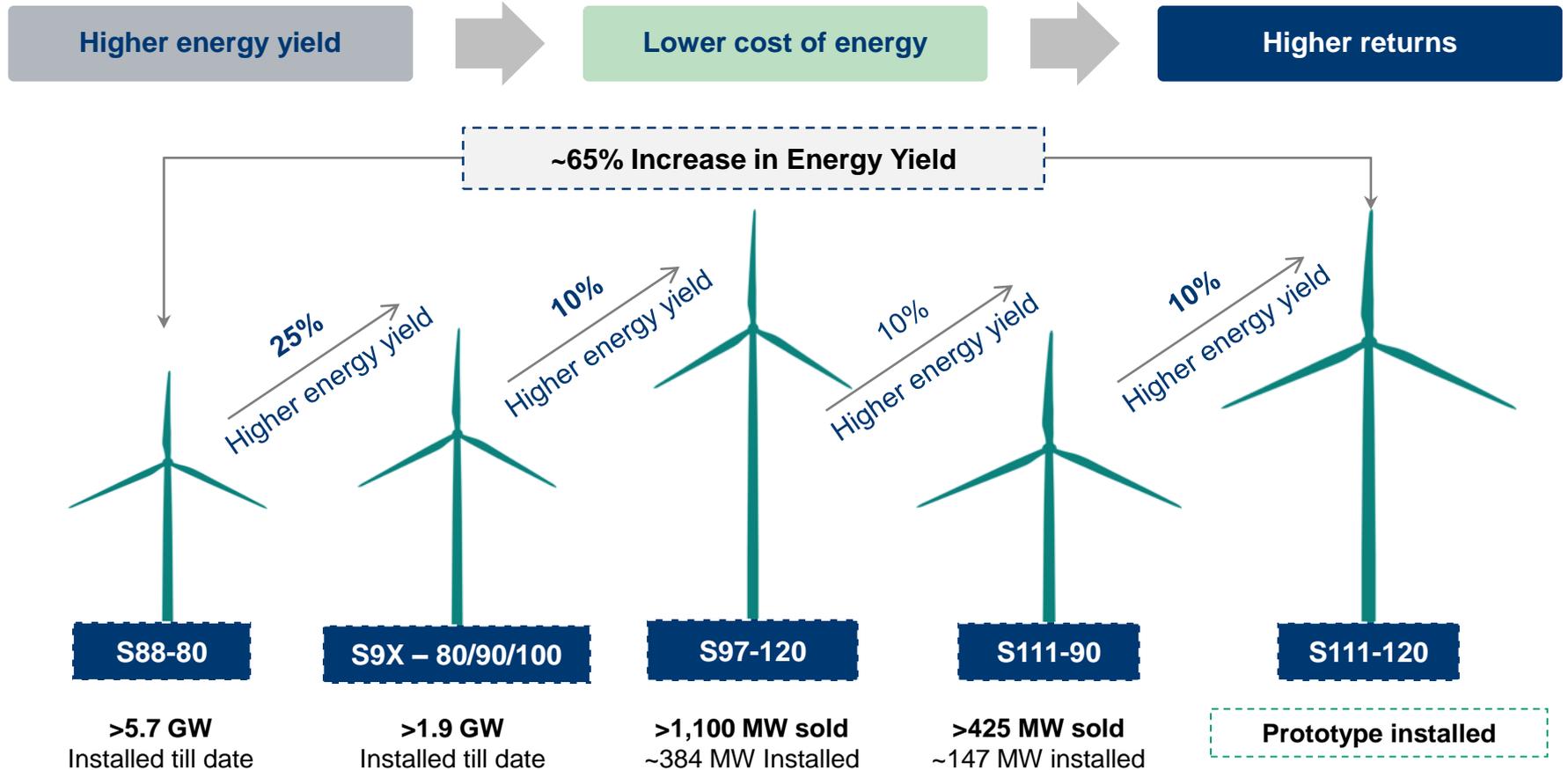
Aarhus



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

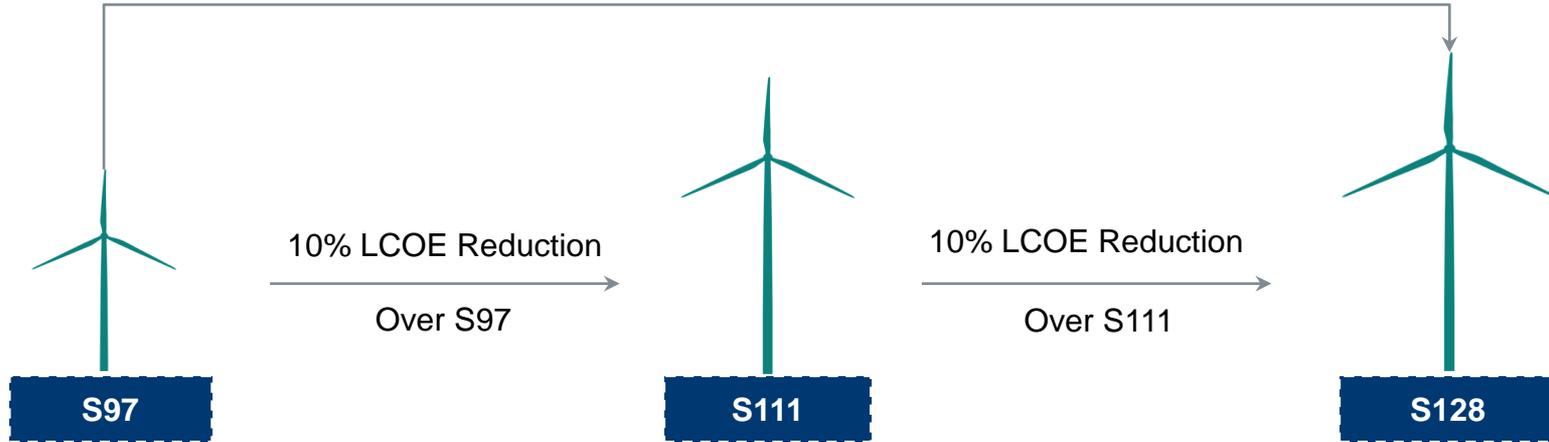
Hybrid Tower - Combination of lattice and tubular



- **Higher hub height (120 M) at optimized cost**
 - Reduced LOCE due to higher AEP
 - Reduced steel requirement
 - Lower foundation cost
 - Logistic friendly – access to sites that were earlier logistically challenging
- **Available in S97 and S111 product suite**
- **S97 – 120 Prototype achieved 35% PLF**
 - Installed in Jan'14; At Nani Ber District of Kutch, Gujarat
 - Generated 64.28 lacs units (kWh) over first 12 months
- **S111-120: Prototype Installed and Certified**
 - Installed in March 2016; Certified in June'16
 - Registered Strong 7 months Generation Performance until Oct'16
 - Expected to register over 40% PLF

