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STERLING AND WILSON SOLAR LIMITED

Analyst Presentation

Q4 and FY21

30th June 2021

Safe Harbor

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Contents

Key Highlights for FY21

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Robust order book

- ✓ FY21 order inflow of Rs 7,936 crore (1.97 GW) is higher by 72% as compared to restated FY20 order book (after exclusion of non-contracted projects)
- ✓ 8.1 GW contracted O&M as at 31st March 2021
- ✓ Gross Unexecuted Order Value (UOV) as at 30th June 2021 is Rs 9,348 crore (before adjusting for revenue post 31st March 2021) – Please refer Slide 4 for explanation on exclusion of LOIs

Financials

- ✓ Revenue for FY21 stood at Rs 5,081 crore as against Rs 5,575 crore for FY20
- ✓ O&M revenue increased by 37% to Rs 252 crore in FY21
- ✓ Adjusted gross margins (adjusted for MTM impact) stood at 0.5% in FY21 due to higher cost for appointment of an alternate subcontractor at higher prices, increase in module and commodity prices and other factors as explained in subsequent slides
- ✓ Negative Net working capital of Rs 530 crore as at 31st March 2021
- ✓ Repaid term debt (principal) of Rs 2,437 crore since listing till 30th June 2021. Interest on term debt is serviced separately on a monthly basis
- ✓ Intercompany deposit (ICDs) of Rs 2,121 crore (Principal + Interest) repaid from the date of listing till 30th June 2021

Geographical diversification

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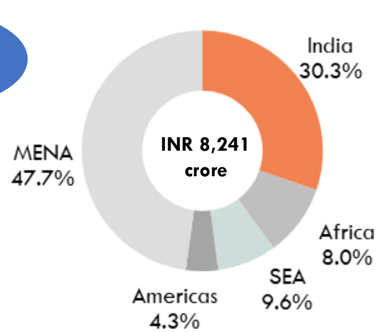
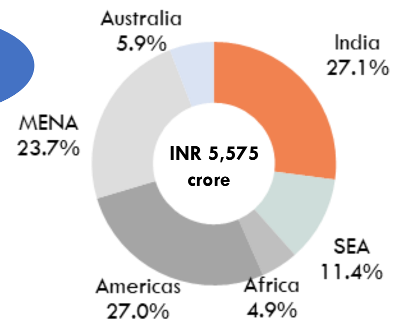
FY19 | FY20 | FY21

