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STERLING AND WILSON SOLAR LIMITED

Analyst Presentation

– Q3 and 9M FY21

13th February 2021

Safe Harbor

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Contents

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Key Order Book Highlights

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Healthy order inflow and robust order book

- ✓ Current year order inflow to date is Rs 7,046 crore (1.7 GW) i.e. 153% of restated FY20 order book (after exclusion of non-contracted projects)
- ✓ 8.1 GW contracted O&M as at 12th February 2021 (9.5% higher as compared to 12th Feb 2020)
- ✓ Gross Unexecuted Order Value (UOV) as at 12th February 2021 is Rs 9,674 crore (before adjusting for revenue post 31st Dec 2020) – Please refer Slide 6 for explanation on exclusion of LOIs

Key Financial Highlights for 9M FY21

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- ✓ Revenue for 9MFY21 increased by 6% to Rs 3,716 crore
- ✓ O&M revenue increased by 36% in 9MFY21 to Rs 180 crore compared to 9MFY20
- ✓ Gross margins at 8.7% in 9MFY21 due to increase in commodity and logistics cost in Q3FY21
- ✓ EBITDA for 9MFY21 was Rs 43 crore and EBITDA margins (excluding interest income) at 1.2% in 9MFY21
- ✓ Negative net working capital of Rs 35 crore as at 31st Dec 2020 compared to positive net working capital of Rs 178 crore as at 31st Mar 2020
- ✓ Repaid term debt (principal) of Rs 2,179 crore since listing till 12th February 2021 (including Rs 457 crore in the current year to date). Interest on term debt is serviced separately on a monthly basis.
- ✓ Intercompany deposit (ICDs) of Rs 1,649 crore (Principal + Interest) repaid from the date of listing till 12th February 2021

Significant geographic diversification continues

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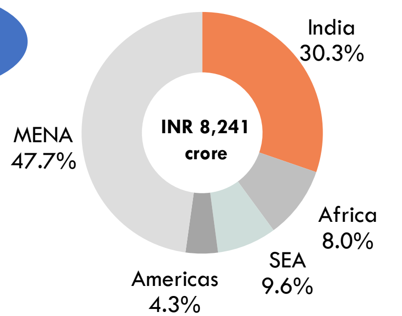
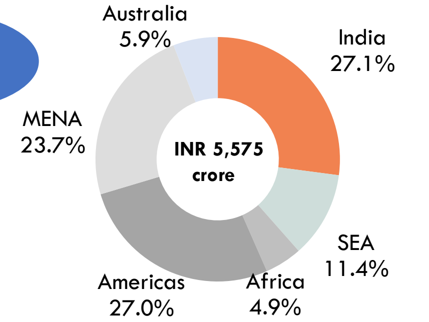
FY19	FY20	9MFY21

