

# STERLING AND WILSON SOLAR LIMITED

**Analyst Presentation**

– Q1 FY21

15<sup>th</sup> September 2020

Noor Abu Dhabi - World's Largest Single Location Solar Project



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## Operations

- ✓ Project sites in US, Australia, Oman and Chile were partially functioning. The construction has recently gathered pace and things have begun to normalise
- ✓ In India, Africa and ME our operations were suspended due to lockdown which have started to get normalized. The force majeure has been invoked and we will be getting time extension as per the contracts
- ✓ O&M activities were 100% working as normal at all sites, because all the plants need to have their up-time, and these are considered as essential services

## Demand and Order Inflow

- ✓ Robust order intake inspite of COVID-19 situation
- ✓ Total cost of solar power internationally is much less than variable cost of thermal power. Hence the solar industry continues to grow globally and has a bright future. Our bidding pipeline is robust and there are number of projects which are in an advance stage of negotiation

## Supply Chain

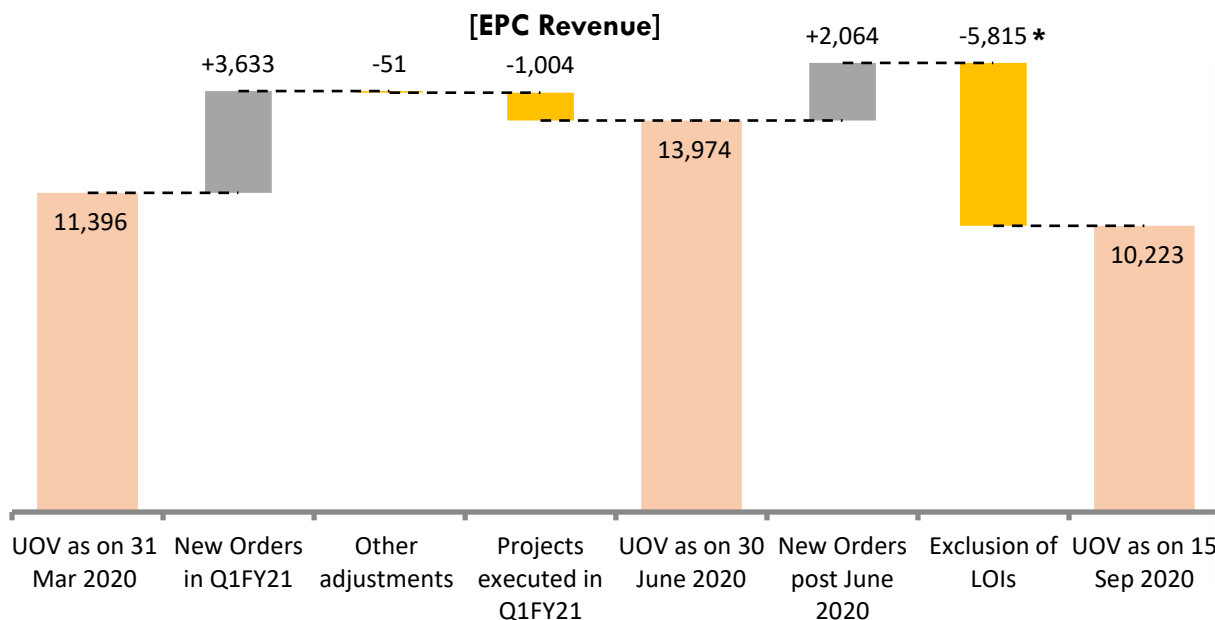
- ✓ PV Module suppliers had started operating at about 80% to 85% of their capacity since May 2020
- ✓ Had taken exemptions from customers and got our local representatives to do the inspection of modules, post which they were shipped
- ✓ No issues in procurement of trackers and inverters during the lockdown period

## Liquidity and Financials

- ✓ No probability of bank guarantee getting encashed as force majeure notices have been issued to customers