EPC + O&M Revenue break-up by geography

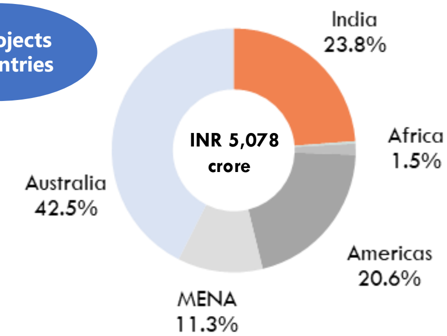
FY19 – 19 Projects 10 Countries



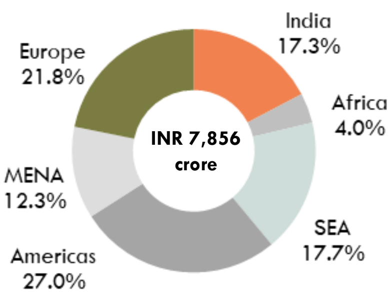
FY20 – 18 Projects 9 Countries

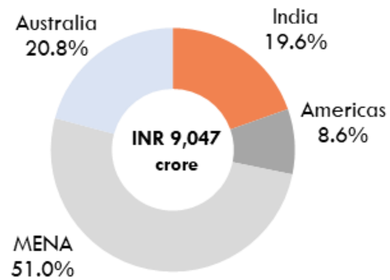


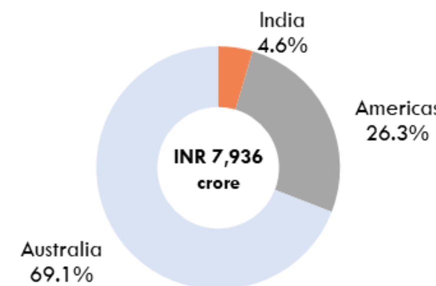
FY21 – 17 Projects 9 Countries



Orders booked by geography

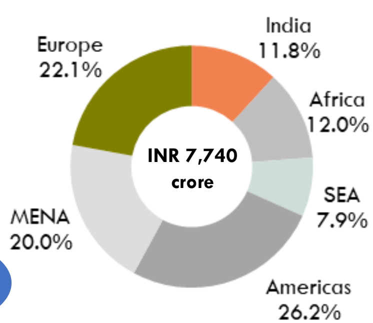




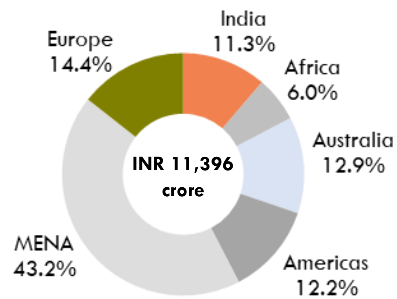


Unexecuted Order Value (UOV) break-up by geography

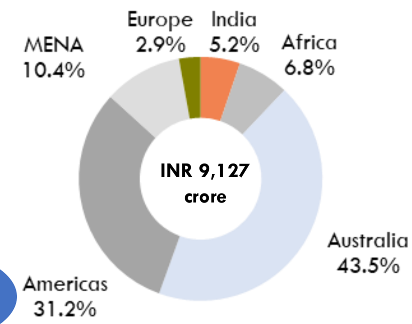
FY19 – 17 Projects 9 Countries



FY20 – 12 Projects 9 Countries

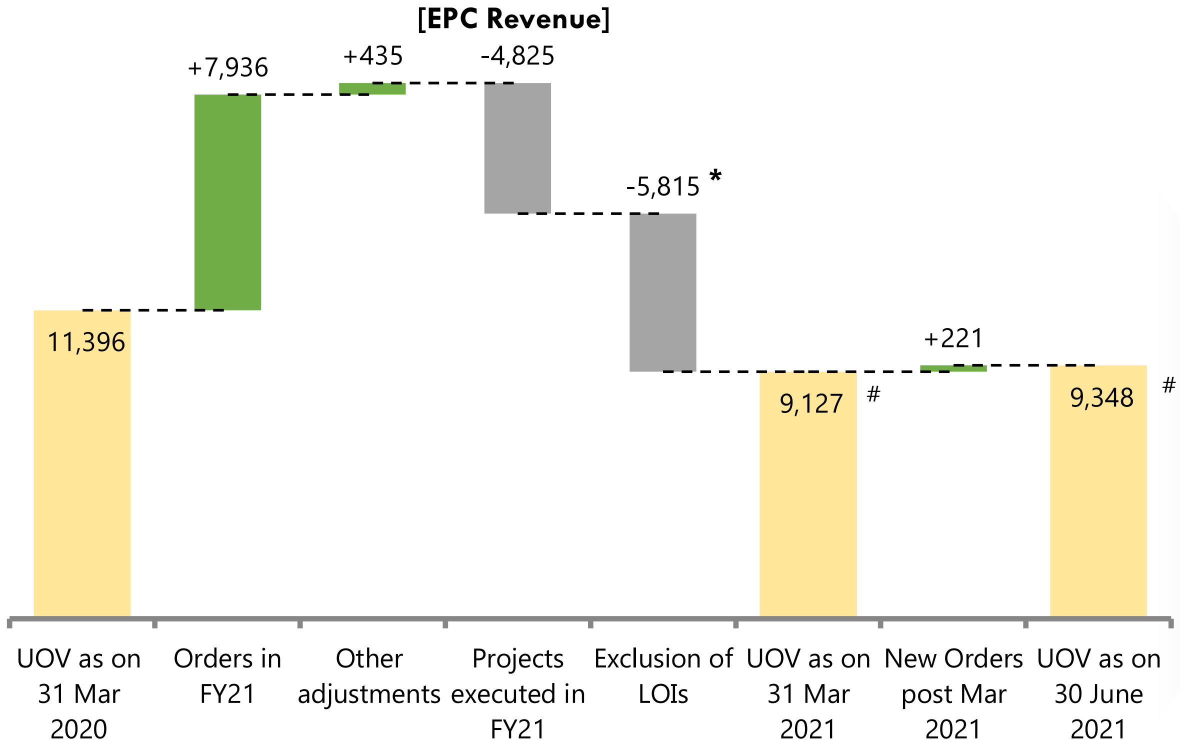


FY21 – 18 Projects 9 Countries



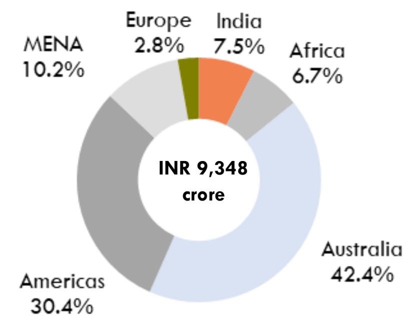
Unexecuted Order Value (UOV) Movement

INR Crore



Gross UOV as on 30th June 2021

(before adjusting revenue post 31th March 2021)