EPC + O&M Revenue break-up by geography

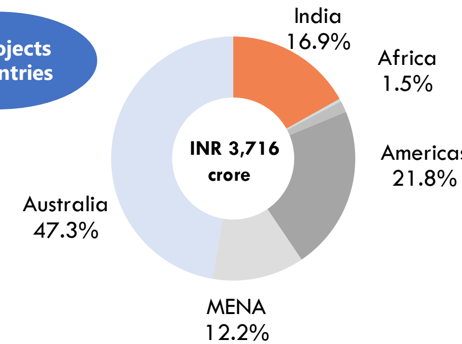
19 Projects
10 Countries



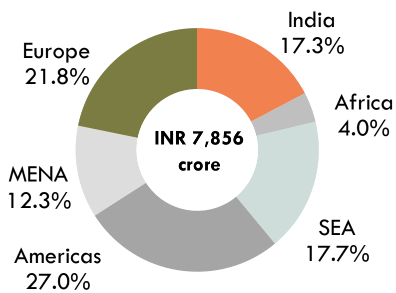
18 Projects
9 Countries

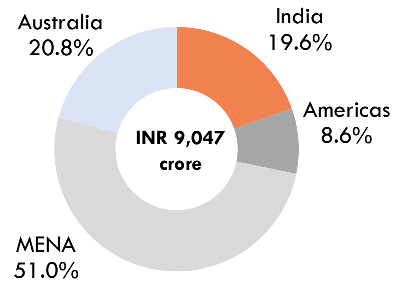


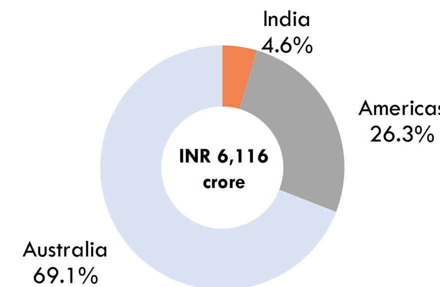
15 Projects
7 Countries



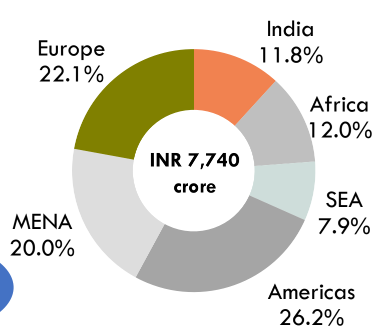
Orders booked by geography



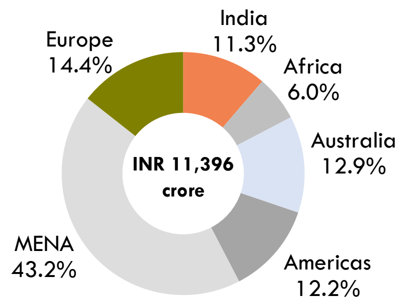




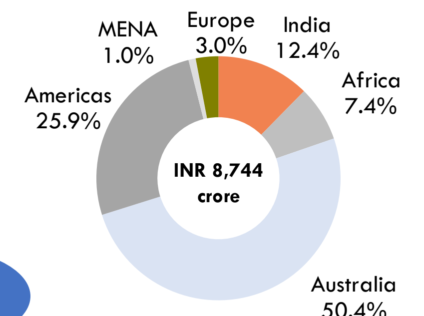
Unexecuted Order Value (UOV) break-up by geography



17 Projects
9 Countries



12 Projects
9 Countries



16 Projects
8 Countries

Unexecuted Order Value (UOV) Movement

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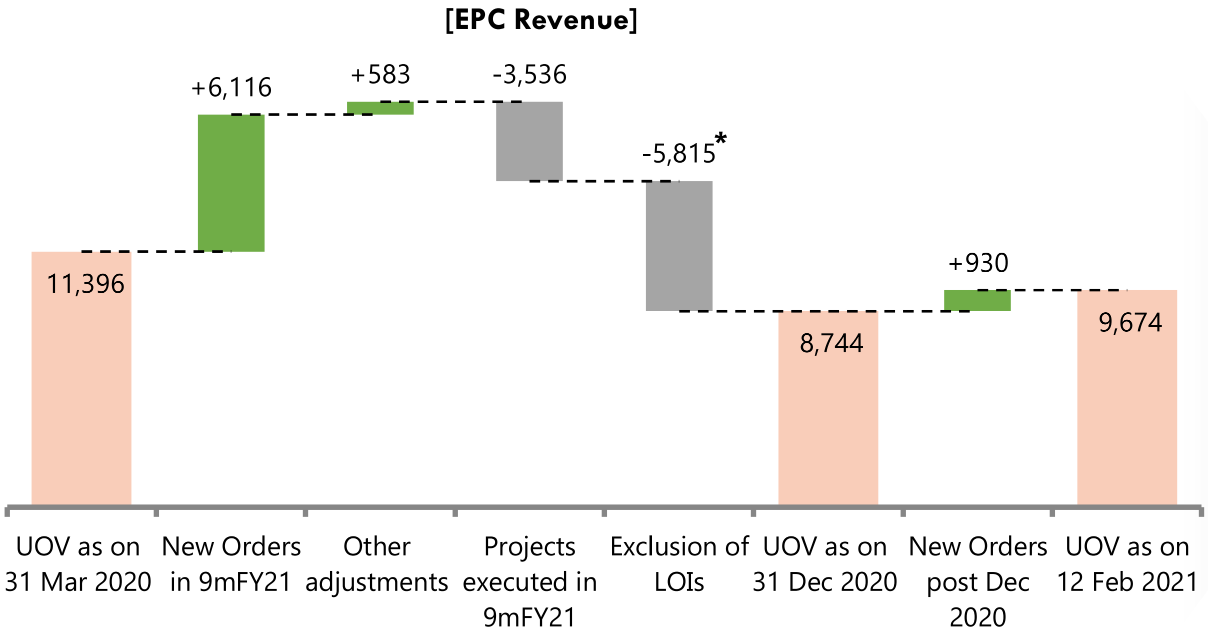
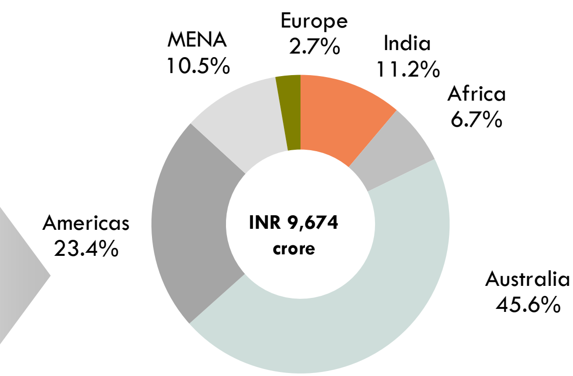
INR Crore



