

Suzlon Energy Limited



Q1 FY14 Earnings Presentation

2nd August 2013

Thornton Bank Offshore Wind Farm, Belgium

- *This presentation and the accompanying slides (the “Presentation”), which have been prepared by Suzlon Energy Limited (the “Company”), have been prepared solely for information purposes and do not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment whatsoever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.*
- *This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.*
- *Certain matters discussed in this Presentation may contain statements regarding the Company’s market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the wind power industry in India and world-wide, competition, the company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this Presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.*
- *No offering of the Company’s securities will be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). Accordingly, unless an exemption from registration under the Securities Act is available, the Company’s securities may not be offered, sold, resold, delivered or distributed, directly or indirectly, into the United States or to, or for the account or benefit of, any U.S. Person (as defined in regulation S under the Securities Act).*
- *The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.*

Quarter Takeaways – Q1 FY14

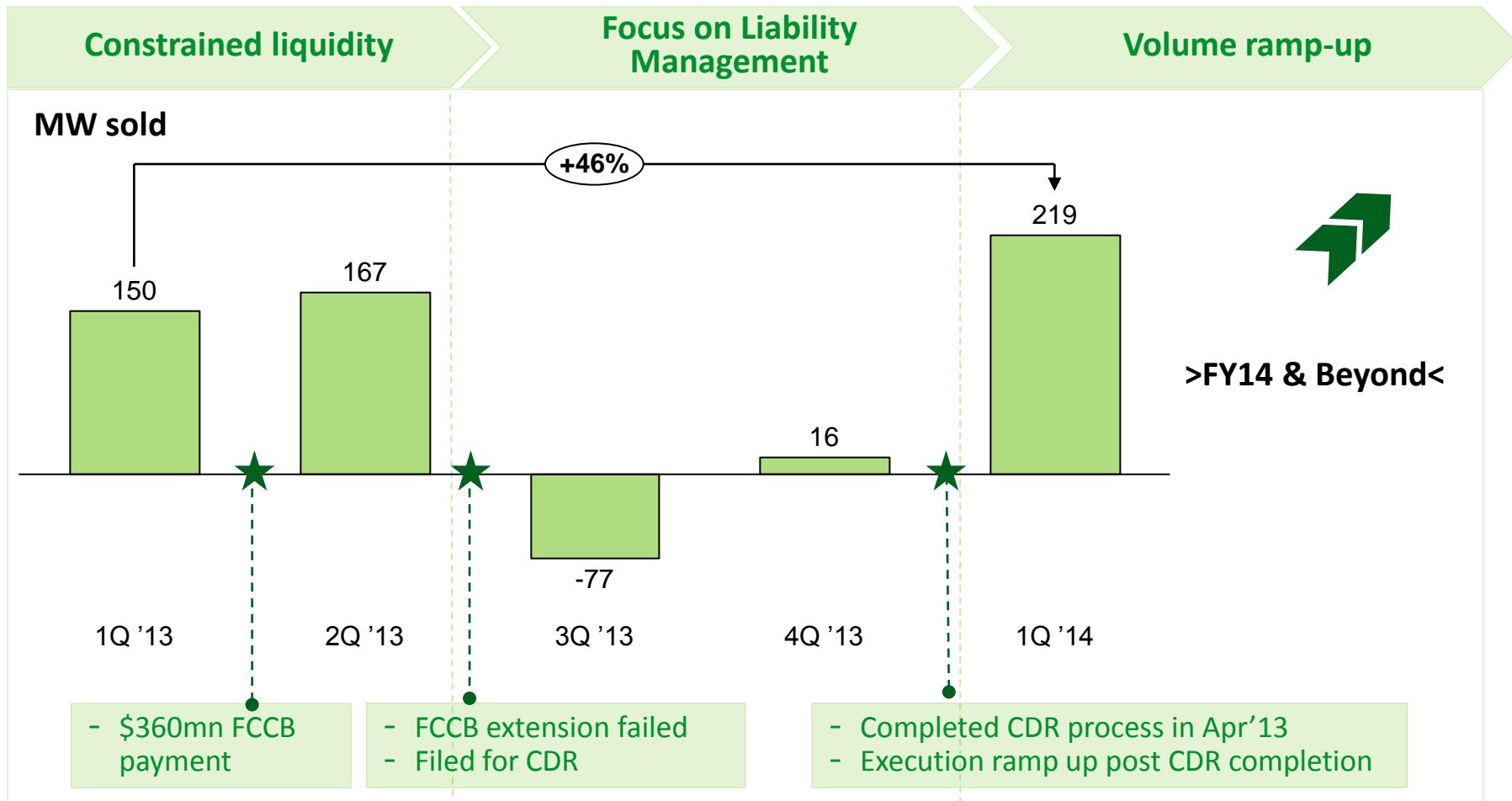


Suzlon wind farm in Kutch, India

Key highlights – Q1 FY14

-  Operations ramping up at Suzlon wind – **219 MW**
-  **325 MW Thornton Bank offshore wind farm completed**
-  Group headcount reduction of **1,000+**, in addition to **1,500+** reductions in FY13
-  Opex reduced by **31% QoQ**, despite adverse FX movement
-  Working capital further rationalized to **11.4% of sales**
-  Decent order inflow momentum - **356 MW**
-  FCCB discussions progressing

Operations ramping up at Suzlon Wind



Execution volume to gather pace in balance year

REpower completes its largest offshore wind farm

325 MW Thornton Bank project with 6M

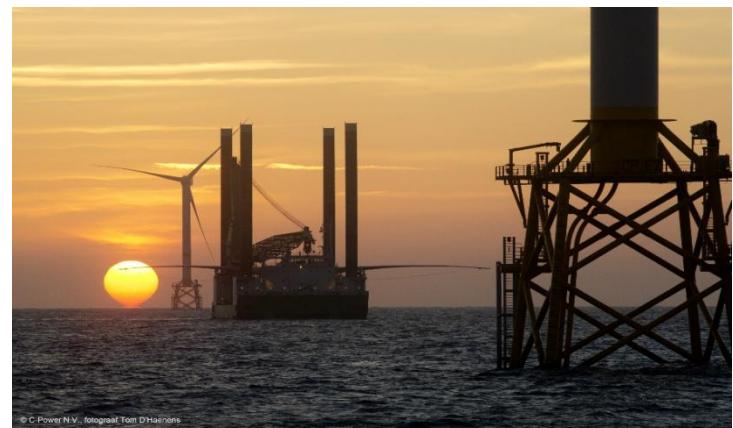
Showcase project for the European Offshore Industry



- ✓ Project with largest fleet of 6M turbines
- ✓ One of the largest project financed offshore wind farms in Europe (~€900mn)
- ✓ Total project cost: ~€1.3bn

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

- ✓ On time and within budget
- ✓ Successfully executed one of the most complex / challenging deep water offshore projects (~30KM off the coast & up to ~30 meters deep)