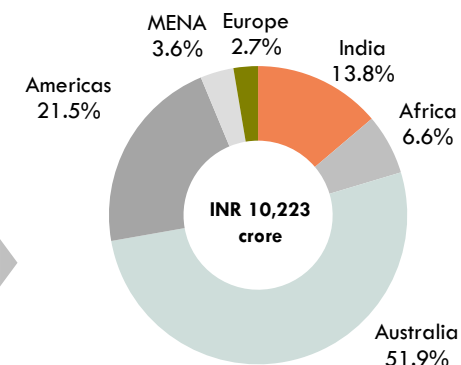
# Unexecuted Order Value (UOV) Movement

INR Crore



## Gross UOV as on 15 Sep 2020

(before adjusting revenue post 30<sup>th</sup> June 2020)



\* The Company has from the current quarter, adopted a policy to only include projects in the order book post signing of the customer contract . To align the order book to this revised policy the Company has decided to exclude two long standing LOIs / LNTPs relating to the Sudair Project in Saudi Arabia and the Fortum Phase II project in Montenegro. This has resulted in re-rating of the order book by Rs 5,815 crores. The same will be again included in the order book as and when the relevant customer contract is signed.

If the same policy were to have been adopted retrospectively, the orders booked in FY 20 would have been Rs. 4,602 crore in comparison with which, the orders booked in the 5 ½ months of the current year are already Rs. 5,696 crore

## Healthy order inflow and robust order book

- ✓ Current year order inflow to date is Rs 5,696 crore (1.4 GW) as compared to Rs 828 crores during the same period last year
- ✓ 7.8 GW contracted O&M as at 15<sup>th</sup> September 2020
- ✓ Gross Unexecuted Order Value (UOV) as at 15<sup>th</sup> September 2020 is Rs 10,223 crore (before adjusting for revenue post 30<sup>th</sup> June 2020 and excluding LOI's) – Please refer Slide 4 for explanation on exclusion of LOIs

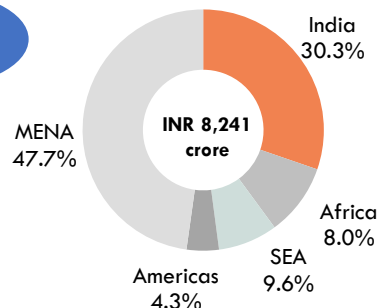
- ✓ Revenue impacted due to delay in commencement of few projects
- ✓ O&M revenue increased by 77% in Q1FY21 to Rs 63 crore compared to Q1FY20
- ✓ Gross margins stood at 10.7% in Q1FY20 compared to 12.8% in FY20
- ✓ EBITDA for Q1FY21 was Rs 18 crore and EBITDA margins (excluding interest income) were at 1.7% in Q1FY21 due to lower revenue
- ✓ Net Working capital increased by Rs 207 crore to Rs 383 crore as at 30<sup>th</sup> June 2020 on account of higher unbilled revenue
- ✓ Repaid term debt (principal) of Rs 1,858 crore since listing till 15<sup>th</sup> September 2020. Interest on term debt is serviced separately on a monthly basis
- ✓ Intercompany deposit (ICDs) of Rs 1,615 crore (Principal + Interest) repaid from the date of listing till 15<sup>th</sup> September 2020

# Significant geographic diversification continues

FY19

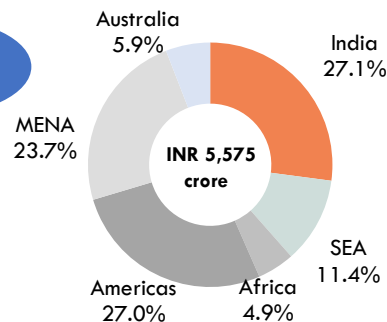
## EPC + O&M Revenue break-up by geography

