STERLING & WILSON

August 15, 2021

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 **Scrip Code: 542760**	**National Stock Exchange of India Limited** Exchange Plaza Bandra Kurla Complex Bandra (East), Mumbai – 400 051 **Symbol: SWSOLAR**

Sub.: **Investor presentation on the Unaudited Consolidated and Standalone Financial results of Sterling and Wilson Solar Limited** (“the Company”) **for the quarter ended June 30, 2021**

Ref.: **Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015** (“Listing Regulations”)

Dear Sir/ Madam,

Pursuant to the Listing Regulations, please find enclosed herewith a copy of the Investor presentation on the Unaudited Consolidated and Standalone Financial results of the Company for the quarter ended June 30, 2021.

The above is for your information and record.

Thanking you.

Yours faithfully,
For Sterling and Wilson Solar Limited

Jagannadha Rao Ch. V.
Company Secretary and Compliance Officer

Encl.: As above

Sterling and Wilson Solar Limited
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STERLING AND WILSON SOLAR LIMITED

Analyst Presentation

Q1FY22

15th August 2021

Safe Harbor

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This presentation contains certain forward looking statements concerning the Company’s future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and abroad, ability to attract and retain highly skilled professionals, time and cost over runs on contracts, our ability to manage our international operations, government policies and actions regulations, interest and other fiscal costs generally prevailing in the economy. The Company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the Company.

Contents

Our Global presence (11.4 GW EPC Portfolio)

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Offices in 25 Countries
Projects in 17 Countries

Key Highlights for Q1FY22

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Order inflow and Order book

- ✓ Order inflow till date at Rs 473 crore (623 MW)
- ✓ 8.7 GW contracted O&M as at date
- ✓ Gross Unexecuted Order Value (UOV) as at date is Rs 8,731 crore (before adjusting for revenue post 30th June 2021)

Financials

- ✓ Revenue for Q1FY22 grew by 12% to Rs 1,195 crore
- ✓ Due to the impact caused by the increase in module and commodity prices, adjusted gross margins in Q1FY22 continue to remain supressed for ongoing projects
- ✓ Negative Net working capital of Rs 571 crore as at 30th June 2021
- ✓ Repaid term debt (principal) of Rs 2,447 crore since listing till date. Interest on term debt is serviced separately on a monthly basis
- ✓ Intercompany deposit (ICDs) of Rs 2,131 crore (Principal + Interest) repaid from the date of listing till date (includes Rs 172 crore paid since April 2021)
- ✓ The Nomination and Remuneration Committee at its meeting held on August 14, 2021, has approved the grant of 13,01,213 ESOP to the eligible employees exercisable into not more than 13,01,213 equity shares of face value of Rs. 1/- each at the exercise price of Rs. 238 per share

Geographical diversification

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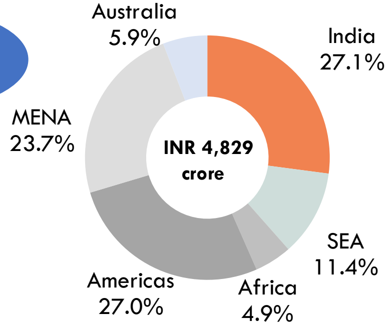
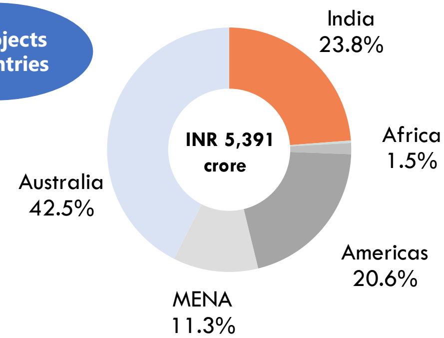
FY20	FY21	Q1FY22