* 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

If the same policy were to have been adopted retrospectively, the orders booked in FY20 would have been Rs. 4,602 crore in comparison with which, the orders booked in FY21 are Rs. 7,936 crores

\# Due to the increase in module and commodity prices there are orders worth approximately Rs 2,030 crores for which there are on-going discussions with the customers for a revision in prices and timelines. These projects have not commenced and are a part of the UOV given above

Order Inflow – April to March 2021 and till date

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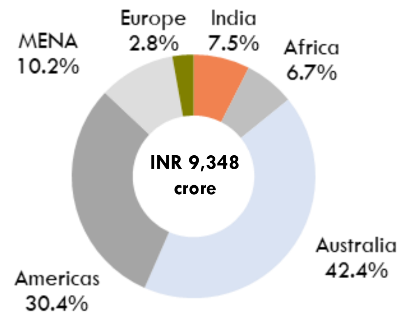
Country	MW	INR. Crore
India	380	280
United States of America	405	1,618
Chile	192	882
Australia	759	4,226
Egypt	230	930
April to March 2021 (a)	**1,966**	**7,936**
Apr 2021 onwards		
India	338	221
Apr 2021 onwards (b)	**338**	**221**
TOTAL	**2,304**	**8,157**

UOV as at 30th June 2021
~ INR 9,348 Crore

(before adjusting revenue post 31st March 2021)



O&M Business – Key Highlights

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8.1

GW of solar power projects with active service contracts

183

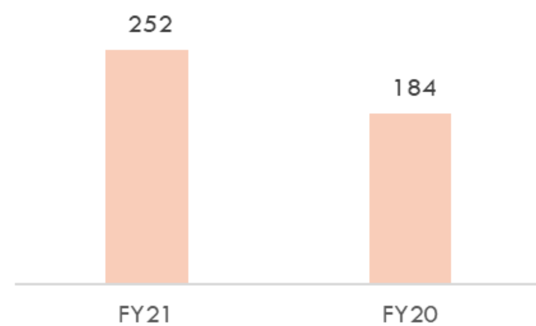
Sites including third party

51%

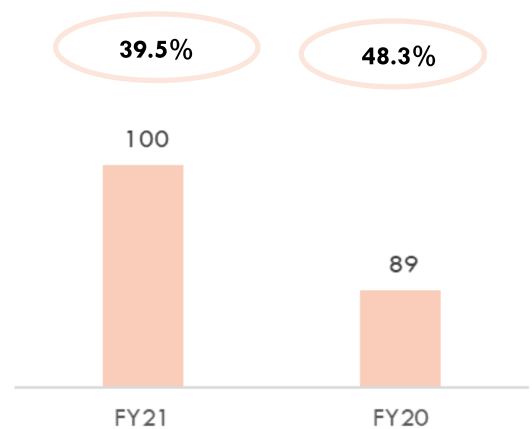
Third party contracts O&M

INR Crore

Revenue from O&M Operations



Operating EBIT & EBIT Margin %



Key Highlights

- O&M revenue increased by 37% in FY21compared to FY20
- O&M constitutes 4.9% of revenue in FY21 compared to 3.3% in FY20
- O&M EBIT margins stood at 39.5% in FY21 compared to 48.3% in FY20

Consolidated Profit & Loss – Q4 and FY21

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INR Crore	Q4FY21	Q4FY20	FY21	FY20
Revenue from Operations	**1,365**	**2,061**	**5,081**	**5,575**
Gross Margin	**(242)**	**253**	**83**	**715**
Gross Margin %	***(17.7%)***	***12.3%***	***1.6%***	***12.8%***
Less: Mark to market loss	31	6	57	6
Adjusted Gross Margin	**(273)**	**247**	**26**	**709**
Adjusted Gross Margin %	***(20.0%)***	***11.9%***	***0.5%***	***12.7%***
Other Income	20	12	27	79
Recurring Overheads	84	102	324	394
Recurring Overheads %	*6.2%*	*5.3%*	*6.4%*	*7.1%*
Non-recurring Overheads	49	11	49	11
Forex	20	-	43	-
EBITDA	**(406)**	**146**	**(363)**	**383**
EBITDA Margin %	***(29.7%)***	***7.1%***	***(7.1%)***	***6.9%***
Depreciation	5	3	16	14
EBIT	**(411)**	**142**	**(379)**	**369**
EBIT Margin %	***(30.1%)***	***6.9%***	***(7.4%)***	***6.6%***
Interest Income	34	48	132	224
Less : Interest Expenses	(23)	(31)	(93)	(195)
Net Interest Income	11	17	39	29
PBT	**(400)**	**159**	**(340)**	**398**
PBT Margin %	***(29.3%)***	***7.7%***	***(6.7%)***	***7.1%***
Current Tax expense	4	41	12	99
Effective current tax rate	*1.0%*	*25.7%*	*3.5%*	*24.7%*
Deferred Tax expense/ (credit)	(60)	(10)	(62)	(4)
PAT	**(345)**	**129**	**(290)**	**304**
PAT Margin	*(25.2%)*	*6.2%*	*(5.7%)*	*5.5%*