Gross UOV as on 12 Feb 2021

(before adjusting revenue post 31st Dec 2020)



* The Company has from Q1FY21, 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 10 ½ months of the current year are already Rs. 7,046 crore

Order Inflow – April to Dec 2020 and till date

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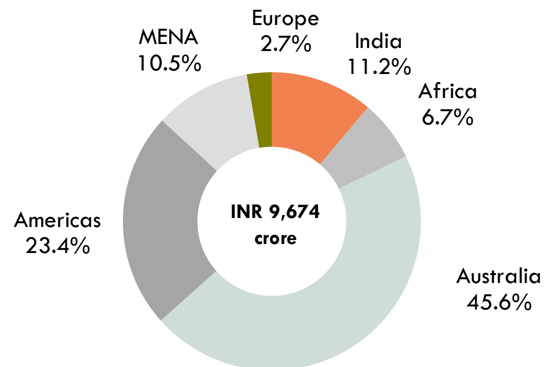
Country	MW	INR. Crore
India	380	280
United States of America	194	728
Chile	106	462
Australia	759	4,226
Apr to Sept 2020 (a)	**1,439**	**5,696**
Chile	86	420
Oct to Dec 2020 (b)	**86**	**420**
January 2021 to till date		
Egypt	230	930
January 2021 till date (c)	**230**	**930**
TOTAL (a+b+c)	**1,755**	**7,046**

UOV as at 12 Feb 2021 ~ INR 9.7K Crore

(before adjusting revenue post 31st Dec 2020)



O&M Business – Key Highlights

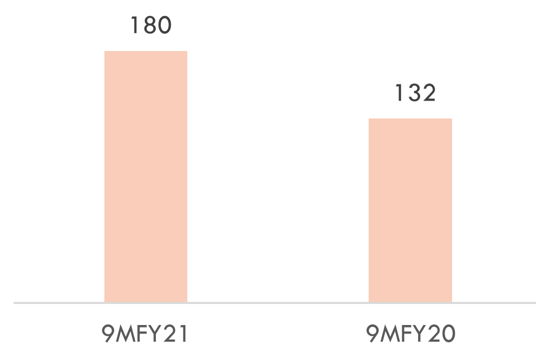
8.1 — GW of solar power projects with active service contracts

172 — Sites including third party

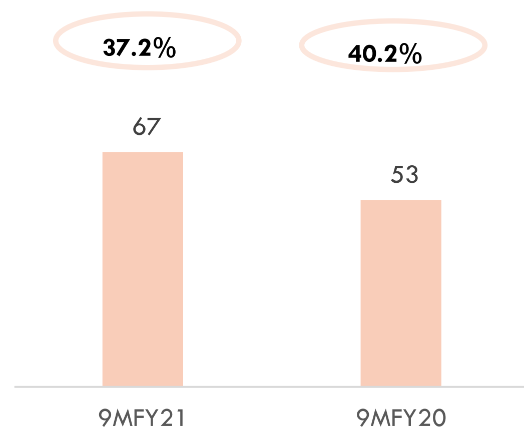
51% — Third party contracts O&M

INR Crore

Revenue from O&M Operations



Operating EBIT & EBIT Margin %



Key Highlights

- O&M revenue increased by 36.8% in 9MFY21compared to 9MFY20
- O&M constitutes 4.8% of revenue in 9MFY21 compared to 3.8% in 9MFY20
- O&M EBIT margins stood at 37.2% in 9MFY21 compared to 40.2% in 9MFY20