19 Projects  
10 Countries



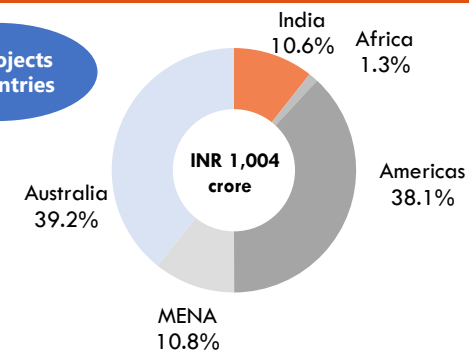
FY20

18 Projects  
9 Countries

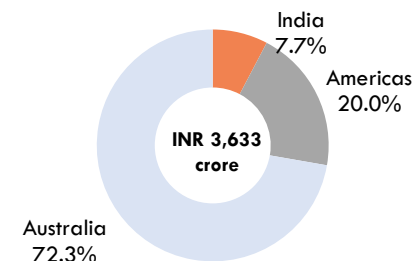
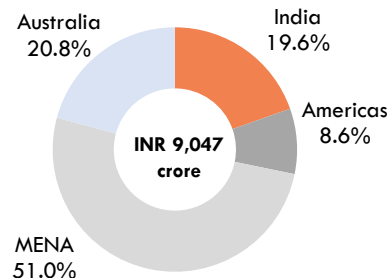
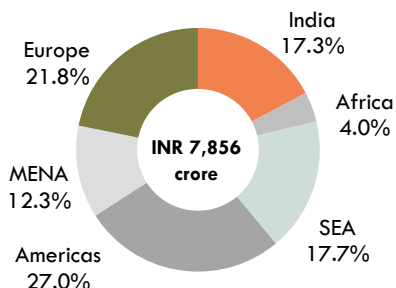


Q1FY21

11 Projects  
7 Countries

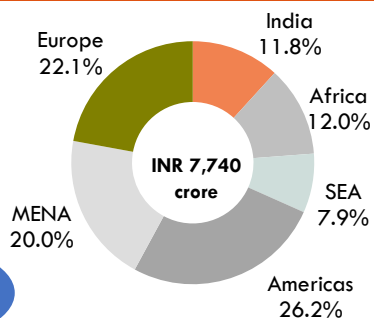


## Orders booked by geography over the years

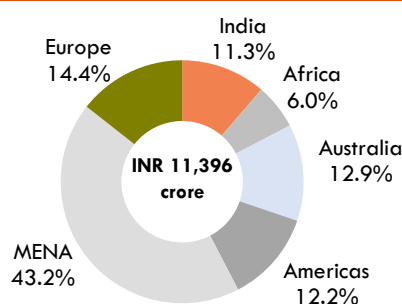


## Unexecuted Order Value (UOV) break-up by geography over the years

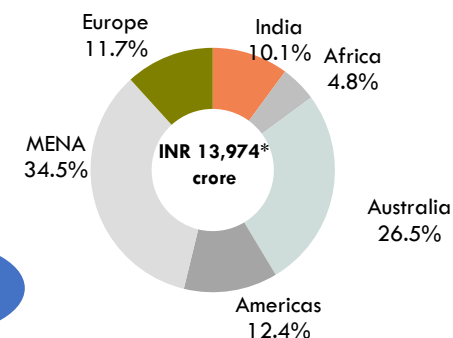
17 Projects  
9 Countries



12 Projects  
9 Countries



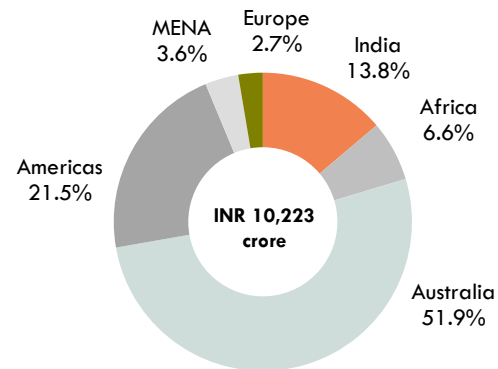
18 Projects  
10 Countries





# Order Inflow – April to June 2020 and till date

Country	MW	INR. Crore
India	380	280
United States of America	194	728
Australia	450	2,625
<b>Apr to June 2020 (a)</b>	<b>1,024</b>	<b>3,633</b>
<b><u>July 2020 onwards</u></b>		
Chile	106	462
Australia	309	1,601
<b>July 2020 onwards till 15<sup>th</sup> Sep 2020 (b)</b>	<b>415</b>	<b>2,063</b>
<b>TOTAL (a+b)</b>	<b>1,439</b>	<b>5,696</b>