Key Highlights

- Revenue lower in FY21 compared to FY20 due to lower revenue in Q4 on account of COVID-19, a prime subcontractor going bankrupt in Australia and delay in opening LCs for materials
- O&M revenue higher by 37% in FY21 as against FY20. O&M constitutes 4.9% of revenue in FY21 compared to 3.3% in FY20
- Factors impacting gross margins for Q4FY21 are as follows -

	INR Crore
Exceptional items	
Sub contractor liquidation	(102)
Module price increase	(85)
Commodity and freight	(21)
	(208)
COVID 19 related	
Higher execution cost due to delays	(109)
Other items	
Liquidated damages provision	(57)
Total	**(374)**

- Recurring Overheads reduced in FY21 due to cost efficiency measures undertaken, reduction in travelling cost due to COVID-19. Non recurring Overheads in FY21 includes indirect tax provision, goodwill write off and ECL provision for IL&FS
- Forex in FY21 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
- EBITDA impacted for FY21 due to lower gross margins and under absorption of overheads
- Net interest income higher in FY21 due to higher interest spread on ICDs and repayment of borrowings

Note: All margin % are based on Revenue from Operations

Module price movement

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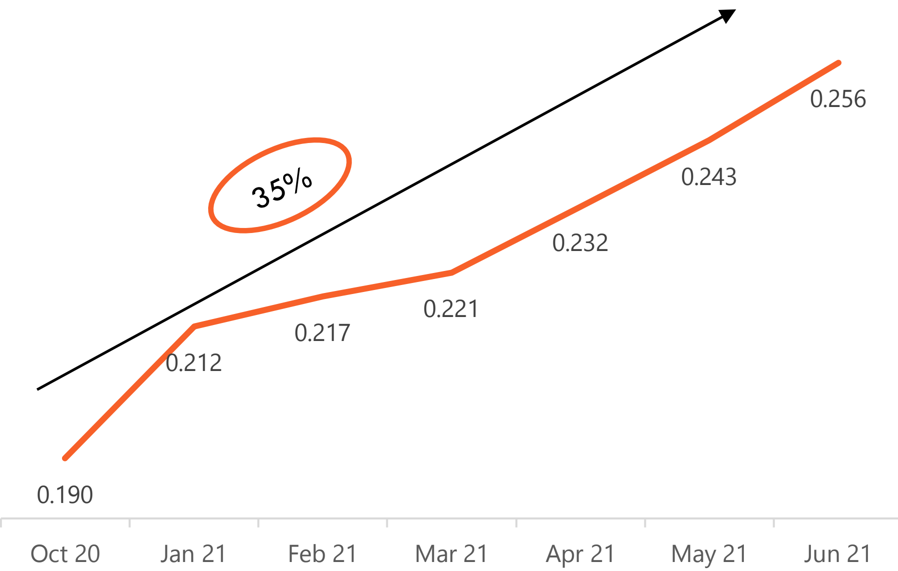
Module price trends (price in USD per Wp)