Consolidated Profit & Loss – Q3 and 9m

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INR Crore	Q3FY21	Q3FY20	9MFY21	9MFY20	FY20
Revenue from Operations	**1,311**	**1,076**	**3,716**	**3,515**	**5,575**
Gross Margin	**94**	**84**	**325**	**462**	**715**
Gross Margin %	***7.2%***	***7.8%***	***8.7%***	***13.1%***	***12.8%***
Other Income	2	22	7	29	79
Overheads	77	74	240	291	405
Overheads %	*5.7%*	*6.9%*	*6.5%*	*8.3%*	*7.3%*
Forex & MTM	2	(28)	49	(37)	6
EBITDA	**17**	**60**	**43**	**237**	**383**
EBITDA Margin %	***1.3%***	***5.5%***	***1.2%***	***6.7%***	***6.9%***
Depreciation	3	4	11	11	14
EBIT	**14**	**56**	**32**	**226**	**369**
EBIT Margin %	***1.1%***	***5.2%***	***0.8%***	***6.4%***	***6.6%***
Interest Income	32	57	98	177	224
Less : Interest Expenses	23	51	70	164	195
Net Interest Income	9	6	28	13	29
PBT	**23**	**62**	**60**	**239**	**398**
PBT Margin %	***1.8%***	***5.8%***	***1.6%***	***6.8%***	***7.1%***
Current Tax expense	4	13	8	58	99
Effective current tax rate	*17.4%*	*20.5%*	*13.3%*	*24.1%*	*24.7%*
Deferred Tax expense/ (credit)	-3	-1	-2	6	(4)
PAT	**22**	**50**	**54**	**176**	**304**
PAT Margin	*1.7%*	*4.7%*	*1.5%*	*5.0%*	*5.5%*

Note: All margin % are based on Revenue from Operations

Key Highlights

- Revenue higher in 9MFY21 compared to 9MFY20. There has been significant pick up in the execution of projects in US/LATAM and Australia in Q3FY21 leading to improvement in revenue
- O&M revenue higher by 36.8% in 9MFY21 as against 9MFY20. O&M constitutes 4.8% of revenue in 9MFY21 compared to 3.8% in 9MFY20
- Factors affecting Gross margins* for Q3FY21 is explained in the next slide. Gross margins* were higher in 9MFY20 due to higher margin towards project closure in MENA and SEA region.
- Overheads reduced in9mFY21 due to cost efficiency measures undertaken, reduction in travelling cost due to COVID-19
- Forex and MTM in 9MFY21 includes:
  - Rs 24 crore on account of restatement loss on loan given to an overseas branch and subsidiary 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.
  - Rs 26 crore on account of MTM loss on forward contracts relating to projects yet to commence
- EBITDA lower in 9MFY21 on account of lower gross margins
- Net interest income higher in 9MFY21 due to higher interest spread on ICDs and repayment of borrowings

