

# STERLING AND WILSON SOLAR LIMITED

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

**Analyst Presentation**  
– Q3 & 9M FY20  
12<sup>th</sup> February 2020



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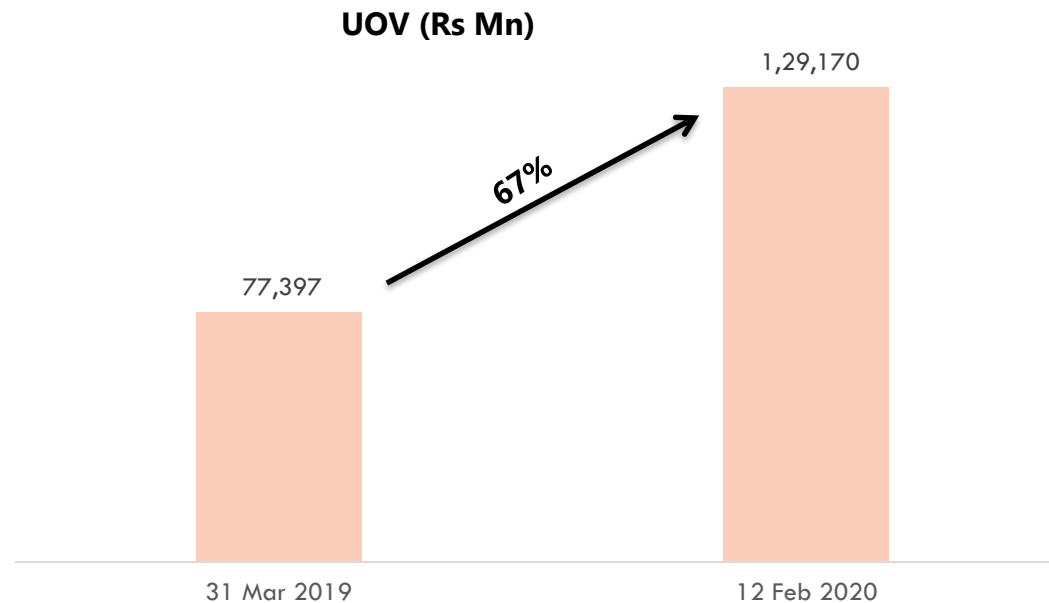
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## Healthy order inflow and robust order book

- ✓ Order inflow of 2.2 GW (Rs 85,507mn) until 12 Feb 2020
- ✓ 7.4 GW contracted O&M as at 12 Feb 2020
- ✓ Gross Unexecuted Order Value (UOV) as on 12 Feb 2020 is above Rs 129,000 mn compared to over Rs 77,000 mn as at 31 Mar 2019



- ✓ Revenue impacted due to delay in commencement of few projects
- ✓ O&M contribution to overall revenue increased to 3.7% in 9mFY20 vs 1% in 9mFY19
- ✓ Gross margins at 13.1% compared to 9.3% in 9mFY19
- ✓ Higher EBITDA margins at 6.7% in 9mFY20 compared to 5.9% in 9mFY19
- ✓ Positive cash flow from operations of Rs 1,192 mn vs negative Rs 7,671 mn in previous period
- ✓ Net Working capital stood at Rs 2,513 mn as at Dec 2019 i.e. at similar level compared to Mar 2019
- ✓ Repaid external debt (principal) of Rs 13,400 mn since listing
- ✓ Intercompany deposit reduced by Rs 10,006 mn and stands reduced to Rs 16,508 mn as at Dec 2019