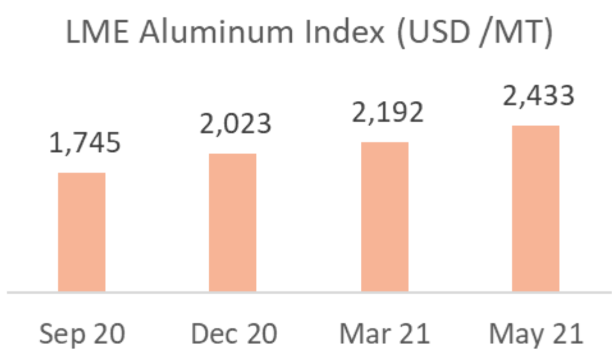


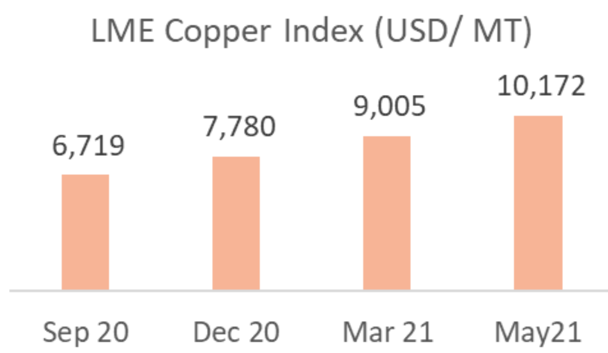
Key Highlights

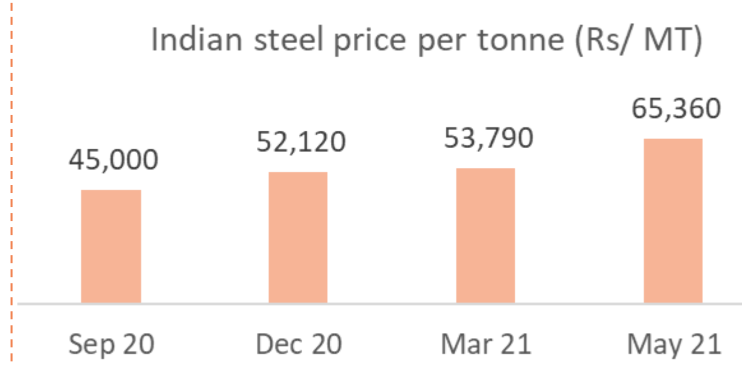
- There has been an unprecedent increase in the module prices since Jan 2021
- The global Solar EPC industry has been impacted with several module manufacturers refusing to honour past price contracts given the sharp increase in cost of modules
- In some cases, module manufacturers have reneged on honouring their contractual commitments and have sought to substantially increase their module prices
- The company is in discussion with the customers to compensate for price increase in the modules

Commodity and freight price movement

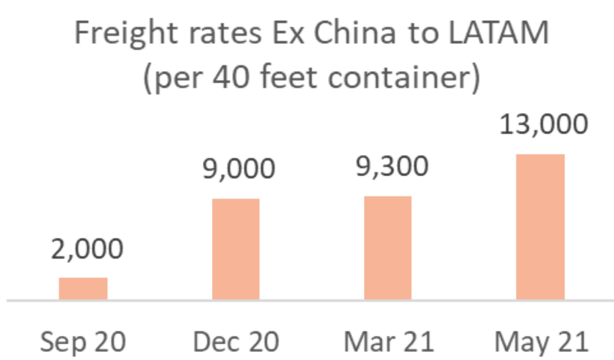
Metal price trends

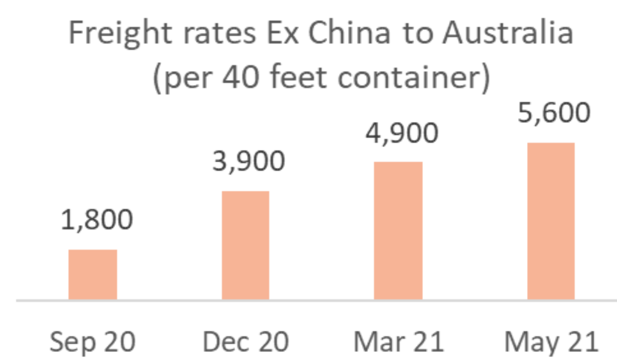






Freight price trends





Other Comprehensive income – FY21

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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 2,626 crore which has also gone up by INR 114 crore thereby compensating the amount lying in OCI.
- The notional value of derivative contracts outstanding as at 31st March 2021 and the effective and ineffective portion as at 31st March 2021 is tabulated below:

INR Crore	FY21	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)	*(74)*	-
- Foreign currency translation	*(51)*	*50*
Total other comprehensive income	**(124)**	**47**

Effective portion of Cash flow Hegde (Amount in Crore)	AUD-INR	AUD-USD	USD-INR
Notional currency and value	0.1 AUD	17.0 AUD	0.3 USD
Effective portion of changes in the fair value of derivative contract – recognized in OCI	0.3	96.1	0.4
Ineffective portion of changes in the fair value of derivative contract – recognized in statement of profit and loss	-	-	-
Total	**0.3**	**96.1**	**0.4**
Tax impact	**(0.1)**	**(22.6)**	**(0.1)**
Net impact on OCI and statement of profit and loss	**0.2**	**73.5**	**0.3**

Consolidated Balance Sheet

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INR Crore	Mar-21	Mar 20
Sources of Funds		
Shareholders Funds	658	1,073
Borrowings from Banks	468	1,224
Total	**1,126**	**2,297**
Application of Funds		
Fixed assets (including right to use assets)	47	49
Inter Company Deposits	885	1,272
Bank balance (including fixed deposit)	296	499
Core Working Capital	(530)	178
GST and VAT balances (net)	299	295
Deferred tax and income tax balance	157	37
Other liabilities	(28)	(33)
Total	**1,126**	**2,297**