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	2018	2018

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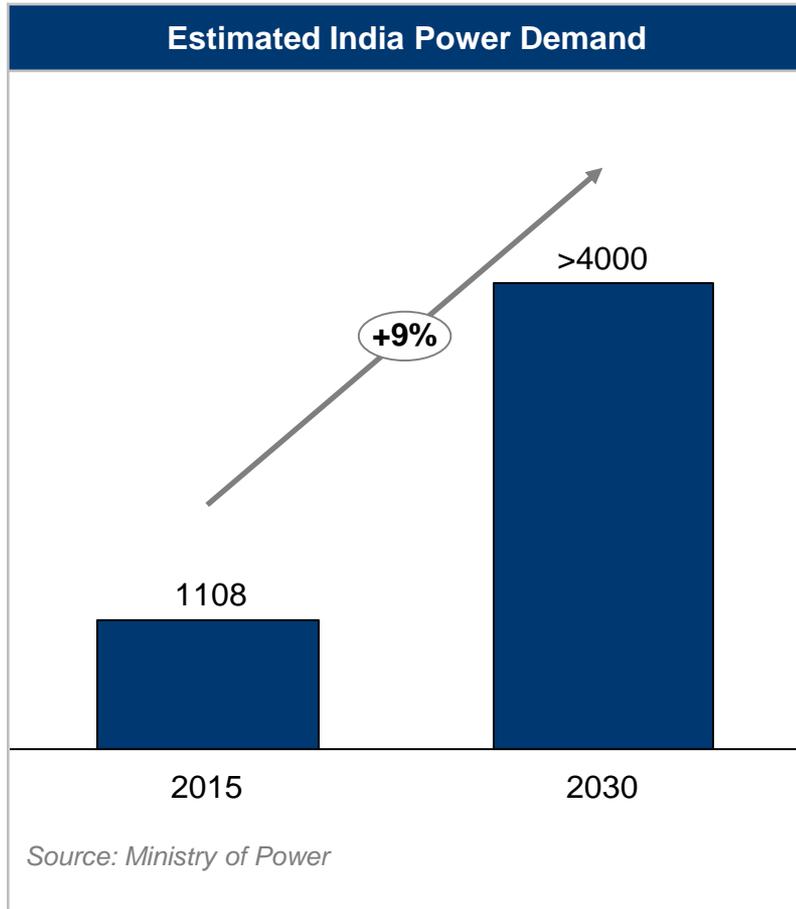
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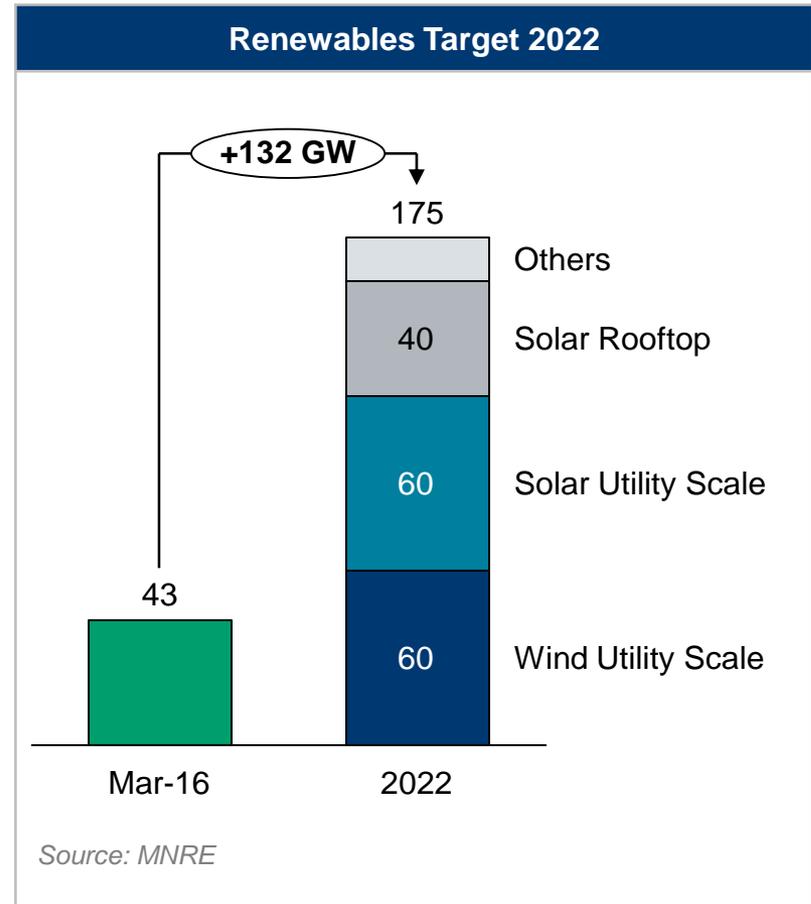
Detailed Financials

India: Strong Growth Fundamentals for Renewables

(Billion Units)



(GW)