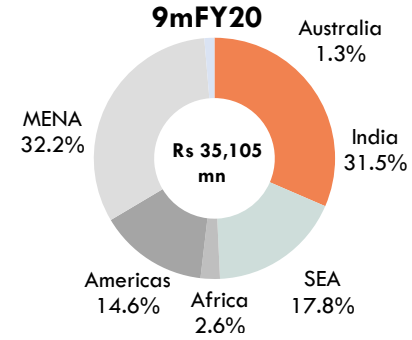
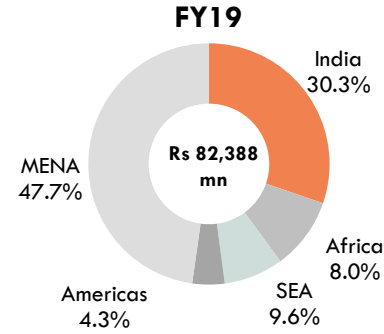
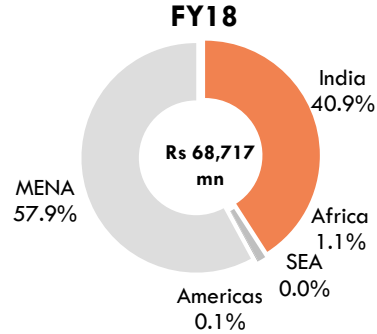
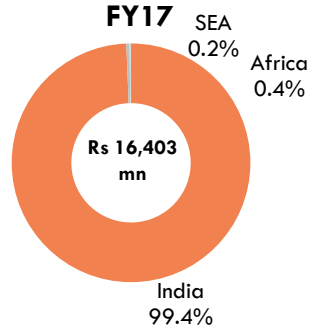
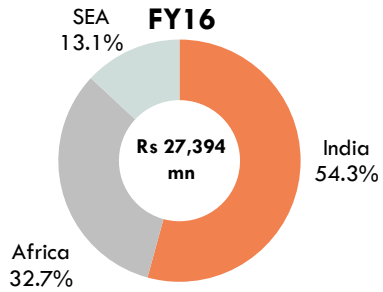
# Significant geographic diversification over the years

3 Projects  
2 Countries

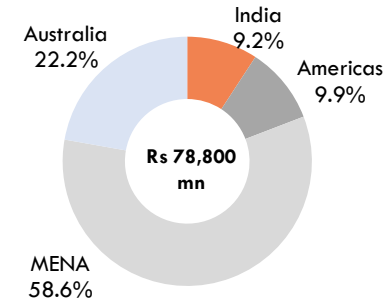
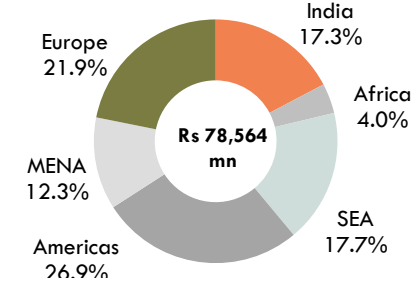
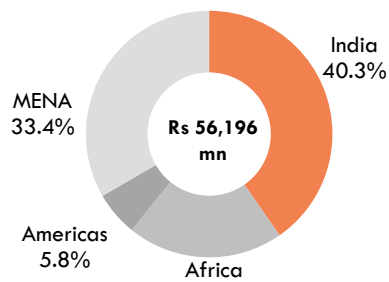
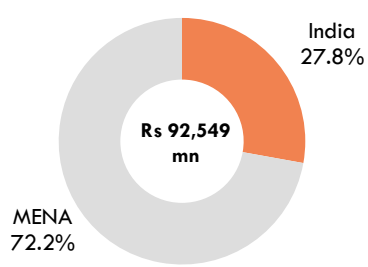
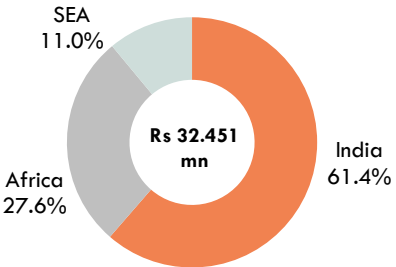
5 Projects  
3 Countries