Business Performance

Suzlon wind farm in Minnesota, USA

Financial snapshot

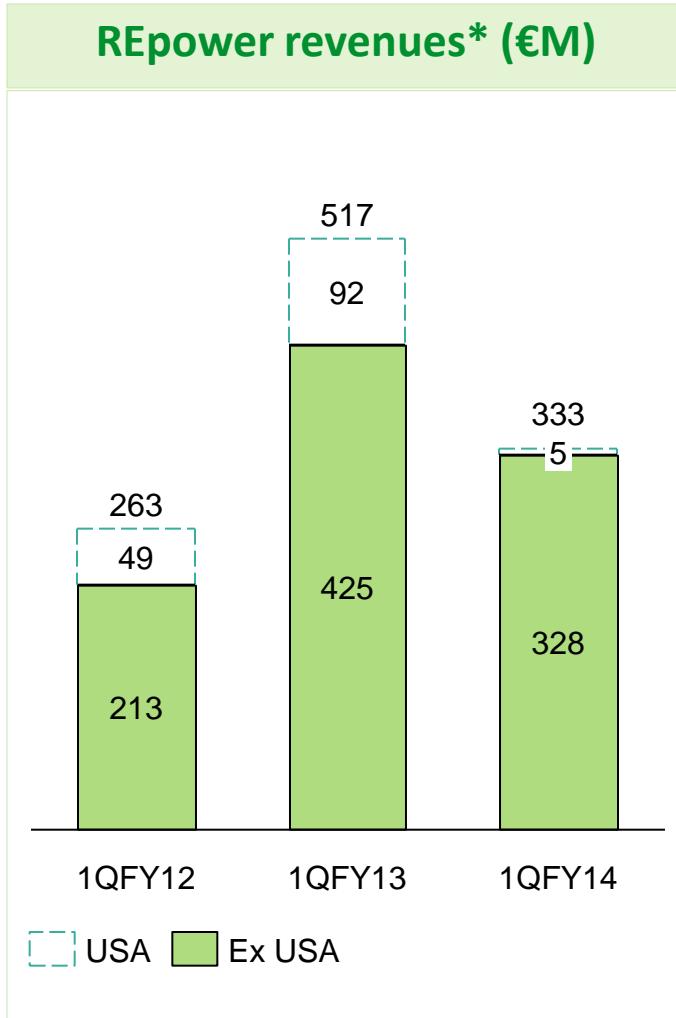
Rs Crs

Particulars	Q1 FY14 Unaudited	Q4 FY13 Audited	Q1 FY13 Unaudited	FY13 Audited	FY12 Audited
Consolidated Revenue	3,851	4,281	4,747	18,743	21,082
Consolidated EBITDA	-302	-594	-257	-1,296	1,821
Consolidated EBIT	-482	-786	-435	-2,037	1,160
Consolidated Net working capital	2,027	2,543	5,831	2,543	4,861
Consolidated Net debt	13,705	13,003	13,017	13,003	11,129

Key takeaways:

- Business performance on track towards normalization
 - Volume ramp-up at Suzlon Wind
 - Achieved **219MW** in quarterly sales against ~**250MW** annual sales in entire FY13
 - REpower continues stable performance
- Substantial progress achieved in reducing fixed costs through Group-wide restructuring exercise
- Net results after tax impacted by
 - One time Group-wide restructuring costs under Project Transformation – **Rs. 136 Crs**
 - Forex losses due to unfavorable currency fluctuations – **Rs 155 Crs**

Working towards breakeven in FY14



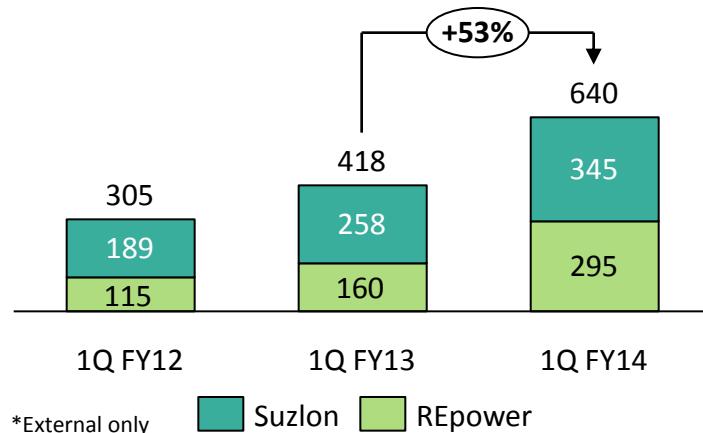
Highlights of 1Q FY14

- ✓ **Stable performance despite adverse market dynamics**
- ✓ **Focus on cost reduction**
 - Fixed cost reduction, right sizing headcount
 - Improving production efficiency
 - Eliminating cost redundancy
- ✓ **Stable order book with strong cash position**
- ✓ **Marquee projects completed:**
 - 325 MW Thornton Bank offshore wind farm: **Largest offshore project by REpower till date**
 - 122 MW Zuidlob onshore wind farm: **Largest onshore wind farm by REpower till date**

Evolving as a leaner and more profitable organization

Service Business: Growing business with stable revenues

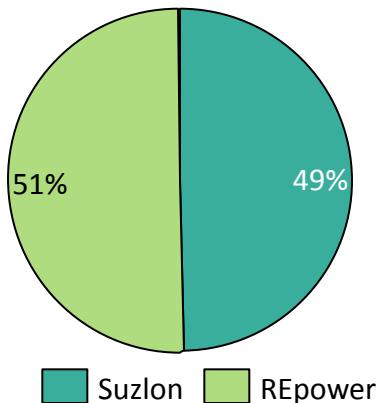
Revenues (Rs. Crs)*



Key Highlights

- **1Q FY14 OMS revenue at ~Rs. 640 crs**
 - >50% higher than same quarter last year
- **High growth with stable and consistent margins**
- **Large service order backlog - \$4bn**
 - \$4bn spread over 5+ year horizon
 - Service order backlog stable, with near 100% renewal track record