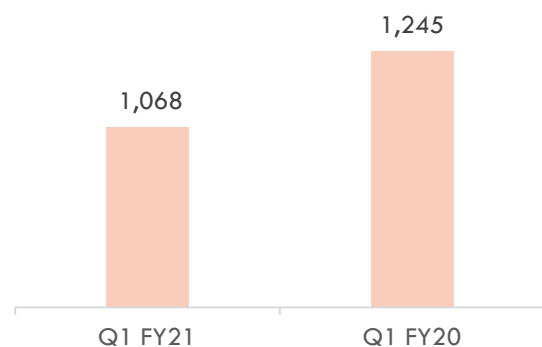
**UOV as at 15 Sep 2020**  
**~ INR 10K Crore**

(before adjusting revenue post 30<sup>th</sup> June 2020 and excluding LOIs)

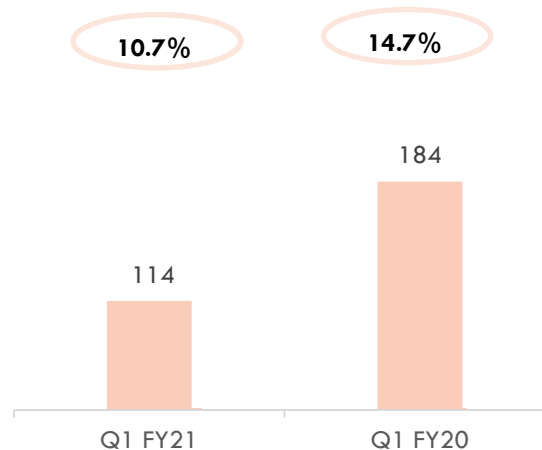
# Consolidated Financial Highlights – Q1FY21