17 Projects  
10 Countries

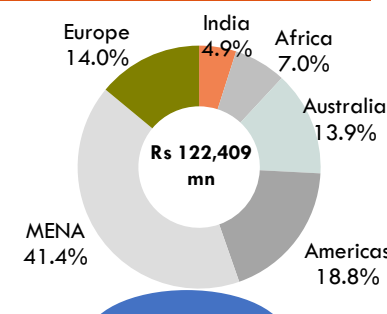
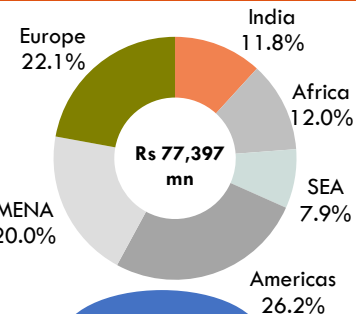
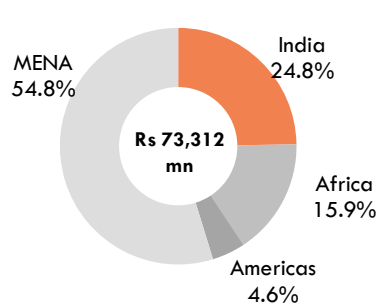
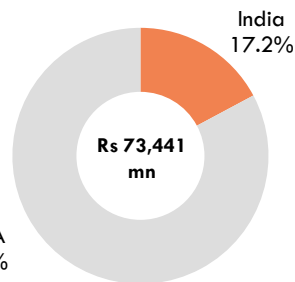
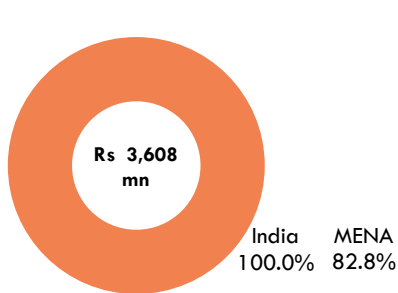
## EPC + O&M Revenue break-up by geography over the years



## Orders booked by geography over the years



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



17 Projects  
9 Countries

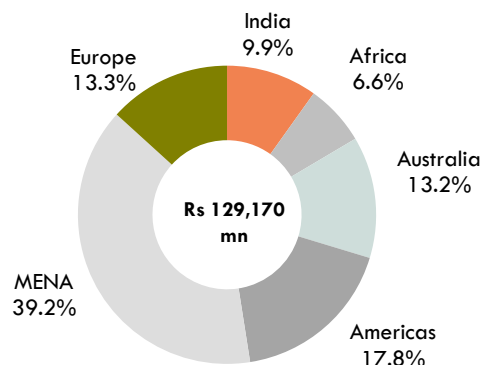
13 Projects  
9 Countries

# Order Inflow – Apr to 12 Feb 2020

Country	MW	Rs mn
<b>UPTO SEPT 2019 (a)</b>	105	8,280
<b><u>Oct 2019 to Dec 2019</u></b>		
India	50	1,850
Kingdom of Saudi Arabia	1090	44,450
Chile	122	6,720
Australia	344	17,500
<b>Oct 2019 to Dec 2019 (b)</b>	<b>1,606</b>	<b>70,520</b>
<b><u>Jan 2020 onwards</u></b>		
<b>India (c)</b>	<b>478</b>	<b>6,707</b>
<b>TOTAL (a+b+c)</b>	<b>2,189</b>	<b>85,507</b>

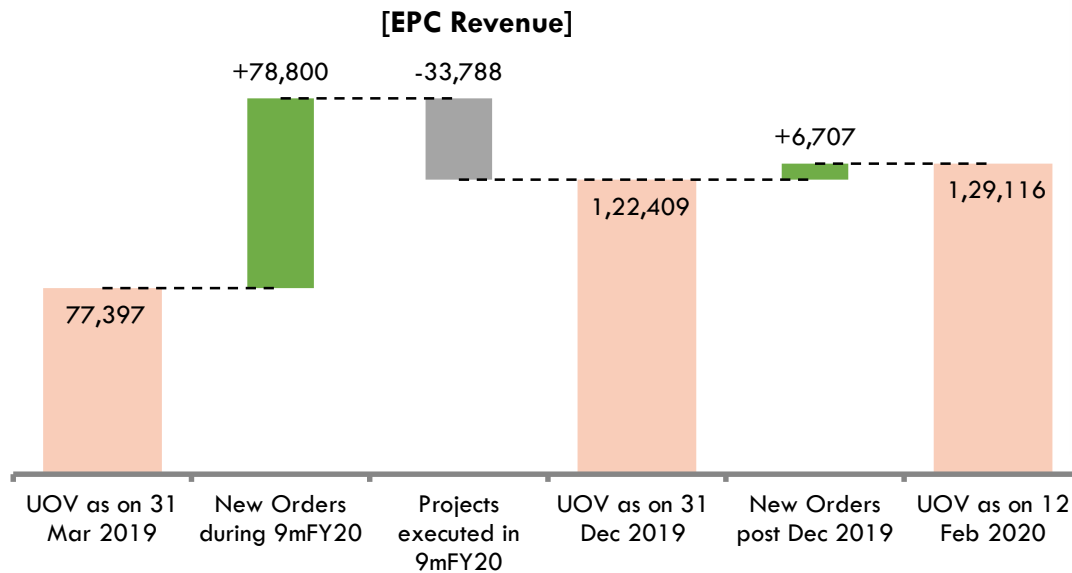
## Gross UOV as at 12 Feb 2020 Rs 129,170 mn