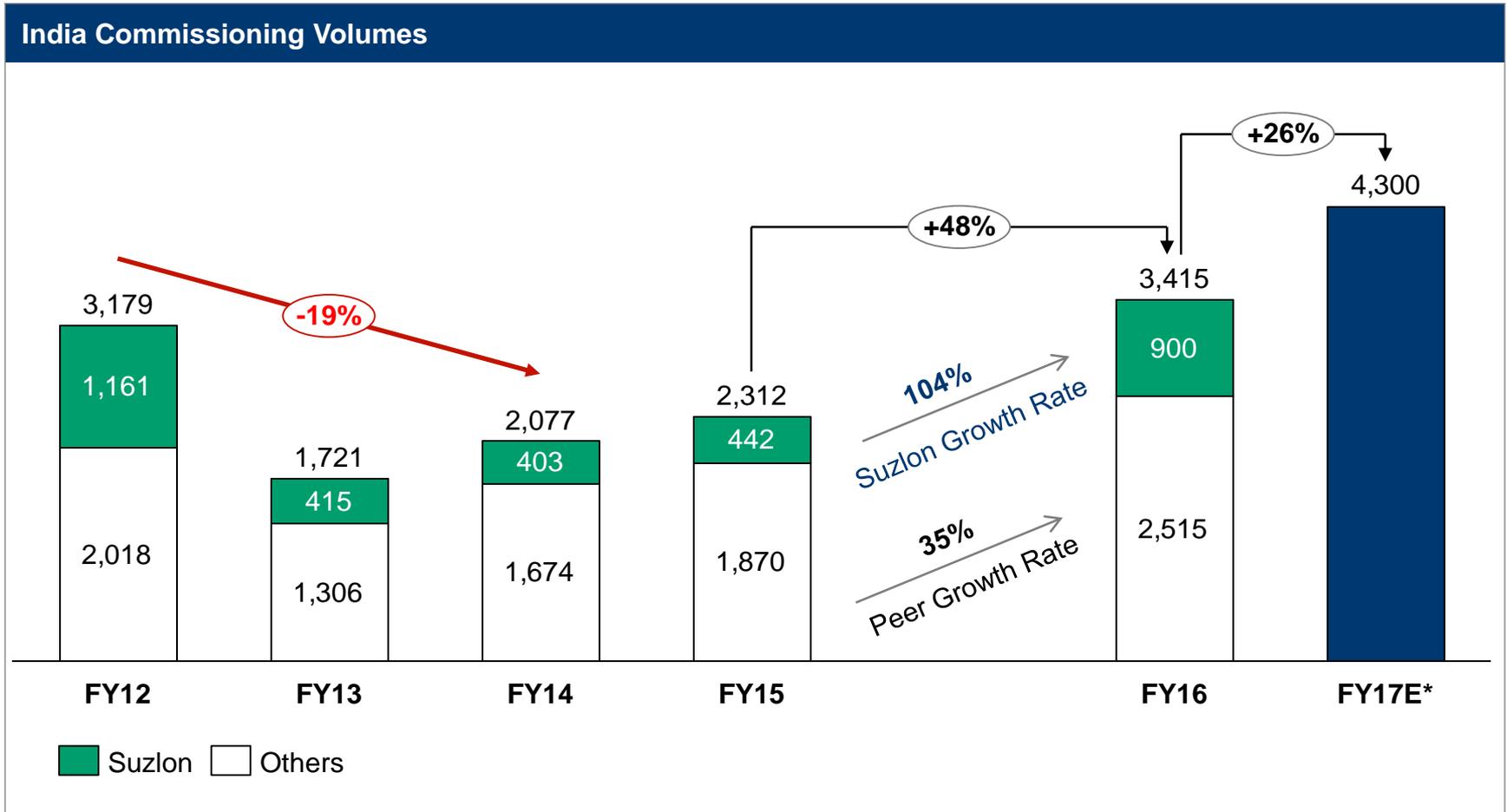


India's COP21 commitment: To reduce 33-35% carbon emissions by 2030

Renewables preferred for affordability, sustainability and security

FY16 Saw Highest Annual Wind Capacity Addition in Two Decades

(MW)