EPC Revenue break-up by geography

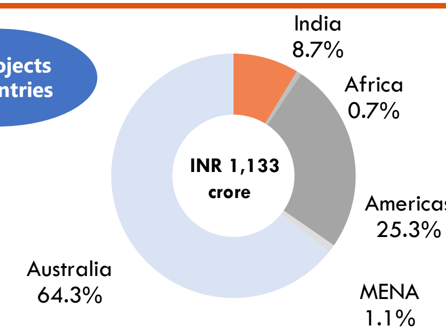
18 Projects
9 Countries



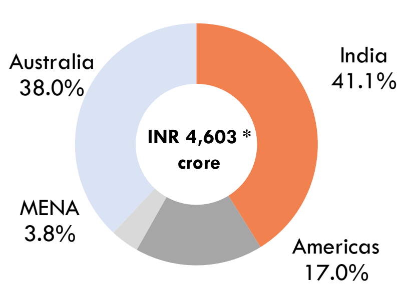
17 Projects
9 Countries

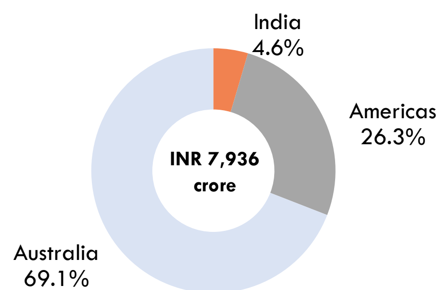


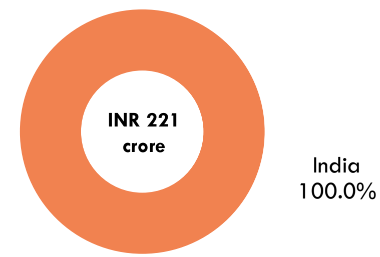
14 Projects
7 Countries



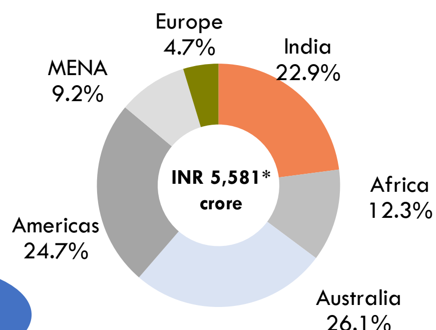
Orders booked by geography



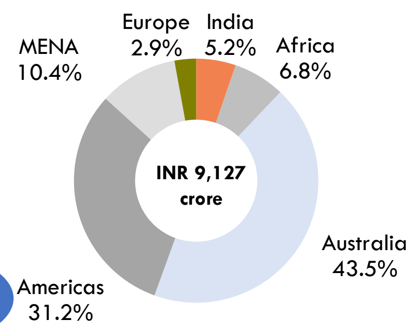




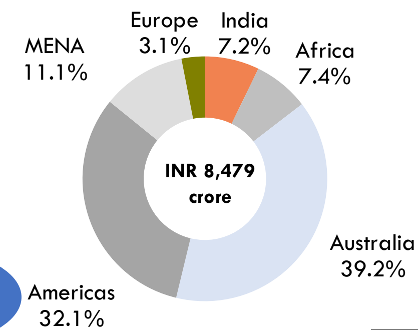
Unexecuted Order Value (UOV) break-up by geography