(before adjusting revenue post 31 Dec 2019)



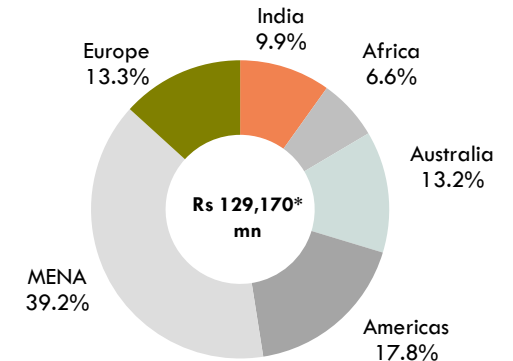
# Unexecuted Order Value (UOV) Movement

Rs mn



## Gross UOV as at 12 Feb 2020

(before adjusting revenue post 31 Dec 2019)



UOV of contracts in progress	Rs 51,585 mn
UOV of contracts to commence	Rs 77,585 mn

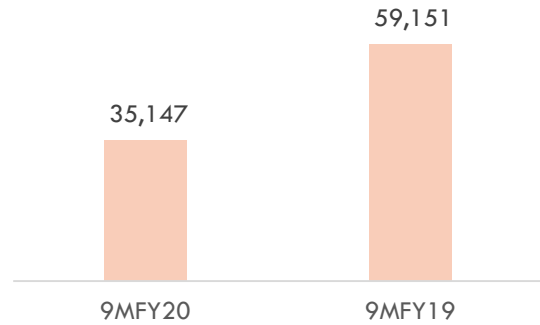
\* Includes forex adjustment of Rs 54 mn



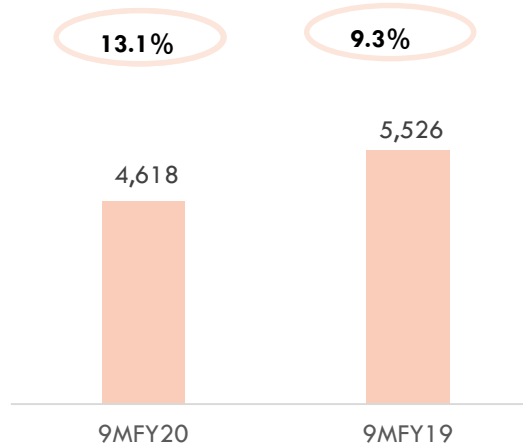
# Consolidated Financial Highlights – 9mFY20