Breakdown of Core Working Capital	Mar-21	Mar 20
Current Assets	**1,652**	**2,640**
Inventories	3	14
Receivables (net of LD provision)	1,431	2,465
Receivable days	*103*	*161*
Advances to suppliers	218	161
Current Liabilities	**2,182**	**2,463**
Trade payables	1,857	2,221
Payable days	*136*	*167*
Advances from Customers	325	242
Net Working Capital	**(530)**	**178**
Net Working Capital days	**-**	***12***

Key Highlights

Source of Funds

- Shareholders funds decreased on account of loss for the year and negative OCI on effective portion of derivative contract
- Borrowings from Banks as at Mar 2021 includes term debt of Rs 138 crore and working capital of Rs 330 crore. Decrease in borrowings is on account of repayment of ICDs and Cash flow from Operations

Application of Funds

- Business continues to remain asset light
- Increase in Deferred tax and income tax balance is on account of recognition of Deferred tax assets on loss for the year and effective portion of cash flow hedges recognized in OCI.
- Inter Company Deposits balance lower as at Mar 21 due to repayment of ICDs and interest thereon
- **Core working capital**
  - Negative working capital of Rs 530 crore as at Mar 21 compared to positive working capital of Rs 178 crore as at Mar 20
  - Improvement in working capital as at Mar 21 driven by combination of higher collections, efficient management of working capital and advance from customers. There do exist delay in payment to certain vendors
  - Trade receivables as at Mar 21 includes Rs 431 crore due for more than a year. Further details on receivables provided in the following slide
  - LD Provision of Rs 34 crore (net of recovery from vendors) recognised in FY21 on best Management estimates

Analysis of receivables > 1 year as at March 2021

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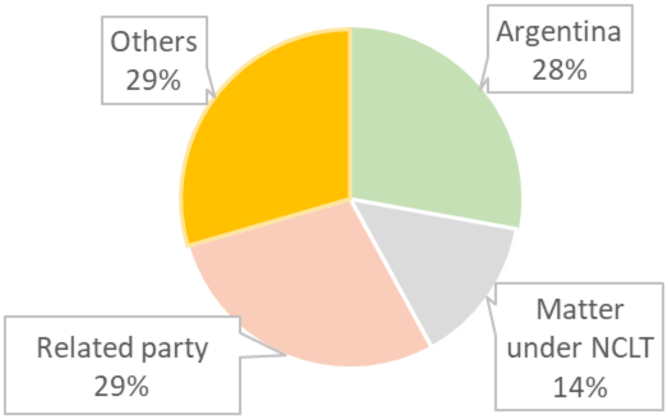
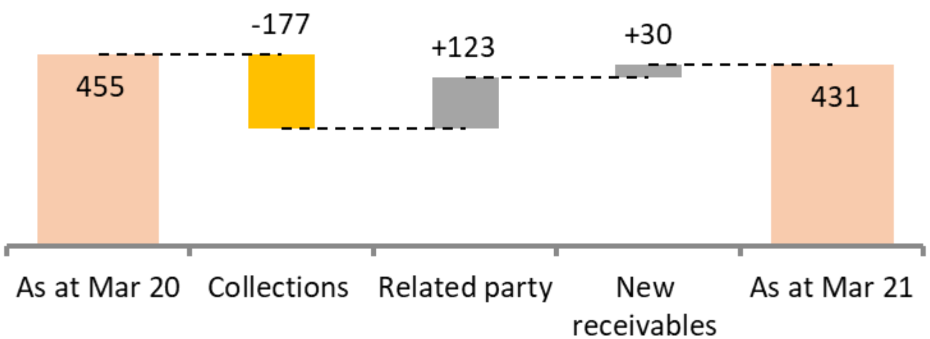
Mix of receivables > 1 year as at Mar 2021 – Rs 431 crore



Bridge of Receivables > 1 year in crore



Comments

- Key receivables outstanding for more than 1 year of Rs 431 crore as at March 2021 comprise
  - Matter under NCLT - Net Receivables is Rs 62 crore (after ECL provision of Rs 31 cr)
  - Argentina receivables of Rs 120 crore – Collection of Rs 27 crore during FY21. Discussions were in progress with the customer during the year, however subsequent to Mar 2021, the customer has initiated arbitration proceeding for recovery of LDs and unsubstantiated cost amounting to Rs 227 crore (including LD). The Company has also made a claim of Rs 94 crore towards prolongation cost, Interest on overdue payment etc. based on the contractual rights.
  - Related party receivables of Rs 123 crore - The Company has received business of ~Rs 1,320 crore from related parties over the last 4 years and receivables outstanding as at Mar 2021 is Rs 231 crore. This includes receivables of Rs 123 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 March 2021 compared to Mar 2020 is primarily on account of dues from related parties falling under more than 1 year during the year
  - The Company has been able to collect/ settle old receivables of Rs 177 cr (39%) during FY21. Management is confident of collecting the balance old receivables