10 Projects
8 Countries



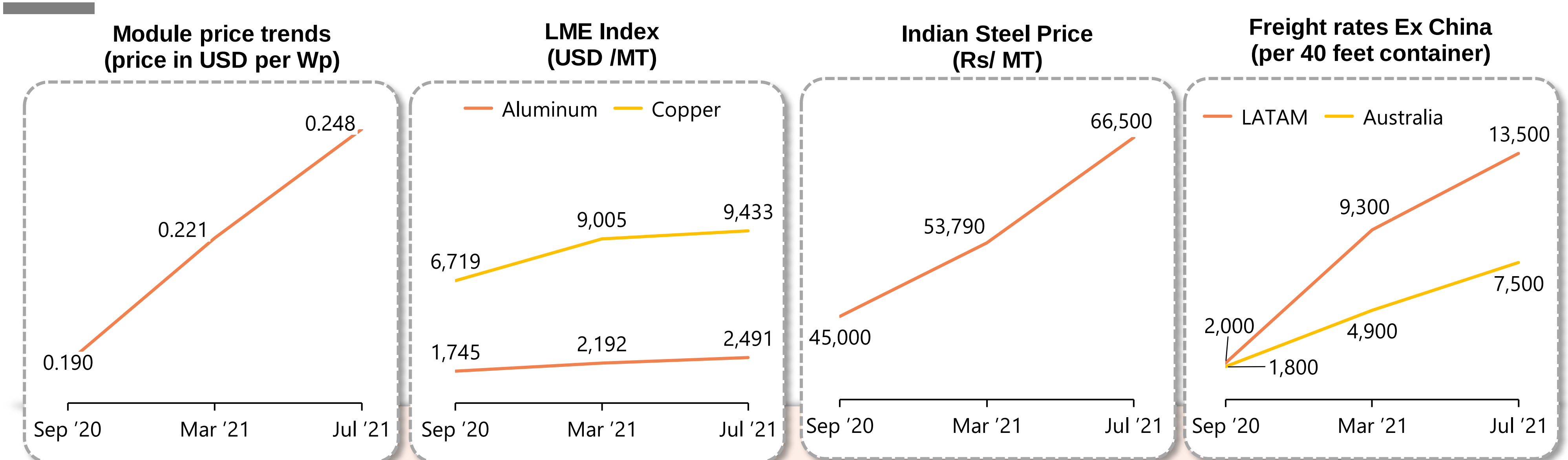
18 Projects
9 Countries



18 Projects
9 Countries

* *Restated as per the policy to only include projects in the order book post signing of the customer contract*

Orders finalisation in FY22 postponed to H2FY22 due to rise in costs



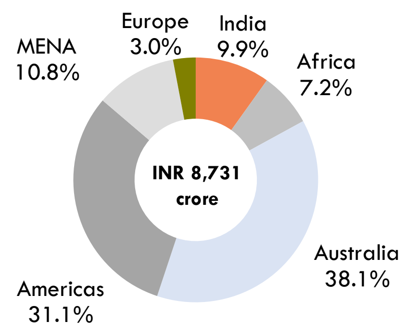
Key Highlights

- All the above factors led to a sharp increase in the project cost for IPP's resulting in delay in finalization of orders in the International Market
- Pipeline for FY22 continues to be robust and expect significant orders to be awarded by IPP's in H2FY22
- We expect to maintain strike rate of 14% to 15% for FY22

Order Inflow – April to June 2021 and till date

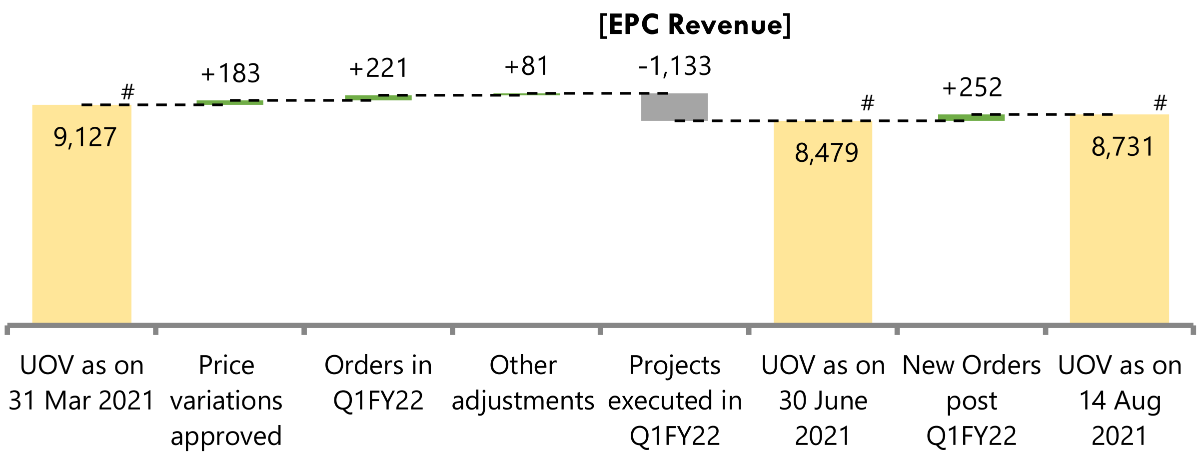
Country	MW	INR. Crore
India	338	221
April to June 2021 (a)	**338**	**221**
June 2021 onwards		
India	285	252
June 2021 onwards (b)	**285**	**252**
TOTAL (a + b)	**623**	**473**

UOV as at 14th August 2021
~ INR 8,731 Crore
(before adjusting revenue post 30th June 2021)



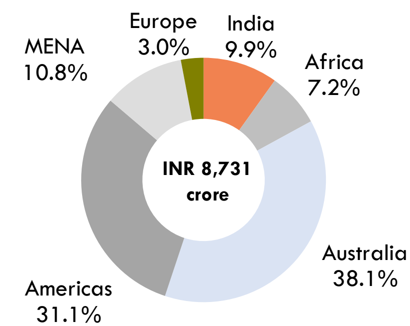
Unexecuted Order Value (UOV) Movement

INR Crore



Gross UOV as on 14th August 2021

(before adjusting revenue post 30th June 2021)