Service Order Backlog - \$4bn

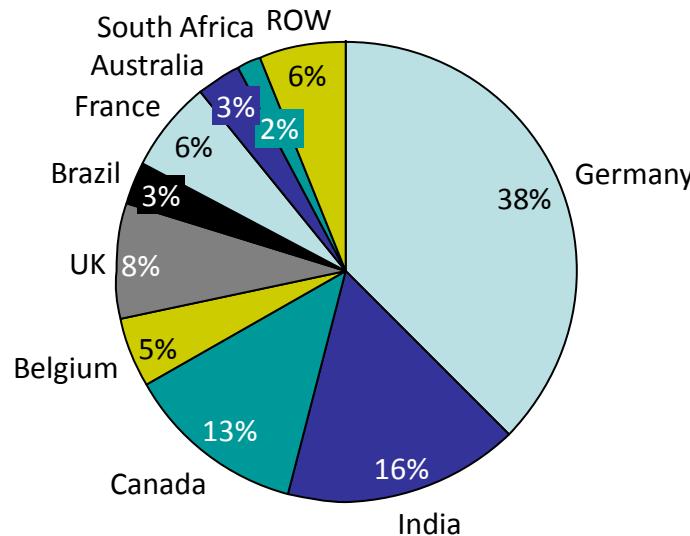


Annuity like cash flows over turbine life

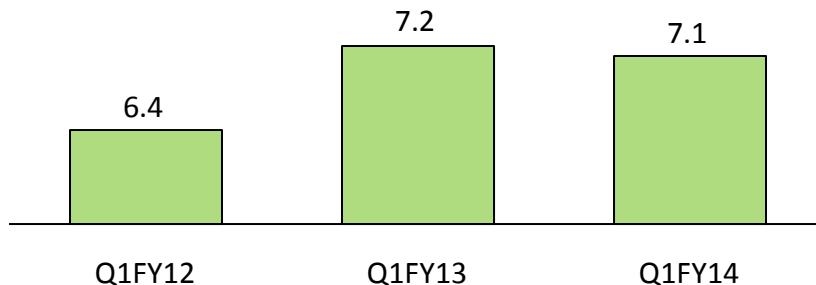
Robust order book position

Total value of US\$7.1 bn

Order book by geography – US\$7.1bn



Order book evolution (US\$ bn)



- Order book at ~5.4 GW
- Order book value: US\$ 7.1bn
 - Onshore markets:
 - Emerging : ~US\$1.5bn (India, Brazil and South Africa)
 - Developed : ~US\$4.3bn
 - Offshore: US\$1.3bn
- Strong order book with deliveries up to FY15

Strong order backlog in home markets, India and Germany

As on 2nd August 2013. FY13 Exchange rate – USD/EUR – 1.33, INR/EUR – 78.68, INR/USD – 59.33

Order book for the quarter reflects orders booked between two board meetings and does not net off sales of the next quarter