Consolidated Cashflow

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INR Crore	FY21	FY20
Profit before tax	**(340)**	**398**
Adjustments for noncash / other items	118	(24)
Operating profit before working capital changes	(222)	375
Working Capital Adjustments	484	42
Cash flows generated from Operating Activities	**262**	**417**
Income tax (paid) / Forex translation	(61)	(79)
Net Cash flows generated from Operating Activities	**201**	**338**
Inter Company Loan given	-	(504)
Inter Company Loan repaid	219	1,280
Interest received	244	264
Fixed Deposit	(38)	(9)
Fixed Assets etc	(16)	(18)
Net Cash flows generated from Investing Activities	**409**	**1,013**
(Repayment) /Proceeds from External Borrowings (Net)	(756)	(1,004)
Interest paid	(93)	(188)
Dividend	-	(116)
Others	(5)	(5)
Net Cash flows generated from Financing Activities	**(853)**	**(1,313)**
Net Cash increase	**(243)**	**38**
Net movement in currency translation	(0.4)	5
Cash and cash equivalent at the beginning of the period	**463**	**421**
Cash and cash equivalent at the end of the period	**220**	**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 FY21 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

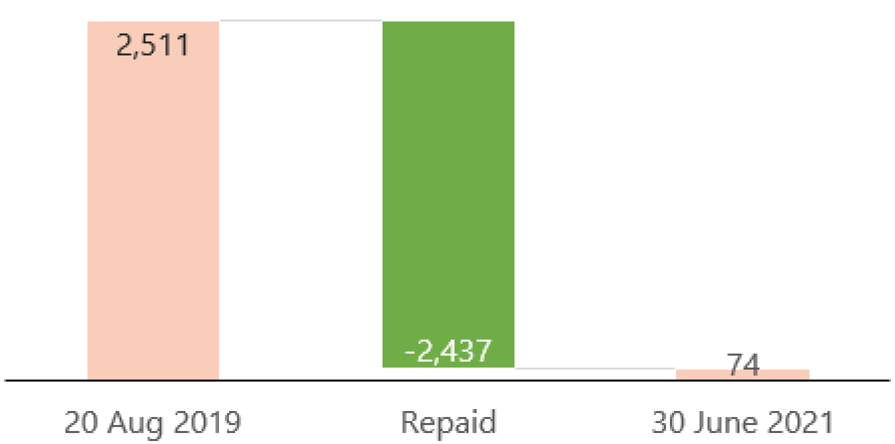
Cash and cash equivalents

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

External Debt and Intercompany Deposit movement post listing

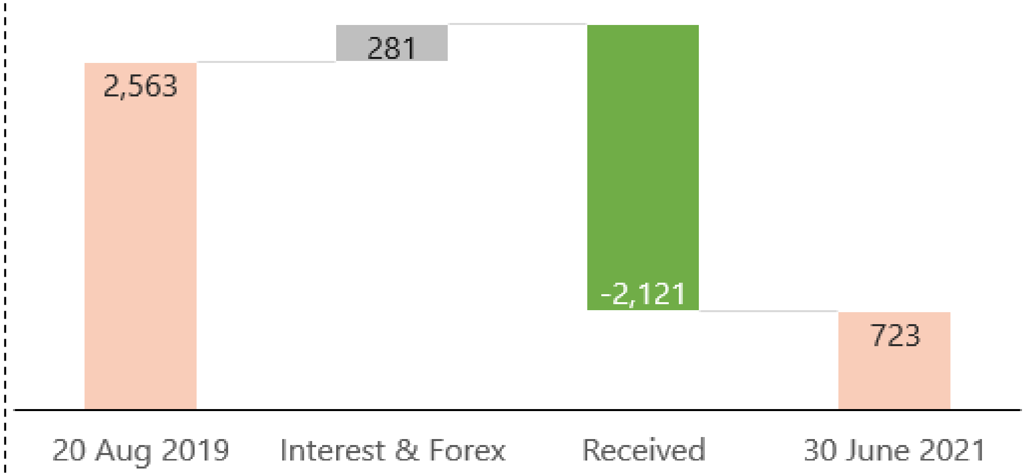
INR Crore

Term Debt



Note: the above table excludes interest

Intercompany Deposit (ICDs)



- Term debt reduced by Rs 2,437 crore from the date of listing till date
- Repayment schedule of term debt of Rs 74 crore
  - Rs 34 crore payable in Q2 FY22
  - Rs. 40 crore payable in Q3 FY22