Rs mn

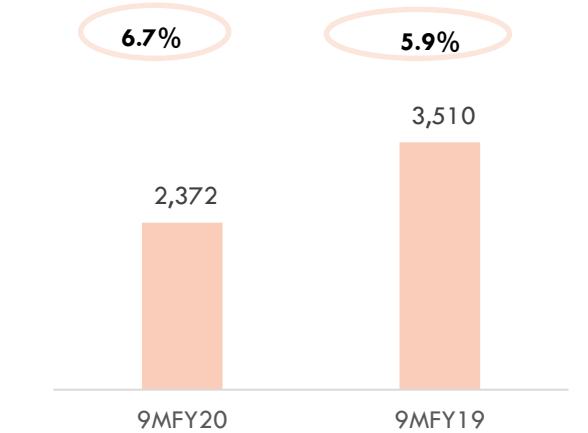
## Revenue from Operations



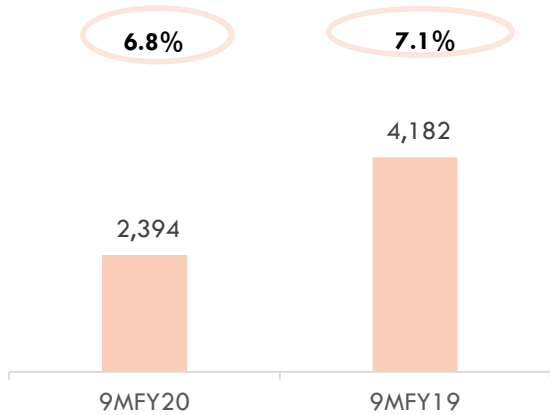
## Gross margins & Gross Margin %



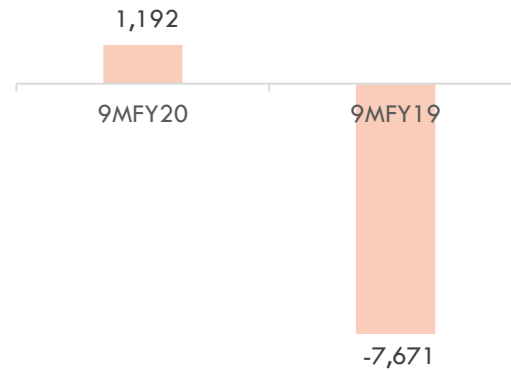
## Operating EBITDA & EBITDA Margin %



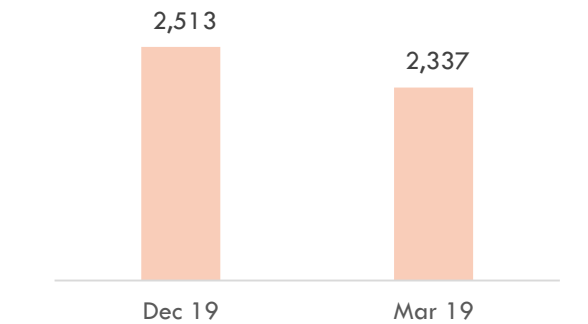
## PBT & PBT Margin



## Cash flow from Operations



## Net Working Capital



# O&M Business – Key Highlights

7.4

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

160 +

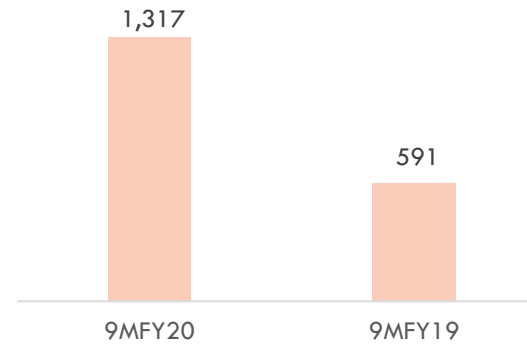
**Sites including third party**

40%

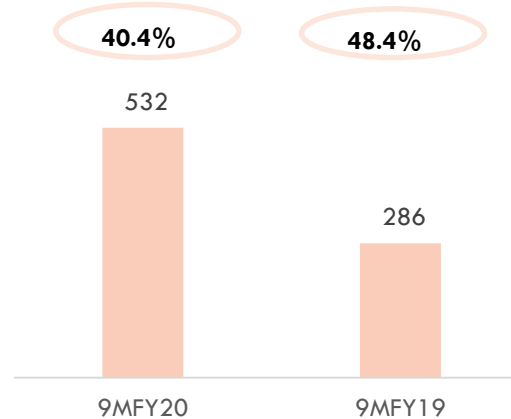
**Third party contracts O&M**

Rs mn

## Revenue from O&M Operations



## Operating EBIT & EBIT Margin %



## Key Highlights

- ▶ O&M revenue more than doubled in 9mFY20 compared to corresponding period in previous year
- ▶ O&M constitutes 3.7% of revenue in 9mFY20 compared to 1% in 9mFY19
- ▶ O&M margins more than doubled to Rs 605 mn in 9mFY20
- ▶ O&M margins were 40% in 9mFY20 compared to 48% in 9mFY19