The Company believes that there are orders amounting to Rs 2,030 crore which may now be unviable for developers considering increased module and commodity costs. The same have not been adjusted in the UOV given above and are subject to ongoing discussions with the Developers

O&M Business – Key Highlights

Operational Highlights

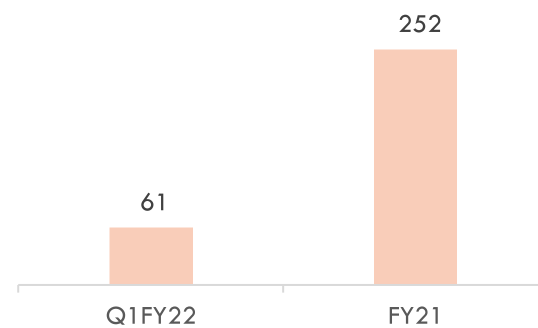
8.7 — GW of solar power projects with active service contracts

185 — Sites including third party

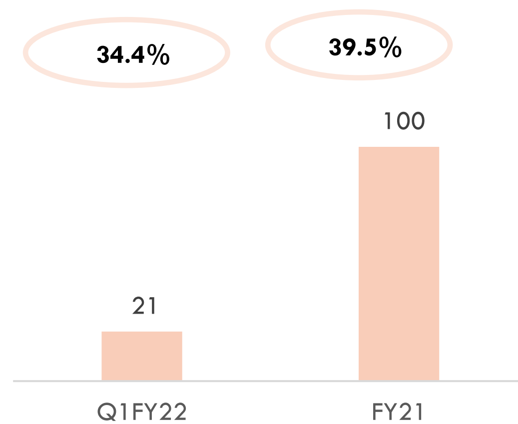
47% — Third party contracts O&M

INR Crore

Revenue from O&M Operations



Operating EBIT & EBIT Margin %



Consolidated Profit & Loss – Q1 FY22

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INR Crore	Q1FY22	Q1FY21	FY21
Revenue from Operations	**1,195**	**1068**	**5,081**
Gross Margin	**59**	**114**	**83**
Gross Margin %	***4.9%***	**10.7%**	***1.6%***
Less: Mark to market loss	(31)	(2)	(20)
Adjusted Gross Margin	**28**	**112**	**63**
Adjusted Gross Margin %	***2.3%***	***10.5%***	***1.2%***
Other Income	6	2	27
Recurring Overheads	80	80	324
Recurring Overheads %	6.9%	*7.5%*	6.4%
Non-recurring Overheads	3	-	49
Accelerated MTM on cancellation of forward cover	49	-	37
Forex	(5)	16	43
EBITDA	**(93)**	**18**	**(363)**
EBITDA Margin %	***(7.8%)***	**1.7%**	***(7.1%)***
Depreciation	3	4	16
EBIT	**(96)**	**14**	**(379)**
EBIT Margin %	***(8.0%)***	**1.3%**	***(7.4%)***
Interest Income	22	30	132
Less : Interest Expenses	(13)	(25)	(93)
Net Interest Income	9	5	39
PBT	**(87)**	**19**	**(340)**
PBT Margin %	***(7.3%)***	**1.8%**	***(6.7%)***
Current Tax expense	(1)	-	12
Effective current tax rate	*(1.2%)*	0%	3.5%
Deferred Tax expense/ (credit)	(10)	2	(62)
PAT	**(76)**	**17**	**(290)**
PAT Margin	*(6.4%)*	1.6%	*(5.7%)*