Project Transformation Update



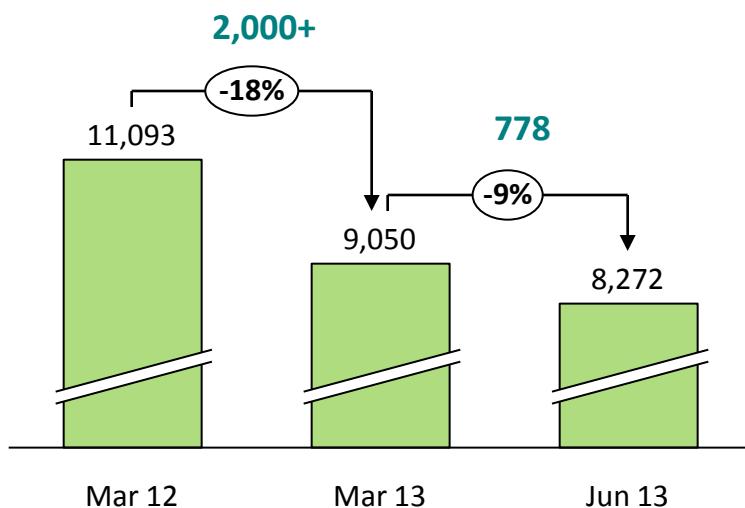
Suzlon wind farm in Penamacor, Portugal

Right-sizing across verticals continued over Q1

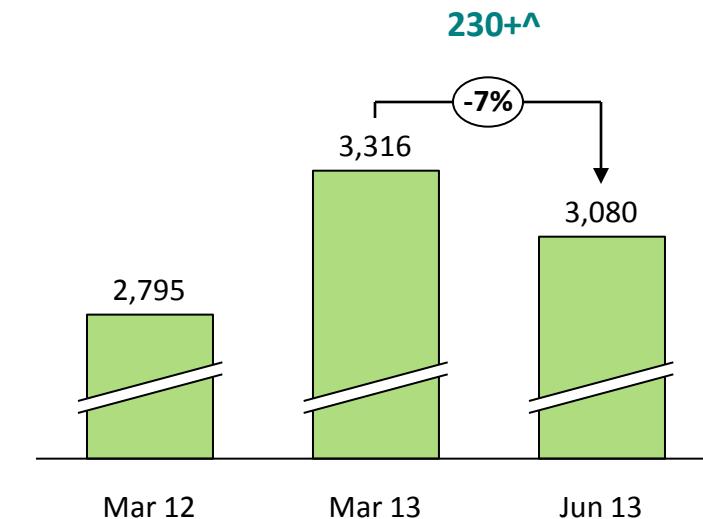
Employee Headcount

Suzlon*

*Ex REpower



REpower



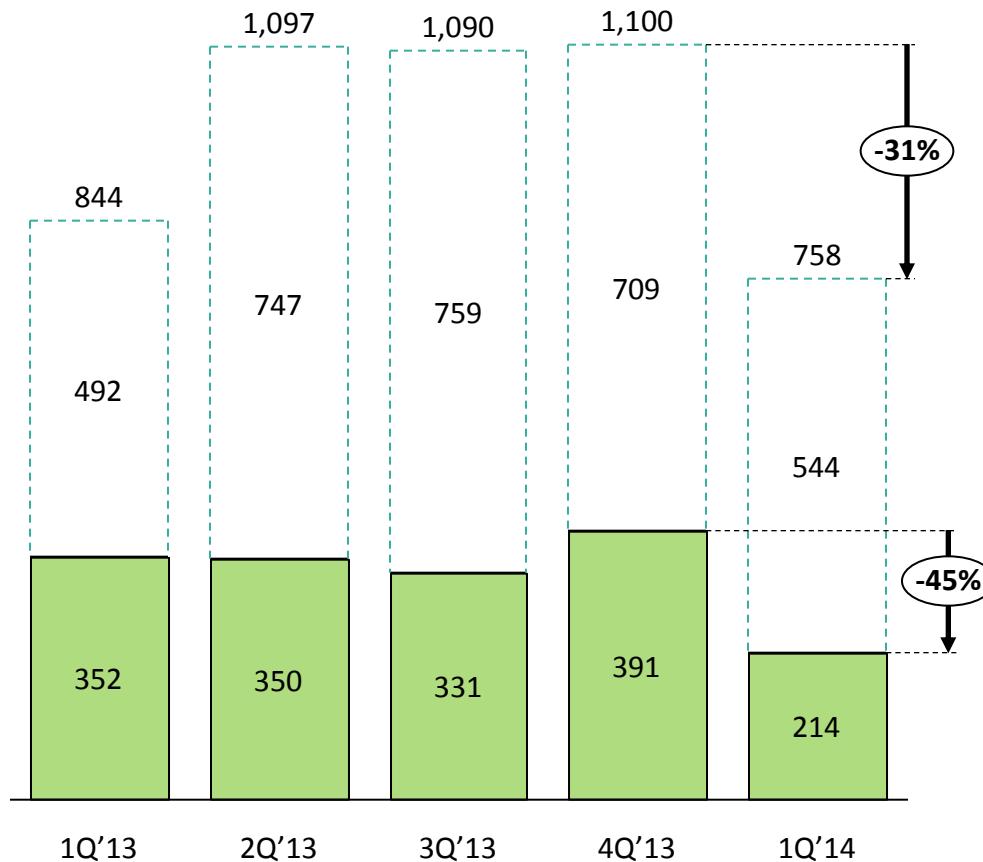
- ✓ Headcount reduced by 778, over and above 2,000+ reductions achieved in FY13
- ✓ Further reductions planned in FY14

- ✓ 500 permanent + 250 temporary employee reductions planned in FY14
- ✓ Progressing well on the restructuring program

Reductions are net of increase in service business headcount

Right-sizing employee base across business verticals

Consolidated operating expenses* (Rs. Crs)



Key actions taken:

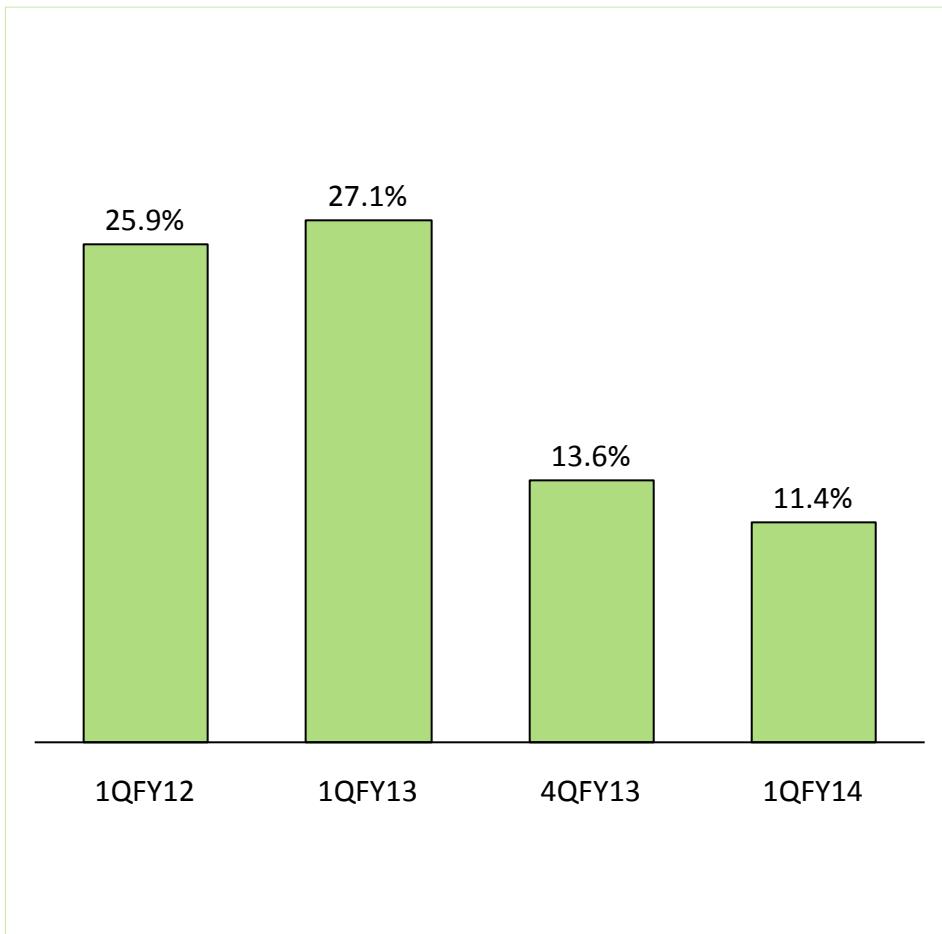
- Stringent cost control measures in place
- Rationalizing travel and consulting expenses
- Rationalized office and factory space

Plan for further reductions:

- ~€100 mn cost reduction plan initiated at REpower
 - ✓ Savings targeted in purchase, production, employee costs and Opex

Continuing to optimize Working Capital ratio

Net Working Capital Ratio*



Key actions underway:

- Leaner inventory cycle
 - Make vs Buy analysis
 - Controlled procurement
- Focus on realizations
 - Project prioritization, better receivables management
- Expediting order execution
- Clearing up commissioning pipeline

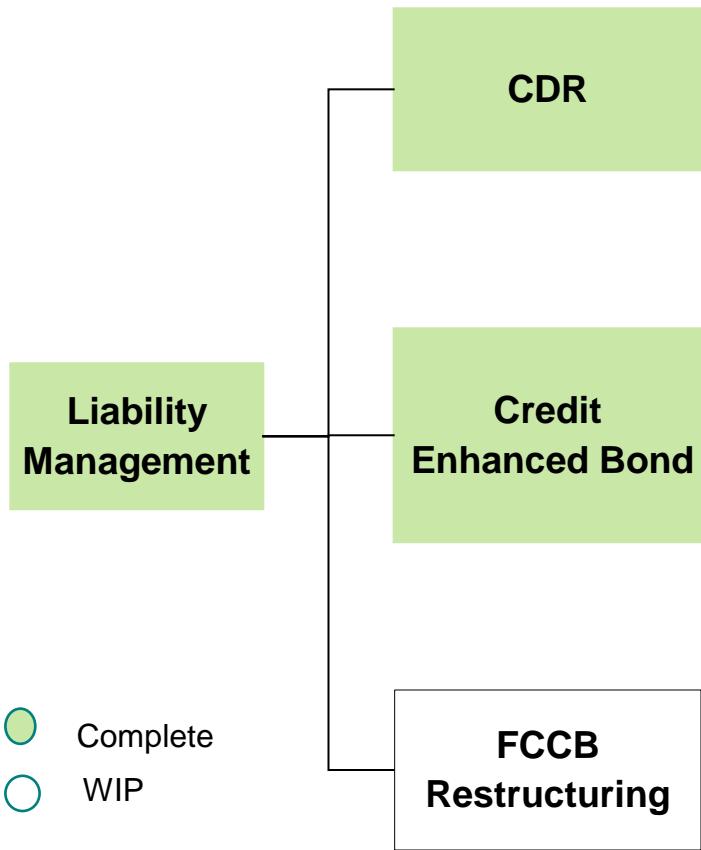
* - Net Working Capital/Trailing twelve months