INR Crore

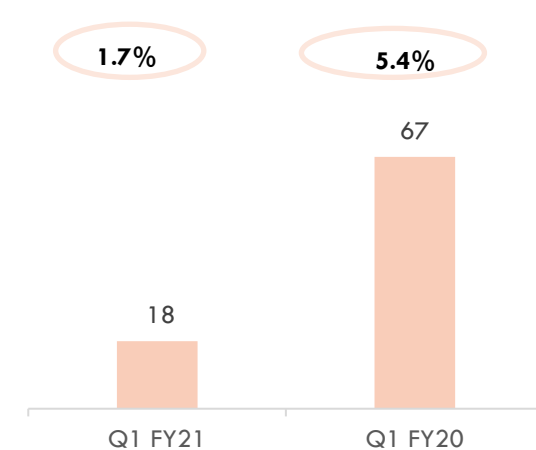
## Revenue from Operations



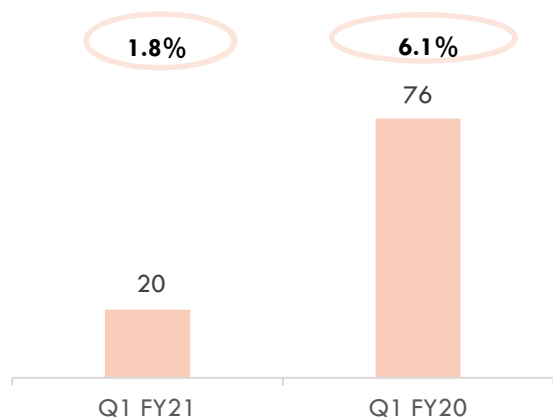
## Gross margins & Gross Margin %



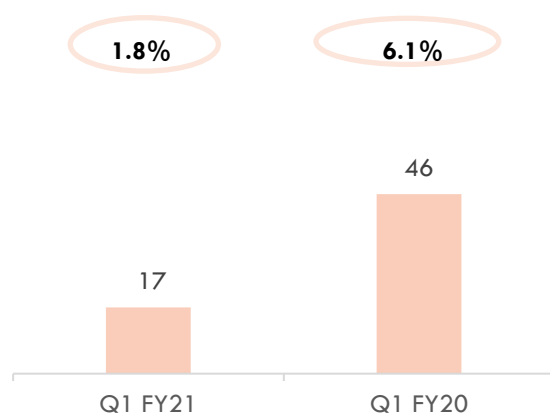
## Operating EBITDA & EBITDA Margin %



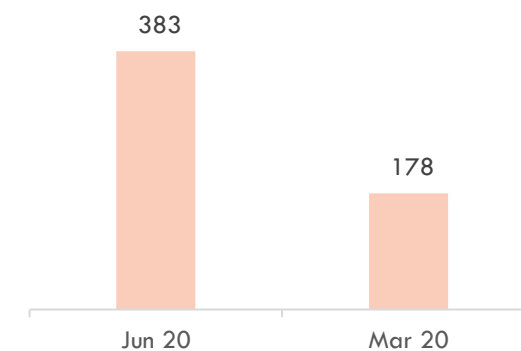
## PBT & PBT Margin %



## PAT & PAT Margin %



## Net Working Capital



# O&M Business – Key Highlights

7.8

**GW of solar power projects with active service contracts**

166  
+

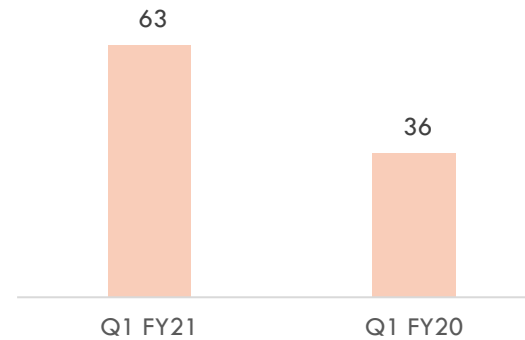
**Sites including third party**

47%

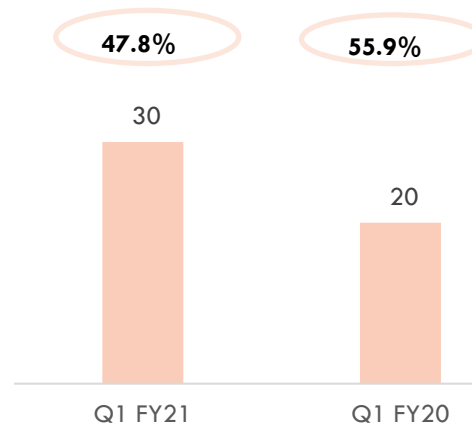
**Third party contracts O&M**

INR Crore

## Revenue from O&M Operations



## Operating EBIT & EBIT Margin %



## Key Highlights

- ▶ O&M revenue increased by 77% in Q1FY21 compared to Q1FY20
- ▶ O&M constitutes 5.9% of revenue in Q1FY21 compared to 2.8% in Q1FY20
- ▶ O&M gross margins stood at 48% in Q1FY21 compared to 56% in Q1FY20

# Consolidated Profit & Loss – Q1 FY21

INR Crore	Q1FY21	Q1FY20	FY20
<b>Revenue from Operations</b>	<b>1,068</b>	<b>1,245</b>	<b>5,575</b>
<b>Gross Margin</b>	<b>114</b>	<b>183</b>	<b>715</b>
<b>Gross Margin %</b>	<b>10.67%</b>	<b>14.7%</b>	<b>12.8%</b>
Other Income	2	1	79
Overheads	98	117	411
Overheads %	9.2%	9.4%	7.4%
<b>EBITDA</b>	<b>18</b>	<b>67</b>	<b>383</b>
<b>EBITDA Margin %</b>	<b>1.7%</b>	<b>5.4%</b>	<b>6.9%</b>
Depreciation	4	3	14
<b>EBIT</b>	<b>14</b>	<b>64</b>	<b>369</b>
<b>EBIT Margin %</b>	<b>1.31%</b>	<b>5.1%</b>	<b>6.6%</b>
Interest Income	30	63	224
Less : Interest Expenses	25	51	195
Net Interest Income	5	12	29
<b>PBT</b>	<b>19</b>	<b>76</b>	<b>398</b>
<b>PBT Margin %</b>	<b>1.8%</b>	<b>6.1%</b>	<b>7.1%</b>
Current Tax expense	0	31	98
Effective current tax rate	0%	40.8%	24.7%
Deferred Tax expense/ (credit)	2	-1	-4
<b>PAT</b>	<b>17</b>	<b>46</b>	<b>304</b>
<b>PAT Margin</b>	<b>1.6%</b>	<b>3.7%</b>	<b>5.5%</b>