# Consolidated Profit & Loss – Q3 and 9m

<i>Rs mn</i>	Q3FY20	Q3FY19	9MFY20	9MFY19	FY19
<b>Revenue from Operations</b>	<b>10,764</b>	<b>16,440</b>	<b>35,147</b>	<b>59,151</b>	<b>82,404</b>
<b>Gross Margin</b>	<b>836</b>	<b>2,864</b>	<b>4,618</b>	<b>5,526</b>	<b>9,850</b>
<b>Gross Margin %</b>	<b>7.8%</b>	<b>17.4%</b>	<b>13.1%</b>	<b>9.3%</b>	<b>11.9%</b>
Other Income	499	199	666	408	461
Overheads	738	983	2,912	2,424	3,429
Overheads %	6.9%	6.0%	8.3%	4.1%	4.1%
<b>EBITDA</b>	<b>598</b>	<b>2,079</b>	<b>2,372</b>	<b>3,510</b>	<b>6,882</b>
<b>EBITDA Margin %</b>	<b>5.6%</b>	<b>12.6%</b>	<b>6.7%</b>	<b>5.9%</b>	<b>8.3%</b>
Depreciation	38	29	108	56	78
<b>EBIT</b>	<b>561</b>	<b>2,050</b>	<b>2,264</b>	<b>3,454</b>	<b>6,804</b>
<b>EBIT Margin %</b>	<b>5.2%</b>	<b>12.5%</b>	<b>6.4%</b>	<b>5.8%</b>	<b>8.3%</b>
Interest Income	570	655	1,770	1,258	1,634
Less : Interest Expenses	509	411	1,640	530	847
<b>PBT</b>	<b>621</b>	<b>2,294</b>	<b>2,394</b>	<b>4,182</b>	<b>7,592</b>
<b>PBT Margin %</b>	<b>5.8%</b>	<b>14.0%</b>	<b>6.8%</b>	<b>7.1%</b>	<b>9.2%</b>
Current Tax expense	127	412	576	890	1,421
Effective current tax rate	20.5%	18.0%	24.1%	21.3%	18.7%
Deferred Tax expense/ (credit)	(9)	(3)	61	(142)	(211)
<b>PAT</b>	<b>503</b>	<b>1,885</b>	<b>1,757</b>	<b>3,434</b>	<b>6,382</b>
<b>PAT Margin</b>	<b>4.7%</b>	<b>11.5%</b>	<b>5.0%</b>	<b>5.8%</b>	<b>7.8%</b>

## Key Highlights

- ▶ Overall revenue lower due to delay in commencement of a large project coupled with higher revenue in previous year from a large project in MENA region which was in the peak of execution
- ▶ O&M revenue more than doubled in 9mFY20 compared to corresponding period in previous year. O&M constitutes 3.7% of revenue in 9mFY20 compared to 1% in 9mFY19
- ▶ Overheads increase due to full period cost in 9mFY20 in certain countries against partial period in FY19.
- ▶ Deferred tax charge due to reversal of asset pursuant to adoption of new tax rate

# Consolidated Balance Sheet

Rs mn	Dec 19	Mar 19	Dec 18
<b>Assets</b>			
<b>Non current assets</b>	<b>789</b>	<b>672</b>	<b>581</b>
Tangible assets (incl. CWIP)	334	265	261
Intangible assets	54	49	50
Deferred tax assets (net)	263	321	252
Other non current assets	138	36	17
<b>Current assets</b>	<b>50,598</b>	<b>53,247</b>	<b>47,292</b>
Inventories	107	131	142
Trade receivables	22,203	19,002	14,068
Cash & cash eq. & bank balances	2,087	4,545	2,567
Loans	16,256	19,534	17,434
Other current & financial assets	9,945	10,034	13,081
<b>Total assets</b>	<b>51,387</b>	<b>53,919</b>	<b>47,873</b>
<b>Equity and Liabilities</b>			
Shareholders' funds	<b>10,257</b>	<b>8,375</b>	<b>5,381</b>
<b>Non current liabilities</b>	<b>106</b>	<b>86</b>	<b>108</b>
Provisions	106	86	108
<b>Current liabilities</b>	<b>41,024</b>	<b>45,458</b>	<b>42,383</b>
Borrowings	14,771	22,278	18,380
Trade payables	19,420	19,125	16,685
Provisions	1,053	769	745
Other current & financial liabilities	5,780	3,286	6,573
<b>Total equity and liabilities</b>	<b>51,387</b>	<b>53,919</b>	<b>47,873</b>

## Key Highlights

- ▶ Business continues to remain asset light
- ▶ Borrowings decreased by Rs 7,507 mn due to repayment of loan
- ▶ ICDs reduced by Rs 10,006 mn since the date of listing to 31<sup>st</sup> December 2019
- ▶ Net Debt to Equity falls to 1.23x