* ***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***

Commodity and logistics prices impacting Q3 gross margins

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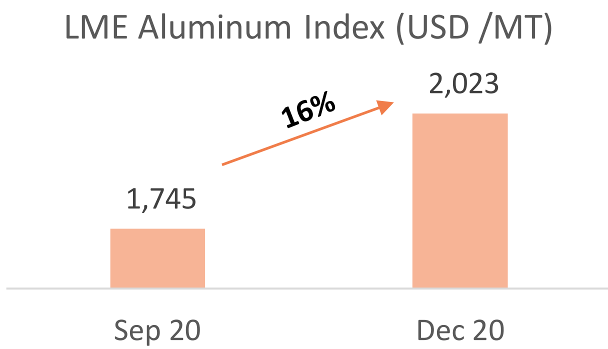
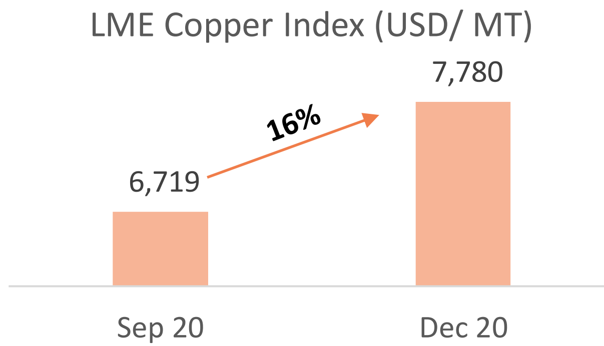
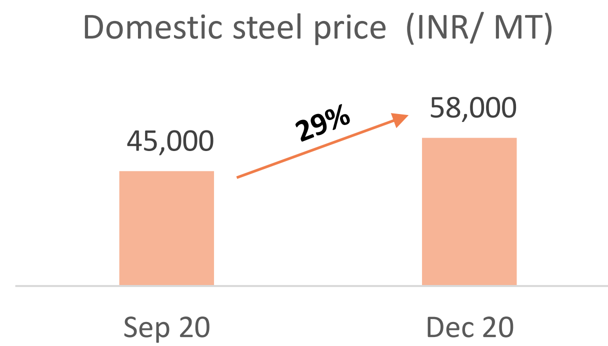
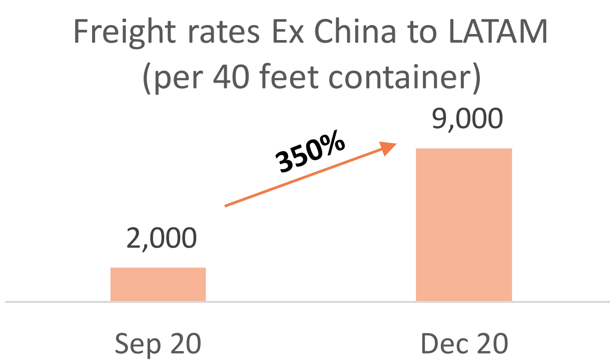
Metal price trends

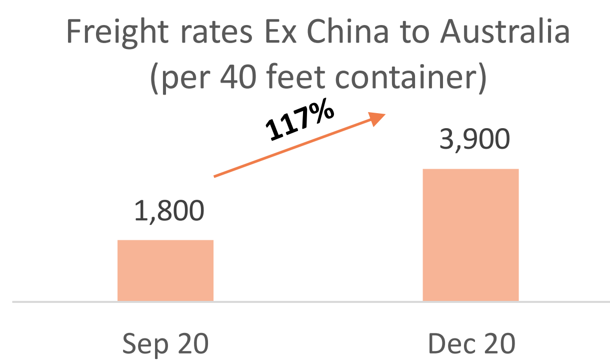






Freight price trends





- Unprecedent increase in material and logistics cost has impacted the gross margins disproportionately for Q3FY21 as cost to completion margins have been restated for the entire project
- Higher execution cost in the developed markets due to COVID and labour movement restrictions

Other Comprehensive income – 9MFY21

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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 order value for a hedged project in INR terms at the time of booking was INR 2,600 crore has also gone up by INR 165 crore thereby compensating the amount lying in OCI.
- The notional value of derivative contracts outstanding as at 31 Dec 2020 and the effective and ineffective portion as at 31 Dec 2020 is tabulated below:

INR Crore	9MFY21	9MFY20	FY20
Other comprehensive income			
- Not reclassified subsequently to profit or loss	*1*	*-*	*-3*
- Reclassified subsequently to profit or loss			
- Effective portion of cash-flow hedge reserve (net of deferred tax credit)	*-135*	*-*	*-*
- Foreign currency translation	*-40*	*14*	*50*
Total other comprehensive income	**-175**	**14**	**47**

Effective portion of Cash flow Hegde (Amount in Crore)	AUD-INR	AUD-USD	USD-INR
Notional currency and value	2.6 AUD	14.7AUD	1.4 USD
Effective portion of changes in the fair value of derivative contract – recognized in OCI	9	160	-
Ineffective portion of changes in the fair value of derivative contract – recognized in statement of profit and loss	-	-	2
Total	**9**	**160**	**2**
Tax impact	**(2)**	**(32)**	**(1)**
Net impact on OCI and statement of profit and loss	**7**	**128**	**1**

Consolidated Balance Sheet

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INR Crore	Dec-20	Sep 20	Mar 20
Assets			
Non current assets	**145**	**123**	**91**
Tangible assets (incl. CWIP)	51	49	43
Intangible assets	6	6	6
Deferred tax assets (net)	74	55	37
Other non current assets	14	14	5
Current assets	**4,111**	**4,180**	**4,888**
Inventories	22	52	15
Trade receivables	1,153	1,120	2,030
Cash & cash eq. & bank balances	329	517	499
ICD and Interest thereon	1,190	1,167	1,217
Other current & financial assets	1,417	1,323	1,127
Total assets	**4,256**	**4,303**	**4,979**
Equity and Liabilities			
Shareholders' funds	**951**	**1,042**	**1,073**
Non current liabilities	**26**	**22**	**20**
Provisions and lease liabilities	26	22	20
Current liabilities	**3,279**	**3,239**	**3,886**
Borrowings	907	947	1,224
Trade payables	1,393	1,427	2,221
Provisions	123	123	114
Other current & financial liabilities	856	742	327
Total equity and liabilities	**4,256**	**4,303**	**4,979**