- Repayment timelines - September 2021
- Collected Rs 162 crore post 31 March 2021
- Tangible securities offered by Promoters for Rs 805 crore
- 400 basis points spread agreed

‘Material Uncertainty Related to Going Concern’ - comments of Auditors removed for FY21

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Facts

- On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic
- In the current year, various governments have imposed restrictions due to the resurgence of COVID-19 cases, which have significantly impacted business of the Company during the year. Though the Company’s projects are safeguarded with force majeure conditions, the project duration is suitably extended to account for these delays. Further, the project execution in near past has faced problems on account of extended lockdown, supply chain disruption, labour shortage and liquidity issues hampering project re- mobilisation
- Consequently, the Company has incurred net loss of Rs 290 crores on a consolidated basis for FY21 and there were delays in repayment of borrowings by the Company.
- Additionally, Shapoorji Pallonji and Company Private Limited, the Parent Company, had applied to its lenders for One Time Restructuring (‘OTR’) facility
- This had caused uncertainty to the Company on its ability to fully utilise its existing banking limits, and / or obtain fresh banking limits or rollover existing facilities. The OTR facility of the Parent Company was approved as at the year-end.

Audit procedures performed

- In view of the significance of the matter the auditors applied the following audit procedures in this area, among others, to obtain sufficient appropriate audit evidence:
  - Evaluated the design of relevant internal controls over the Company’s forecasting process
  - Compared the forecasted statement of profit and loss and cash flows with the Company’s business plan approved by the board of directors
  - Obtained an understanding of key assumptions adopted by the Company in preparing the forecasted statement of profit and loss and cash flows. Assessed the consistency thereof with our expectations based on our understanding of the Company’s business. These assumptions included range of scenarios prepared by the Company to estimate financing requirements
  - Obtained from the management its projections of financing arrangements and tested its sufficiency for fulfilling the requirement of projected working capital and necessary capital expenditure
  - Challenged the forecasted income statement and cash flows by considering plausible changes to the key assumptions adopted by the Company

Conclusion

- The auditors comments on “Material Uncertainty Related to Going Concern” include in Dec2020 financials are no longer relevant and hence removed from the financial results for the year ended March 2021

IL&FS Receivables assured by Embassy Energy as part of Embassy REIT

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Facts

- The Company had entered into a contract for a 100 MW AC Photovoltaic plant in the state of Karnataka with IL&FS (“customer”) to cater to inhouse power demands of the large office space facilities at Bangalore of Embassy Energy Private Limited (“developer”). This asset on completion was to be transferred to Embassy REIT
- The works were majorly completed by end February 2018 and the balance work was pending due to non-availability of land, which was in the scope of the customer
- In October 2018, the National Company Law Tribunal ("NCLT") actions were initiated against the customer group and the Company issued a work suspension notice to the customer, for balance of payments, with a copy to the developer
- The developer issued directions to the Company, vide a letter, to go ahead with the works/maintenance of the plant where in they also assured the Company that they would make the payment if the customer failed to do so. As on date the customer owes the Company Rs 92.45 crore
- In addition, an amount of Rs 64.10 crore under confirmed, irrevocable Letters of Credit was arranged by the customer from their bank which had been discounted by the Company, after confirmation both from the customer and their bank, became due
- Due to the NCLT actions against the customer group, the customer’s bank refused to make the payment to the Company’s bank citing prevention against doing the same due to the NCLAT order, and the Company had to return the amount back to its bank

Claims Status

- During the year ended 31 March 2020, the Company has initiated legal proceedings in both these matters: the matter in respect of the customer / developer in currently pending with the NCLT and the matter in respect of the customers bank is currently pending with the National Company Law Appellate Tribunal
- In FY20, the Company has also filed claim against the Developer for recovery of Rs 92.45 cr plus interest thereon

Management assessment

- The Company has sought legal opinion regarding the amount due from the developer as per their assurance letter and from the customer’s bank due to failure to pay confirmed Letters of Credit and has been advised that the said amounts are recoverable
- The amount of Rs 92.45 crore and Rs 64.10 crore is shown under the head Trade Receivables and Other Financial Assets, respectively
- Basis the aforementioned legal opinion and the management assessment, inspite of being confident of full recovery, considering the expected credit loss requirement of Ind AS 109 "Financial Instruments", the management has recognised the provision to the extent of Rs 31.33 crore (31 March 2020: Rs 21.33 crore) for the year ended and as at 31 March 2021, based on management's best estimate of collection of the aforementioned receivables as at 31 March 2021

THANK YOU

For further information, please contact:

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