# Consolidated Cashflow

Rs mn	9MFY20	9MFY19	FY19
<b>Profit before tax</b>	<b>2,394</b>	<b>4,182</b>	<b>7,592</b>
Adjustments for noncash / other items	707	(469)	(434)
Operating profit before working capital changes	3,101	3,713	7,158
Working Capital Adjustments	(927)	(10,759)	(13,382)
<b>Cash flows generated from Operating Activities</b>	<b>2,174</b>	<b>(7,046)</b>	<b>(6,225)</b>
Income tax (paid) / Forex translation	(982)	(626)	(1,009)
<b>Net Cash flows generated from Operating Activities</b>	<b>1,192</b>	<b>(7,671)</b>	<b>(7,234)</b>
Inter Company Loan given	(4,526)	(6,851)	(9,056)
Inter Company Loan repaid	8,100	-	-
Interest received	1,906	-	-
Fixed Assets/Investments etc	(148)	(225)	(232)
<b>Net Cash flows generated from Investing Activities</b>	<b>5,332</b>	<b>(7,075)</b>	<b>(9,288)</b>
Proceeds from External Borrowings (Net)	(7,507)	16,539	20,434
Interest paid	(1,629)	(493)	(712)
Received from Shareholders towards IPO expenses	17	-	-
<b>Net Cash flows generated from Financing Activities</b>	<b>(9,119)</b>	<b>16,046</b>	<b>19,722</b>
<b>Net Cash increase</b>	<b>(2,595)</b>	<b>1,299</b>	<b>3,200</b>
Net movement in currency translation	32	41	46
Cash and cash equivalents of subsidiary acquired	-	6	6
<b>Cash and cash equivalent at the beginning of the period</b>	<b>4,208</b>	<b>955</b>	<b>955</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>1,645</b>	<b>2,301</b>	<b>4,208</b>

## Key Highlights

- ▶ Cash flow from Operations has been positive for 9mFY20 as compared to 9mFY19 and FY19
- ▶ No further intercompany deposits post listing
- ▶ Promoters facilitate repayment of ICDs of Rs 10,006 mn since the date of listing



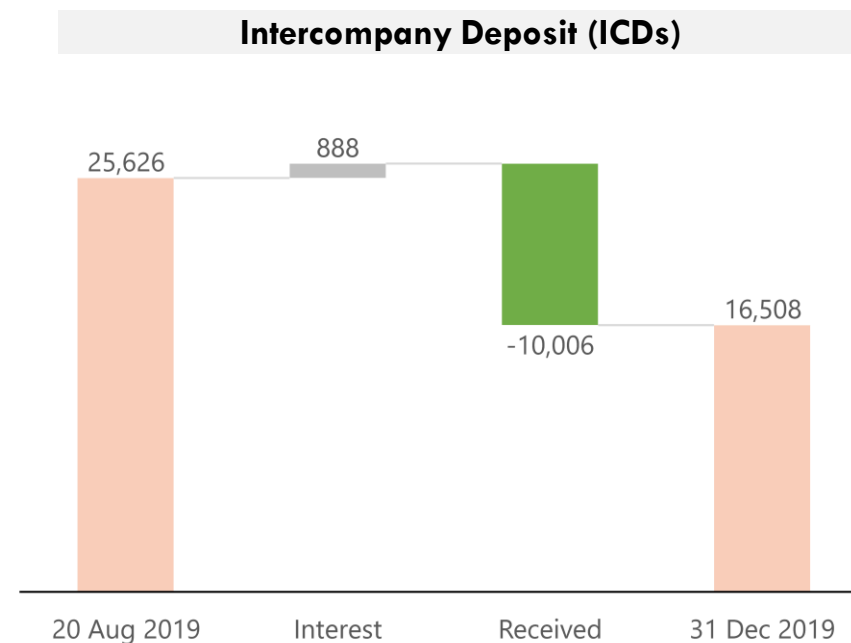
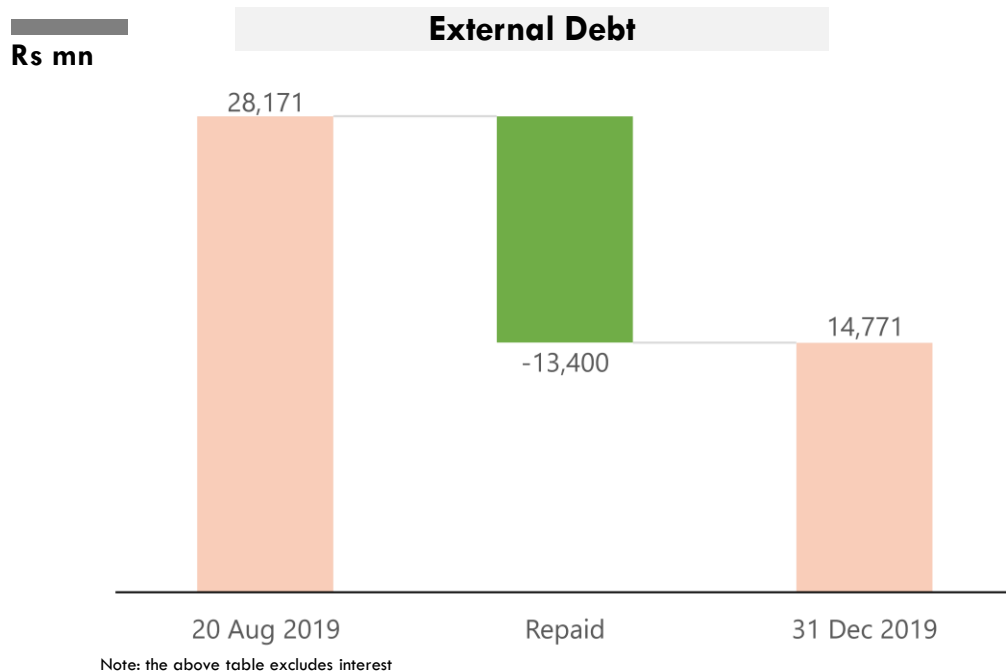
# Core Working Capital