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.
- Trade receivables as at Dec 20 includes Rs 549 crore due for more than a year. Further details on receivables provided in the following slide
- Other current and financial assets as at Dec 20 primarily comprise unbilled revenue of Rs 642 crore, indirect tax balances of Rs 333 crore and advance to suppliers of Rs 180 crore. Increase in other current and financial assets compared to Mar 20 is primarily on account of higher unbilled revenue by Rs 62 crore and indirect tax balance by Rs 32 crore

Liabilities

- Shareholders funds decreased on account of negative OCI on effective portion of derivative contract
- Increase in provisions on account of gratuity provision of Rs 4 crore
- Other current and financial liabilities as at Dec 20 primarily comprise advance from customers of Rs 547 crore, derivative liability for forward exchange contract of Rs 170 crore, statutory liabilities of Rs 58 crore and employee benefit of Rs 27 crore

Analysis of receivables > 1 year as at Dec 2020

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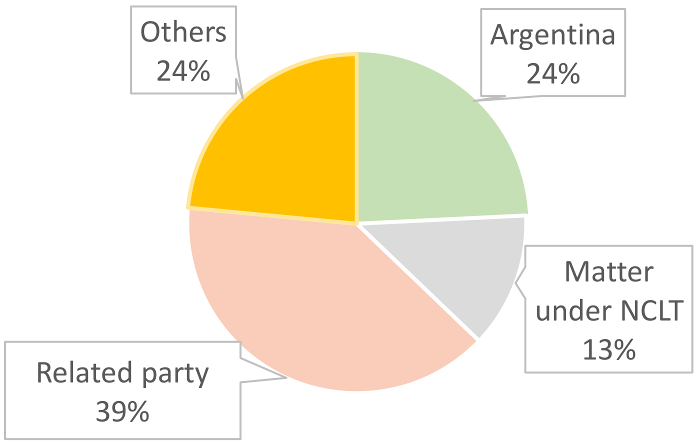
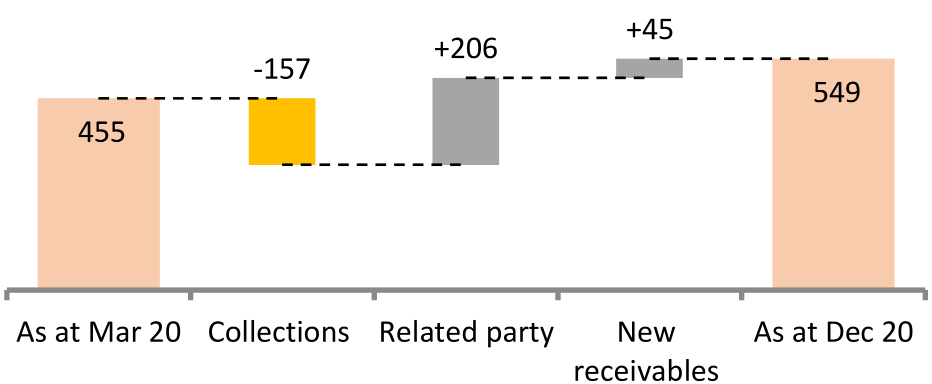
Mix of receivables > 1 year as at Dec 2020 – Rs 549 crore



Bridge of Receivables > 1 year in crore



Comments

- Key receivables outstanding for more than 1 year of Rs 549 crore as at Dec 2020 comprise
  - Matter under NCLT - Net Receivables is Rs 71 crore (after ECL provision of Rs 21.5 cr)
  - Argentina receivables of Rs 133 crore – Collection of Rs 27 crore during 9mFY21. Discussions are currently in progress between the Developer, Lender and the Company. LDs on Developer has been waived off and we are in discussion with Developer to waive off LD on Company. LD provision has been made based on Management's best estimate
  - Related party receivables of Rs 216 crore - The Company has received business of ~Rs 1,320 crore from related parties over the last 4 years and receivables outstanding as at Dec 2020 is Rs 327 crore. This includes receivables of Rs 216 crore due for more than 1 year against which the Company has received securitization of proceeds from sale of plant
- Movement in receivables > 1 year
  - Increase in receivables > 1 year as at Dec 2020 compared to Mar 2020 is primarily on account of dues from related parties falling under more than 1 year during the quarter
  - The Company has been able to collect/ settle old receivables of Rs 157 cr (35%) during 9mFY21. Management is confident of collecting the balance old receivables