Comprehensive Liability Management Update



Suzlon wind farm in Rajasthan, India

Liability Management in place

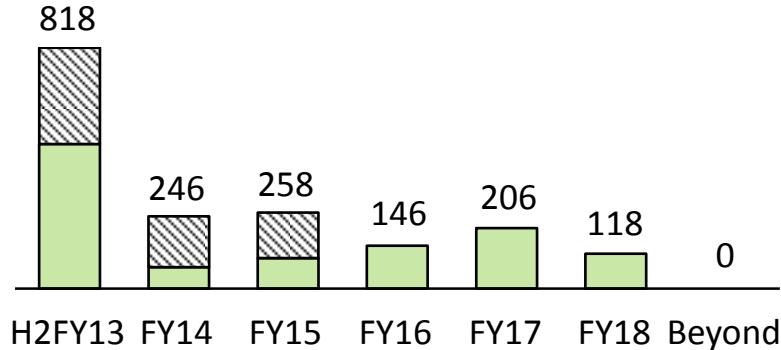


CDR: Back-ended maturity profile & Interest Rate reduced to 11%...

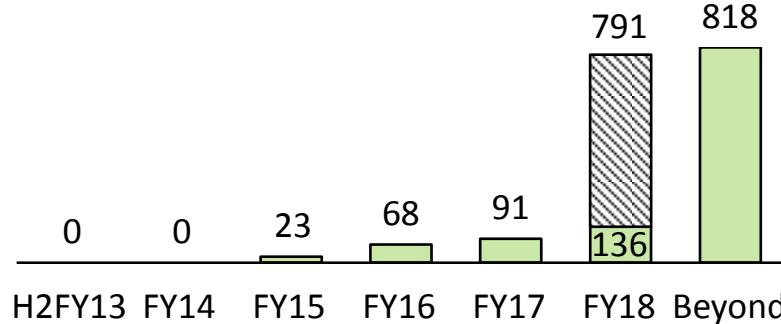
Credit enhanced Bonds / FX Loans Debt Under CDR

Pre-Restructuring

Mn USD



Post-Restructuring



**Additional Working Capital of ~\$330m;
More cash flow available for business**

- Paid the first tranche of FCCBs of \$360mn in July 2012 after 45 days extension
- Prior to maturity had officially sought four months extension for October series with intention to meet our obligations in their entirety
 - Extension did not achieve required super-majority, resulting in non payment
- Continue to be in active and constructive dialogue with our bond holders
- Select bond holders, representing significant majority across all series, have formed an ad hoc committee and have engaged financial and legal advisors to fast track the process to arrive at a consensual solution for the benefit of all stakeholders
- Active negotiations with bondholders and their advisors in an organized process is a conscious effort on part of the Company and its key stakeholders to facilitate an efficient and consensual solution finding process

Stakeholders are aligned for preserving business value and need for a quick resolution

Key Priorities for FY14



Suzlon Manufacturing unit in Dhule, India

Strategic

Operational

Asset light / Debt light

- ✓ Asset sales
 - ~\$400mn targeted from non-critical assets
- ✓ Working capital optimization
 - Focus on realization of sticky receivables
- ✓ Optimize asset base and reduce debt

Products / Orders

- ✓ Continued R&D focus to optimize yield and reduce cost of energy
- ✓ Investing in project pipeline in India
- ✓ Sustaining quality and profitability of orders
- ✓ Focus on core and profitable markets

- ✓ Improve liquidity and drive execution
- ✓ Reducing project cycle time
- ✓ Project wise business management
- ✓ Enhancing service profitability

- ✓ Improving contribution margin
- ✓ ‘Make vs Buy’ analysis for critical components
- ✓ Rationalizing headcount / fixed costs

Business Efficiency

Reduced Breakeven

Detailed Financials – Q1 FY14



Manufacturing unit in Daman, India

Consolidated financial results

Rs Crs.