## Key Highlights

- ▶ Revenue\* lower in Q1FY21 on account of
  - higher revenue in previous period on completion of projects in MENA and SEA region.
  - COVID -19 Pandemic having an impact on domestic operation
- ▶ O&M revenue higher by 77% in Q1FY21 as against Q1 FY 20. O&M constitutes 5.9% of revenue in Q1FY21 compared to 2.88% in Q1FY20
- ▶ Gross margins\* reduced to 10.67% in Q1FY21 due to lower revenue and higher margin in the previous period towards project closure
- ▶ Overheads reduced due to cost efficiency measures undertaken , reduction in travelling cost due to COVID-19
- ▶ Overheads include Rs 17 crore on account of restatement loss on loan given to an overseas branch which is effectively in the nature of equity contribution. The same has been accounted in P&L instead of FCTR through OCI in keeping with relevant Ind AS.
- ▶ Depreciation increase primarily on account of adoption of INDAS 116
- ▶ Net interest income lower in Q1FY21 as against Q1FY20 due to repayment of inter-corporate deposits from August 2019 onwards

**\* SWSL being an EPC company, the revenue, orders inflows and gross margins could be lumpy due to geographical mix and stage of execution of the project in any particular quarter and hence comparison on corresponding previous period will not be true reflection and performance for a quarter may not be a representative of full year**

## Derivative contracts

- ▶ The Group has taken forward contracts (including cross currency hedge) to hedge the exposure of currency fluctuation in respect of receivable from customers, trade payables and letter of credit.
- ▶ The AUD-INR derivative contracts were taken for receivable from customers and AUD-USD and USD-INR derivative contracts was taken for trade payable and letter of credit payments.
- ▶ As per Ind AS 109, when a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income ('OCI') and accumulated in the other equity under 'effective portion of cash flow hedges'.
- ▶ Any ineffective portion of changes in the fair value of the derivatives is recognised immediately in the statement of profit and loss.
- ▶ On utilization of forward contract on the date of maturity the effective portion of cash flow hedge reserve previously recognized in Other Comprehensive Income is recycled into profit or loss which would be off set by increase in revenue or restatement of receivable/payables.
- ▶ The notional value of derivative contracts outstanding as at 30 June 2020 and the effective and ineffective portion as at 30 June 2020 is tabulated below:

INR Crore	Q1FY21	Q1FY20	FY20
<b>Other comprehensive income</b>			
- Not reclassified subsequently to profit or loss	-	-	-3
- Reclassified subsequently to profit or loss			
- Effective portion of cash-flow hedge reserve (net of deferred tax credit)	-51	-	-
- Foreign currency translation	-	-	50
<b>Total other comprehensive income</b>	<b>-51</b>	<b>-</b>	<b>47</b>

Effective portion of Cash flow Hedge (Amount in Crore)	AUD-INR	AUD-USD	USD-INR
Notional currency and value	5 AUD	21 AUD	5 USD
Effective portion of changes in the fair value of derivative contract – recognized in OCI	10	53	0
Ineffective portion of changes in the fair value of derivative contract – recognized in statement of profit and loss	-	0	2
<b>Total</b>	<b>10</b>	<b>53</b>	<b>2</b>
<b>Tax impact</b>	<b>(3)</b>	<b>(9)</b>	<b>(0)</b>
<b>Net impact on OCI and statement of profit and loss</b>	<b>7</b>	<b>44</b>	<b>2</b>



# Consolidated Balance Sheet

INR Crore	Jun 20	Mar 20
<b>Assets</b>		
<b>Non current assets</b>	<b>99</b>	<b>91</b>
Tangible assets (incl. CWIP)	43	43
Intangible assets	6	6
Deferred tax assets (net)	48	37
Other non current assets	2	5
<b>Current assets</b>	<b>4,749</b>	<b>4,888</b>
Inventories	254	14
Trade receivables	1,510	2,031
Cash & cash eq. & bank balances	238	499
Loans	1,136	1,130
Other current & financial assets	1,611	1,214
<b>Total assets</b>	<b>4,848</b>	<b>4,979</b>
<b>Equity and Liabilities</b>		
Shareholders' funds	1,039	1,073
<b>Non current liabilities</b>	<b>23</b>	<b>20</b>
Provisions and lease liabilities	23	20
<b>Current liabilities</b>	<b>3,786</b>	<b>3,886</b>
Borrowings	1,254	1,224
Trade payables	2,014	2,221
Provisions	123	114
Other current & financial liabilities	395	327
<b>Total equity and liabilities</b>	<b>4,848</b>	<b>4,979</b>