Consolidated Cashflow

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INR Crore	9MFY21	9MFY20	FY20
Profit before tax	**60**	**239**	**398**
Adjustments for noncash / other items	8	71	(24)
Operating profit before working capital changes	68	310	375
Working Capital Adjustments	89	(93)	42
Cash flows generated from Operating Activities	**157**	**217**	**417**
Income tax (paid) / Forex translation	(53)	(98)	(79)
Net Cash flows generated from Operating Activities	**104**	**119**	**338**
Inter Company Loan given	-	(453)	(504)
Inter Company Loan repaid	68	810	1,280
Interest received	60	191	264
Fixed Deposit	(44)	(30)	(9)
Fixed Assets etc	(21)	15	(18)
Net Cash flows generated from Investing Activities	**63**	**533**	**1,013**
Proceeds from External Borrowings (Net)	(317)	(751)	(1,004)
Interest paid	(69)	(163)	(188)
Dividend	-	0	(116)
Others	1	2	(5)
Net Cash flows generated from Financing Activities	**(385)**	**(912)**	**(1,313)**
Net Cash increase	**(218)**	**(260)**	**38**
Net movement in currency translation	-	3	5
Cash and cash equivalent at the beginning of the period	**463**	**421**	**421**
Cash and cash equivalent at the end of the period	**245**	**164**	**463**

Key Highlights

Cash flow from Operations

- Cash flow from Operations continue to remain positive

Cash flow from Investing activities

- No further ICDs post date of listing
- Cash flow from investing activity positive in 9MFY21 due to receipt against ICDs and interest thereon

Cash flow from Financing activities

- Cash flow from Operations and Investing activities has been used to repay borrowings and interest thereon

Cash and cash equivalents

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

Core Working Capital

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INR Crore	Dec-20	Mar 20
Current Assets	**1,905**	**2,640**
Inventories	22	14
Trade receivables (net of LD provision)	1,083	1,963
Receivable days	*79*	*128*
Unbilled receivables	620	502
Advances to suppliers	180	161
Current Liabilities	**1,940**	**2,463**
Trade payables	1,393	2,221
Payable days	*111*	*167*
Advances from Customers	547	242
Net Working Capital	**(35)**	**178**
Net Working Capital days	**-**	***12***

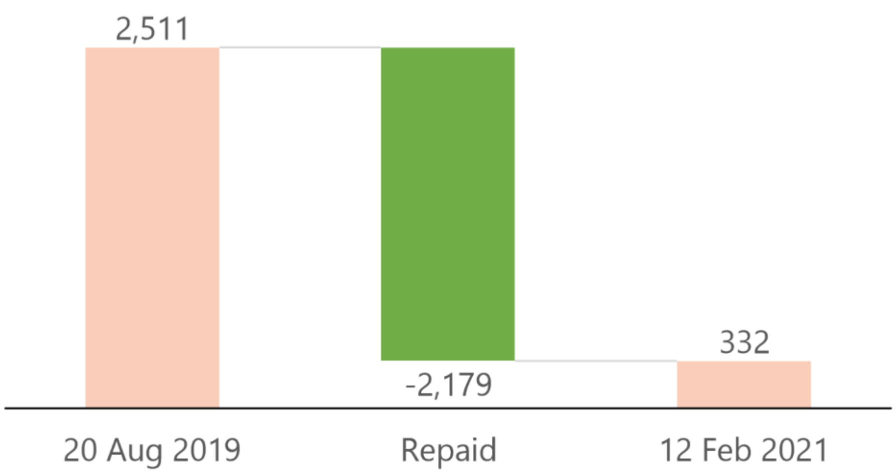
Key Highlights

- Negative working capital of Rs 35 crore as at Dec 20 compared to positive working capital as at Mar 20
- Improvement in working capital as at Dec 20 driven by combination of higher collections, efficient management of working capital and advance from customers. There do exist delays in payments to certain vendors
- LD Provision of Rs 6 crore recognised in 9MFY21 on best Management estimates