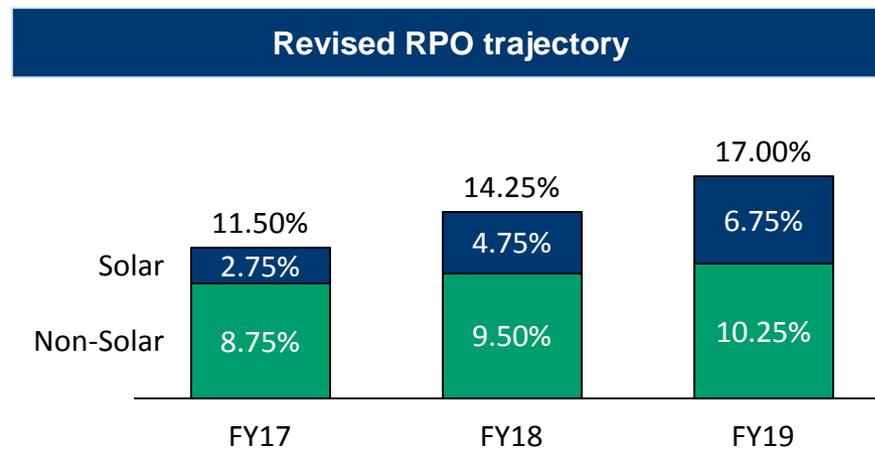


*FY17 E – Source: Internal Estimates

On a strong growth trajectory...

Stable Feed in Tariff (FiT) Regime and Revised RPO trajectory

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



Source: Ministry of Power

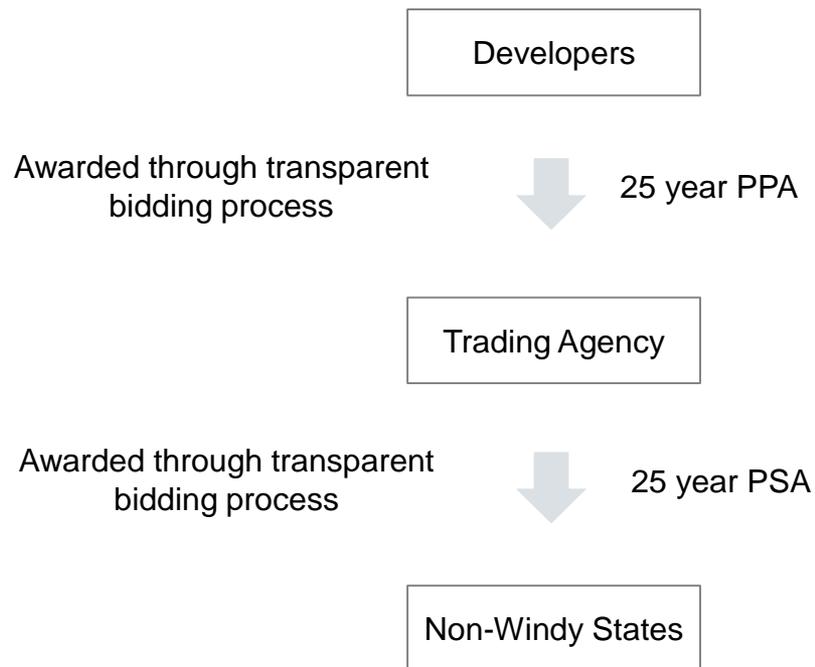
- Applicable to open access and captive power generators
- Uniformly applicable to all states in India
- Draft RPO regulations for MP, RJ, KN and AP
- UDAY requires mandatory compliance with RPO norms

- **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

Incremental Market Segment - Non Windy States / UTs

1 GW Inter State Transmission Scheme (ISTS) for CTU connected Wind Farms

1 GW wind capacity to be built across windy states



Wind power to be procured by Non Windy DISCOMS / Bulk Consumers

• Background

- 302 GW India wind potential concentrated in 8 states
- RPO applicable on 29 states / 9 UTs
- Scheme enables Non-Windy States / UTs to fulfil their non solar obligations

• Key Features

- 1 GW capacity to be built
- RfS document invited by SECI
- Strong counter party in PTC
- 25 years PPA tenure; Upfront signing

- **Timeline:** Tendering to be completed in FY17

1 GW of capacity addition incremental to demand from existing states

Strengthening Demand Environment

New Demand Areas

- Implementing Renewable Generation Obligations (RGO) – Demand from large conventional utility players
- ISTS Scheme for CTU connected wind farms – Demand from Non Windy States
- Incentivizing Repowering - Replacement Demand
- Wind-solar Hybrid - Enabling RE capacity addition in sites already tapped for wind / solar

Strengthening Existing Demand Areas

- Enhanced RPO obligations
- Focussed on RPO compliance
- Growing PSUs participation
- Improving DISCOM financial health through UDAY