## Key Highlights

### Assets

- ▶ Business continues to remain asset light
- ▶ Increase in non-current asset on account of recognition of Deferred tax assets on effective portion of cash flow hedges recognized in OCI.
- ▶ Inventories increase on account of the goods in transit Rs 240 crore at the end of Q1FY 21 as per the terms of the customer contracts.
- ▶ Trade receivables as at June 20 includes Rs 409 crore due for more than a year. This includes Rs 72 crore pertaining to a customer against whom the company has approached NCLT.
- ▶ Other current and financial assets as at Q1FY20 primarily comprise unbilled revenue of Rs 698 crore, indirect tax balances of Rs 317 crore and advance to suppliers of Rs 249 crore, interest on ICD of Rs 143 crore. Increase in other current and financial assets primarily on account of higher unbilled revenue by Rs 196 crore and advance to vendors of Rs 94 crore.

### Liabilities

- ▶ Shareholders funds decreased on account of negative OCI on effective portion of derivative contract
- ▶ Increase in provisions on account of right-of-use assets of Rs 1 crore and gratuity provision of Rs 2 crore.
- ▶ Other current and financial liabilities as at Q1FY21 primarily comprise advance from customers of Rs 242 crore, Derivative liability for forward exchange contract Rs 65 crore, and employee benefit 23 crore.

INR Crore	Q1 FY21	FY20
<b>Profit before tax</b>	<b>19</b>	<b>398</b>
Adjustments for noncash / other items	50	(24)
Operating profit before working capital changes	69	375
Working Capital Adjustments	(329)	42
<b>Cash flows generated from Operating Activities</b>	<b>(260)</b>	<b>417</b>
Income tax (paid) / Forex translation	(3)	(79)
<b>Net Cash flows generated from Operating Activities</b>	<b>(263)</b>	<b>338</b>
Inter Company Loan given (Net)	-	(504)
Inter Company Loan repaid since listing	-	1,280
Interest received	-	264
Fixed Assets/Fixed Deposits/Investments etc	(20)	(27)
<b>Net Cash flows generated from Investing Activities</b>	<b>(20)</b>	<b>1,013</b>
Proceeds from External Borrowings (Net)	30	(1,004)
Interest paid	(25)	(188)
Dividend	-	(116)
Others	(1)	(5)
<b>Net Cash flows generated from Financing Activities</b>	<b>4</b>	<b>(1,313)</b>
<b>Net Cash increase</b>	<b>(279)</b>	<b>38</b>
Net movement in currency translation	-	4
Cash and cash equivalents of subsidiary acquired	-	-
<b>Cash and cash equivalent at the beginning of the period</b>	<b>463</b>	<b>421</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>184</b>	<b>463</b>

## Key Highlights

### Cash flow from Operations

- ▶ Cash flow from Operations has been negative for Q1FY20 due to changes in working capital on account of higher unbilled revenue

### Cash flow from Investing activities

- ▶ No further ICDs post date of listing
- ▶ Cash flow from investing activity has been negative for Q1FY 21 due to increase in fixed deposits with bank Rs 15 crore primarily for mark to market coverage on forward contracts and purchase of fixed assets and capital work in progress Rs 5 crore.

### Cash flow from Financing activities

- ▶ Cash flow from financing activities has been positive in Q1FY 20 due to borrowing of Rs 30 crore (net of repayment and forex adjustment) for working capital requirement as offset by interest payments.

### Cash and cash equivalents

- ▶ Cash and cash equivalents represent Bank balances in various accounts across the world.