Rs mn	Dec 19	Sep 19	Mar 19
<b>Current Assets</b>	<b>26,466</b>	<b>24,227</b>	<b>23,770</b>
Inventories	107	170	131
Trade receivables (Incl. Unbilled)	24,377	22,798	22,507
Receivable days	187	171	100
Advances to suppliers	1,983	1,259	1,131
<b>Current Liabilities</b>	<b>23,928</b>	<b>21,824</b>	<b>21,433</b>
Trade payables	19,420	18,411	19,125
Payable days	172	164	96
Advances from Customers	4,533	3,413	2,308
<b>Net Working Capital</b>	<b>2,513</b>	<b>2,403</b>	<b>2,337</b>

## Key Highlights

- ▶ Working capital remained stable as compared to Mar 19
- ▶ Debtor days higher due to lower 9mFY20 revenue

# External Debt and Intercompany Deposit movement post listing



- External debt reduced by Rs 13,400 mn from the date of listing till 31st December 2019
- Repayment schedule of term debt of Rs 13,490 mn (as at date)
  - Rs 4,800 mn payable till 31<sup>st</sup> March 2020
  - Rs 5,880 mn payable in Q1FY21
  - Rs 2,810 mn payable in Q2FY21

- Repayment schedule for ICDs
  - Rs. 5,000 mn on or before March 31, 2020
  - Rs. 5,000 mn on or before June 30, 2020
  - Balance amount on or before September 2020

- ✓ Several cities of China are on lockdown due to coronavirus
- ✓ Production activities stopped and expected to commence by end of Feb 2020
- ✓ Raw material scarcity estimated in China
- ✓ Inspection by agencies not being possible
- ✓ Port congestions both inbound as well as outbound
- ✓ Quarantine possibility at destination ports will delay materials reaching sites
- ✓ Force majeure notices received from suppliers and passed on to customers
- ✓ As most materials were expected to be dispatched in Feb / Mar 2020, impact on revenue expected to be significant. Management is continuously monitoring and evaluating the impact on revenue and profitability

**Inspite of all the challenges, our revenues for Q4 FY20 would be Rs. 15 bn – 20 bn**

- ✓ Execute the projects at faster pace once operations are normalised in China
- ✓ Strong order pipeline including bids pending decision
- ✓ Diversification into newer markets like Far East and additional countries in South America and Europe
- ✓ Improved O&M strategy under implementation for third party projects
- ✓ Increased market share target in Australia, US and Europe
- ✓ Strong traction in hybrid energy space
- ✓ Expansion of roof top business internationally

# THANK YOU

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