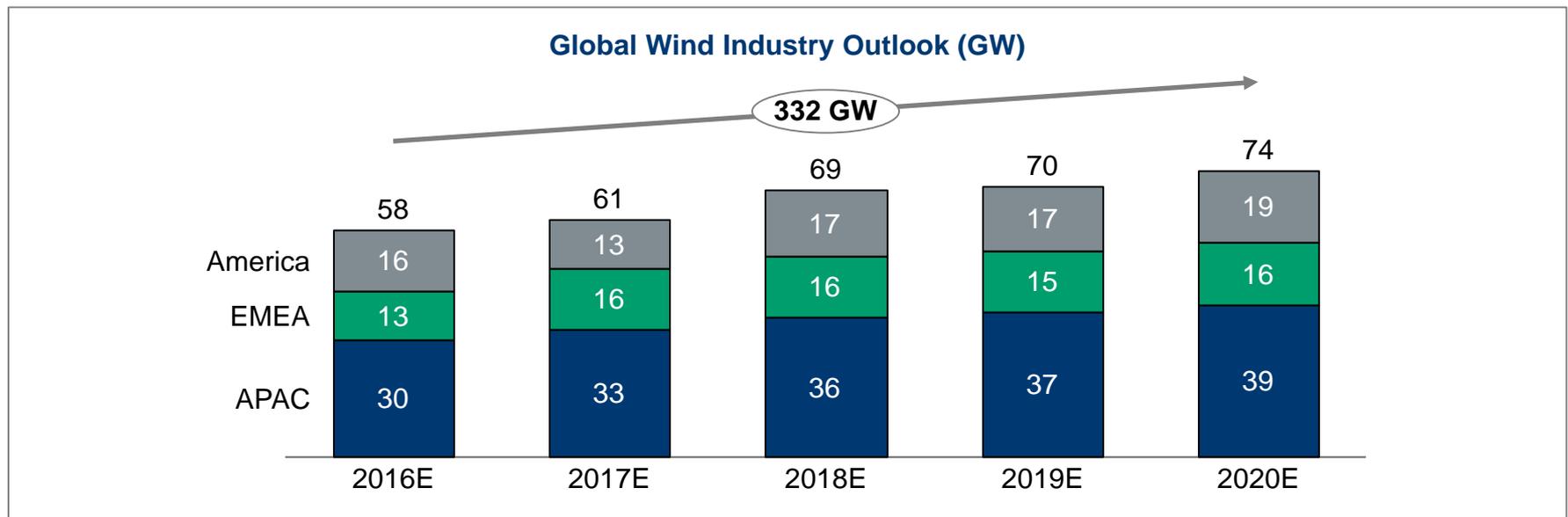
Strengthening Infrastructure

- Green Corridor – dedicated RE evacuation corridor
- Scheduling and Forecasting
- Wind Solar Hybrid Policy

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

IND AS

(Rs. Cr)

Particulars	Q2 FY17	Q1 FY17	Q2 FY16	H1 FY17	H1 FY16	FY16
	Limited Review	Limited Review	Unaudited	Limited Review	Unaudited	Unaudited
Revenue from operations	2,746	1,650	1,746	4,396	4,333	9,461
Less: COGS	1,466	914	939	2,380	2,497	5,602
Gross Profit	1,281	735	807	2,016	1,836	3,859
Margin %	46.6%	44.6%	46.2%	45.9%	42.4%	40.8%
Employee benefits expense	259	259	201	518	530	965
Other expenses (net)	436	305	315	741	757	1,552
Exchange Loss / (Gain)	-33	48	190	15	267	373
EBITDA	619	123	102	742	282	969
EBITDA (Pre-FX Gain / Loss)	586	171	291	757	549	1,342
Margin %	21.3%	10.4%	16.7%	17.2%	12.7%	14.2%
Less: Depreciation	95	84	77	178	183	398
EBIT	524	39	25	563	100	571
EBIT (Pre-FX Gain / Loss)	491	88	215	579	367	943
Margin %	17.9%	5.3%	12.3%	13.2%	8.5%	10.0%
Net Finance costs	281	290	255	571	640	1,216
Profit / (Loss) before tax	243	-251	-230	-8	-540	-645
Less: Exceptional Items	0	0	-33	0	-1,347	-1,080
Less: Taxes and Minority	6	9	4	15	-6	-5
Net Profit / (Loss) after tax	238	-260	-202	-22	813	439