External Debt and Intercompany Deposit movement post listing

INR Crore

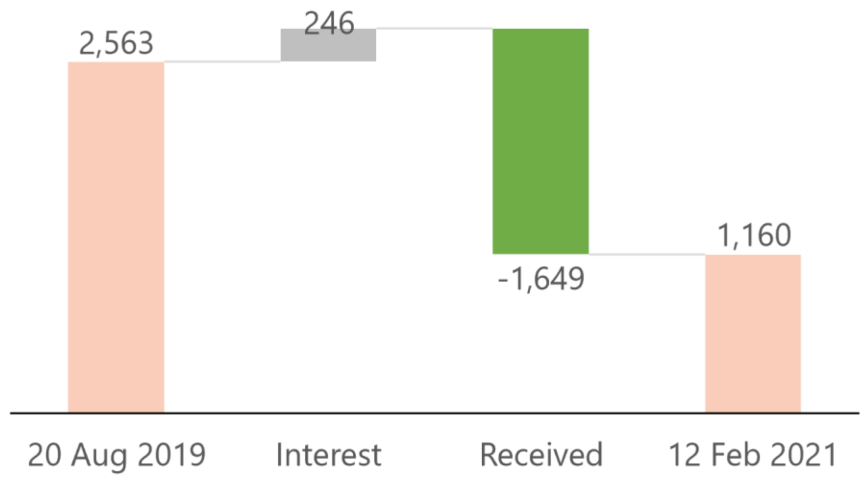
Term Debt



Note: the above table excludes interest

- Term debt reduced by Rs 2,179 crore from the date of listing till 12th February 2021
- Repayment schedule of term debt of Rs 332 cr
    - Rs 213 crore payable in Q4FY21(under discussion with banks)
    - Rs. 119 crore payable in Q1FY22

Intercompany Deposit (ICDs)



- Repayment timelines extended till September 2021
- Tangible securities offered by Promoters for Rs 1,200 crore
- 400 basis points spread agreed

Explanation to material uncertainty relating to Going Concern - para in Auditors Report

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Facts

- Shapoorji Pallonji and Company Private Limited, the Holding company, has applied to its lenders for a One Time Restructuring ('OTR') facility, resulting in its credit rating downgrade as well as that of the Company in Q3FY21
- This has impacted the ability of the Company and its subsidiaries (" the Company) to fully utilise its existing banking limits and / or obtain fresh banking limits and roll over of existing facilities
- Consequently, short term borrowings of the Company have seen a net reduction of Rs 243 crore during 9mFY20 and further reduction of Rs 214 crores from 1st Jan 2021 to 11th Feb 2021
- As a result, subsequent to 31st Dec 2020, the Company is facing challenges related to obtaining funding for cash outflows in respect of timely repayment of borrowings and other activities

Acounting and Auditing Requirement

- IND AS 1 and IND AS 10 requires the Management of the Company to make an assessment of the Company to continue as a going concern and disclose material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern
- As per SA 570 the Auditors shall evaluate management's assessment of the entity's ability to continue as a going concern. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern"
- Consequently, the financial statements and the auditors report include a note on the "Material Uncertainty Related to Going Concern"

Management explanations

- OTR for SPCPL (Holding Company)
  - This process is happening for the first time and there are complexities that need to be worked out
  - All banks have signed the inter creditor agreement and now the details of the plan are in discussion and should be over in the next 2 months
  - But while the process is underway the banks have gone slow in extending credit or facilities in all group companies including the Group
  - We understand that the banks will be willing to support once the plan has been accepted by all
- The Company has a strong order book, the positive operating cash flows and with the existing financing arrangements and the proposed repayment of ICDs, the Company is confident that it can tide over the current issues till the time the OTR for SPCPL is not approved
- Further, the Company's management and the Board of Directors have made an assessment, of the Company to continue as a going concern based on the projected financial results for the next 12 months

Way Forward

STERLING & WILSON

- Mitigating factors being implemented by Management along with support of Promoters to tide over the temporary liquidity mismatch
- Aggressive focus on the European market with an expected bid pipeline of 6 to 7 GW per annum
- Targeted focus for domestic and international O&M for third party clients of 1GW each in next one year

THANK YOU

For further information, please contact:

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