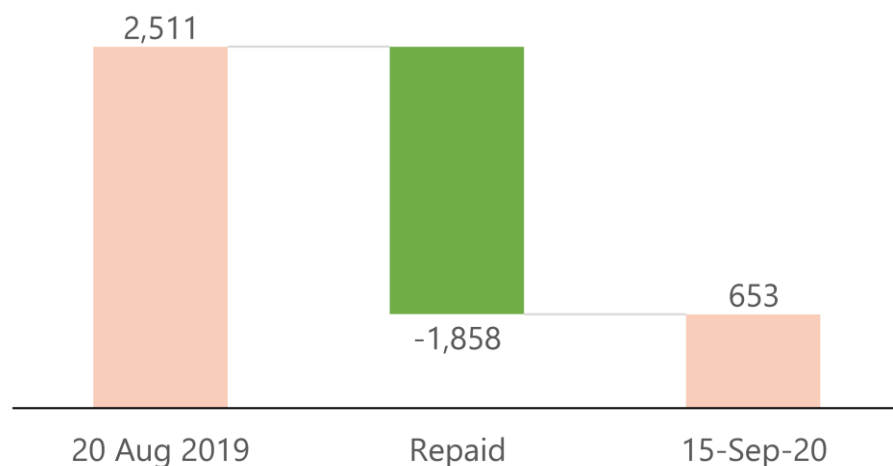
INR Crore	Jun 20	Mar 20
<b>Current Assets</b>	<b>2,639</b>	<b>2,640</b>
Inventories	254	14
Trade receivables (net of LD provision)	1,438	1,963
Receivable days	121	128
Unbilled receivables	698	502
Advances to suppliers	249	161
<b>Current Liabilities</b>	<b>2,256</b>	<b>2,463</b>
Trade payables	2,014	2,221
Payable days	190	167
Advances from Customers	242	242
<b>Net Working Capital</b>	<b>383</b>	<b>178</b>
<b>Net Working Capital days</b>	<b>32</b>	<b>12</b>

## Key Highlights

- ▶ Working capital level as at June 20 increased by Rs 207 crore compared to Mar 20
- ▶ Net working capital days increased by 20 days to 32 days as at June 20 due to lower turnover and higher unbilled revenue
- ▶ Inventories represents goods in transit in keeping with the terms of the customer contract as offset by increase in trade payables.
- ▶ LD Provision of Rs 4 crore recognised during the quarter on settlement contract signed with customer.

INR Crore

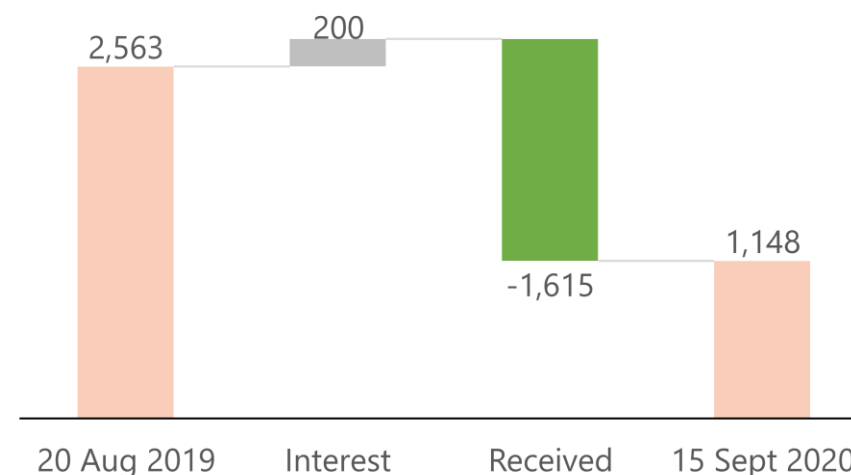
## Term Debt



Note: the above table excludes interest

- Term debt reduced by Rs 1,858 cr from the date of listing till September 15, 2020
- Repayment schedule of term debt of Rs 653 cr
  - Rs 205 cr payable in Q2 FY21 (under discussion with banks)
  - Rs. 448 cr payable in Q3 FY21

## Intercompany Deposit (ICDs)



- Rs 103 crore repaid post 30 June 2020
- Repayment timelines extended till September 2021
- Tangible securities offered by Promoters for Rs 1,200 crore
- 400 basis points spread agreed

- ❑ Despite the current COVID-19 situation, the Company expects a better performance in FY21 as compared to FY20
- ❑ We are diversifying into newer markets like Far East and additional countries in South America
- ❑ Setting up of strong management teams in Spain to cater the fast growing European Market
- ❑ Improved O&M strategy under implementation for third party projects globally
- ❑ Increased market share target in Australia, US and Europe
- ❑ Solar projects along with energy storage and Floating Solar are poised to grow substantially in the near future. We have a very strong team and technical partnerships to take up a leading role in this emerging field



# THANK YOU

For further information, please contact:

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