Particulars	Q1 FY14 Unaudited	Q1 FY13 Unaudited	Q4 FY13 Audited	FY13 Audited	FY 12 Audited
Revenue from operations	3,851	4,747	4,281	18,743	21,082
Less: COGS	-2,731	-3,555	-3,185	-13,640	-14,074
Gross Profit	1,120	1,191	1,095	5,104	7,009
Gross Profit %	29.1%	25.1%	25.6%	27.2%	33.2%
Employee benefits expense	-554	-537	-501	-2,133	-2,009
Other expenses	-758	-844	-1100	-4,131	-3,396
Exchange Loss / (Gain)	-155	-92	-144	-307	-59
Other Operating Income	45	24	56	170	277
EBITDA	-302	-257	-594	-1,296	1,821
EBITDA %	-7.8%	-5.4%	-13.9%	-6.9%	8.6%
Less: Depreciation	-180	-178	-192	-740	-661
EBIT	-482	-435	-786	-2,037	1,160
EBIT %	-12.5%	-9.2%	-18.4%	-10.9%	5.5%
Finance costs	-497	-494	-487	-1,855	-1,655
Finance Income	11	77	23	152	126
Profit / (Loss) before tax	-968	-851	-1249	-3,740	-369
Less: Exceptional Items	-136	45	-604	-643	227
Less: Tax	42	-47	-58	-349	-331
Less: Associates	0	0	0	0	-33
Less: Minority	2	5	-1	8	27
Net Profit / (Loss) after tax	-1,059	-8,49	-1,913	-4,724	-479

Consolidated net working capital

Rs Crs

Particulars	As on 30th June'13	As on 31st Mar '13	As on 31st Dec '12	As on 30th Sept'12	As on 30th June'12	As on 31st Mar'12
Inventories	5,386	5,264	5,928	5,421	5,960	5,580
Trade receivables	5,759	6,382	6,990	8,584	8,265	8,201
Short-term loans and advances	2,435	2,185	2,375	2,549	2,677	2,368
Other current assets	384	443	491	577	677	645
Total (A)	13,964	14,274	15,785	17,132	17,579	16,794
Sundry Creditors	4,645	4,651	4,916	5,739	5,761	5,807
Advances from Customers	3,987	4,168	3,517	3,206	3,060	3,432
Other Current Liabilities	1,575	1,354	1,449	1,421	1,428	1,091
Provisions	1,730	1,558	1,591	1,488	1,499	1,603
Total (B)	11,936	11,730	11,473	11,853	11,748	11,932
Net Working Capital (A-B)	2,027	2,543	4,311	5,278	5,831	4,861

Financial leverage^(a)

Debt type	As on (Rs. Crs)					
	30 th Jun 13	31 st Mar 13	31 st Dec 12	30 th Sep 12	30 th Jun 12	31 st Mar 12

Suzlon Wind Debt

FX loans*	3,843	3,513	3,555	3,475	2,053	1,920
FCCBs	2,418	2,211	2,239	2,152	3,641	3,327
W.Cap, Capex and other loans	9,218	8,701	8,383	8149	7,783	7,895
Gross debt (A)	15,479	14,425	14,177	13,775	13,477	13,142
Cash (B)	346	502	608	512	455	1,037
Net Debt (A-B)	15,133	13,924	13,569	13,264	13,022	12,105

Suzlon Consol[^] Group Debt

Gross Debt	16,290	15,191	15,040	14,568	14,389	14,034
Cash (B)	2,585	2,188	1,453	964	1,372	2,905
Net Debt (A-B)	13,705	13,003	13,587	13,604	13,017	11,129

- (a) Unaudited
- (b) Cash balance includes cash and cash equivalents and non current bank balances
- (c) Debt includes short term loans, long term loans, current maturities of long term borrowings and interest accrued and due

* - Credit enhanced bonds were issued in 4QFY13. Thus, in all the quarters prior to 4QFY13, Earlier it pertained to acquisition loan and loan taken from domestic banks to pay June FCCBs

[^]- Suzlon Consol includes SE Forge and REpower in addition to Suzlon Wind

FCCBs: Status update

FCCBs	Outstanding amount (US\$ mn)	Conversion price (Rs)	Maturity date	Coupon rate	Maturity value with redemption premium
October 2012 – Old	121.4	97.26	October 2012	0%	144.88%
October 2012 – Exchange	20.8	76.68	October 2012	7.5%	157.72%
July 2014 – New issuance	90.0	90.38	July 2014	0%	134.20%
April 2016 – New issuance	175.0	54.01	April 2016	5.0%	108.70%

Thank you



Suzlon wind farm in Paracuru, Brazil