Note: Servion was fully divested by Suzlon group on 29th April 2015. Accordingly H1 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. Cr)

Net Profit	Q2 FY16	H1 FY16	FY16
Reported Consolidated Profit / (Loss) as per IND GAAP	-181	866	483
Effect of discounting long term liabilities	-6	-11	-24
Acturial gain/ (loss) on defined benefit obligation recognised in other comprehensive income	0	-1	1
Effect of Measuring ESOP at fair value	-3	-11	-17
Others	-11	-30	-3
Reported Profit / (Loss) as per IND AS	-202	813	439

Consolidated Net Working Capital

IND AS

(Rs. Cr)

	30 th Sep'16	30 th Jun'16	31 st Mar'16	31 st Dec'15
Inventories	3,475	3,078	2,554	2,512
Trade receivables	3,109	2,060	2,616	1,946
Loans & Advances and Others	1,667	1,675	1,481	1,637
Total (A)	8,251	6,814	6,651	6,095
Sundry Creditors	2,959	2,540	2,813	2,347
Advances from Customers	1,354	1,116	1,130	862
Provisions and other liabilities	1,705	1,739	1,536	1,553
Total (B)	6,018	5,395	5,479	4,762
Net Working Capital (A-B)	2,232	1,419	1,172	1,333

Consolidated Balance Sheet

IND AS

(Rs. Cr)

Liabilities	Sep-16	Mar-16	Assets	Sep-16	Mar-16
Shareholders' Fund	-7,421	-7,346	Non Current Assets		
Preference Shares	3	3	(a) Property, Plant and Equipment	1,426	1,287
Non controlling interest	-0	-1	(b) Intangible assets	270	339
	-7,418	-7,344	(c) Investment property	34	33
			(d) Capital work-in-progress	155	231
Non-Current Liabilities				1,884	1,890
(a) Financial Liabilities			(e) Financial assets		
(i) Long Term Borrowings	8,853	9,225	(i) Investments	226	102
(ii) Other Financial Liabilities	188	158	(ii) Loans	1	1
(b) Provisions	242	220	(iii) Trade receivables	67	97
(c) Deferred Tax Liabilities	13	13	(iv) Other Financial Assets	765	768
(d) Other Non-Current Liabilities	18	5			
	9,315	9,621	(f) Other non-current assets	103	67
Current Liabilities				1,161	1,035
(a) Financial Liabilities			Current Assets		
(i) Short-term borrowings	3,193	1,910	(a) Inventories	3,475	2,554
(ii) Trade payables	2,959	2,813			
(iii) Other financial liabilities	527	704	(b) Financial Assets		
(b) Other current liabilities			(i) Investments	238	292
(i) Due to customers	67	46	(ii) Trade receivables	3,042	2,519
(ii) Other non-financial liabilities	1,807	1,523	(iii) Cash and bank balances	154	627
			(iv) Loans	46	46
(c) Provisions			(v) Other financial assets	222	232
(i) Short-term provisions	578	543			
	9,132	7,538	(c) Other current assets	806	620
Total Equity and Liabilities	11,029	9,815		7,983	6,891
			Total Assets	11,029	9,815

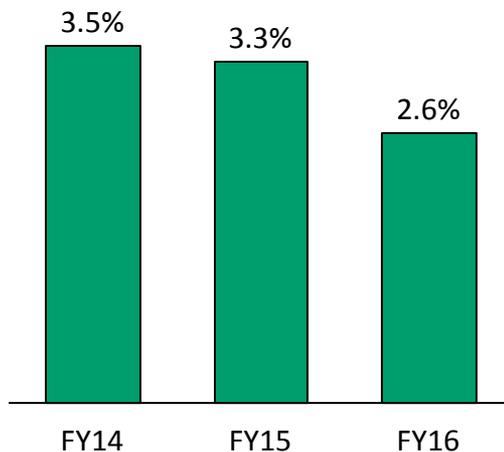
Key Accounting Policies – Revenue Recognition and Order Booking

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

Key Accounting Policy: Maintenance Warranty Provisions

Maintenance Warranty Provisions

(Average calculated as % of Revenue)



✓ 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