Note: All margin % are based on Revenue from Operations

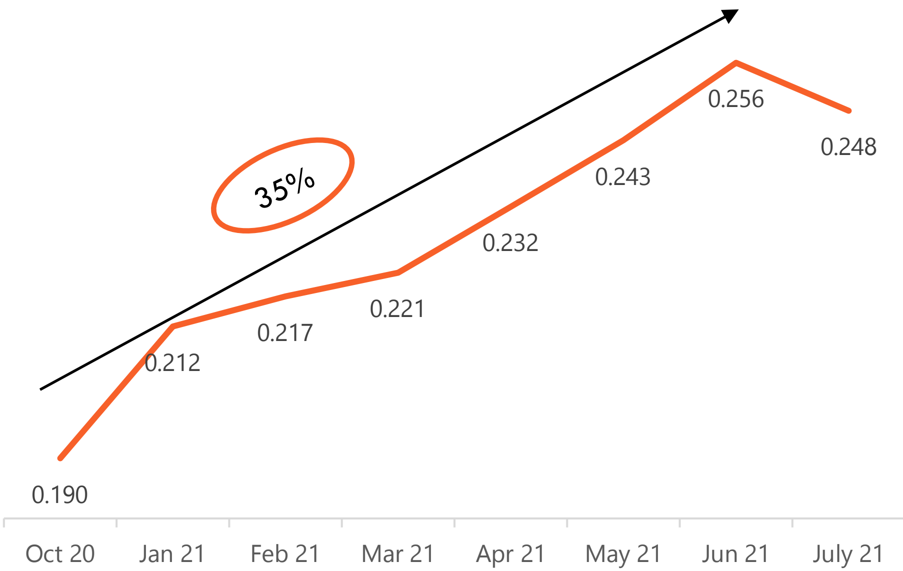
Key Highlights

- Revenue higher in Q1FY22 compared to Q1FY21 as project execution was impacted in Q1FY21 on account of COVID-19
- O&M constitutes 5.1% of revenue in Q1FY22 compared to 5.9% in Q1FY21
- Due to the impact caused by the increase in module and commodity prices, adjusted gross margins in Q1FY22 continue to remain suppressed for ongoing projects. Module price movement has been explained in the subsequent slide
- Recurring Overheads remained at same level despite the corresponding previous quarter having lower salary and travel cost due to Covid -19
- Accelerated MTM represents loss on account of cancellation and rebooking of forward contracts on expiry relating to ongoing projects which resulted in accelerated accounting of losses (Refer note 11 of Q1 results). The same has been flushed out from effective portion of cash flow hedge of OCI resulting in negligible impact on Shareholder's fund
- EBITDA impacted for Q1FY22 due to lower gross margins and accelerated MTM on cancellation of forward cover
- Net interest income higher in Q1FY22 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*

Module price movement

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 manufactures have reneged on honouring their contractual commitments and have sought to substantially increase their module prices
- This has resulted in an overall increase in the estimated cost of the projects by US$ 21 mn (after adjusting for compensation from customers) which has been considered in the margin workings

Other Comprehensive income – Q1FY22

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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 has also gone up by INR 114 crore thereby compensating the amount lying in OCI.
- The notional value of derivative contracts outstanding as at 30th June 2021 and the effective and ineffective portion as at 30th June 2021 is tabulated below:

INR Crore	Q1FY22	Q1FY21	FY21
Other comprehensive income			
- Not reclassified subsequently to profit or loss		-	*1*
- Reclassified subsequently to profit or loss			
- Effective portion of cash-flow hedge reserve (net of deferred tax credit)		*68*	*(74)*
- Foreign currency translation		*2*	*(51)*
Total other comprehensive income		**70**	**(124)**

Effective portion of Cash flow Hegde (Amount in Crore)	AUD-INR	AUD-USD	USD-INR
Notional currency and value	-	15 AUD	0.3 USD
Effective portion of changes in the fair value of derivative contract – recognized in OCI	-	9.6	0.4
Effective portion of changes in the fair value of derivative contract – reclassified to P&L	-	80.0	-
Ineffective portion of changes in the fair value of derivative contract – recognized in statement of profit and loss	-	-	-
Total	**-**	**89.6**	**0.4**
Tax impact	**-**	**(22.2)**	**(0.1)**
Net impact on OCI and statement of profit and loss	**-**	**67.4**	**0.3**

Consolidated Balance Sheet

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INR Crore	June-21	Mar-21
Sources of Funds		
Shareholders Funds	651	658
Borrowings from Banks	438	468
Total	**1,089**	**1,126**
Application of Funds		
Fixed assets (including right to use assets)	45	47
Deferred tax and income tax balance	157	155
GST and VAT balances (net)	293	299
Inter Company Deposits	741	885
Bank balance (including fixed deposit)	336	296
Core Working Capital	(571)	(530)
Other assets/ (liabilities)	88	(26)
Total	**1,089**	**1,126**

Breakdown of Core Working Capital	June-21	Mar-21
Current Assets	**1,425**	**1,652**
Inventories	6	3
Receivables (net of LD provision)	1,210	1,431
Receivable days	*92*	*103*
Advances to suppliers	209	218
Current Liabilities	**1,996**	**2,182**
Trade payables	1,706	1,857
Payable days	*135*	*136*
Advances from Customers	290	325
Net Working Capital	**(571)**	**(530)**
Net Working Capital days	-	-

Key Highlights

Source of Funds

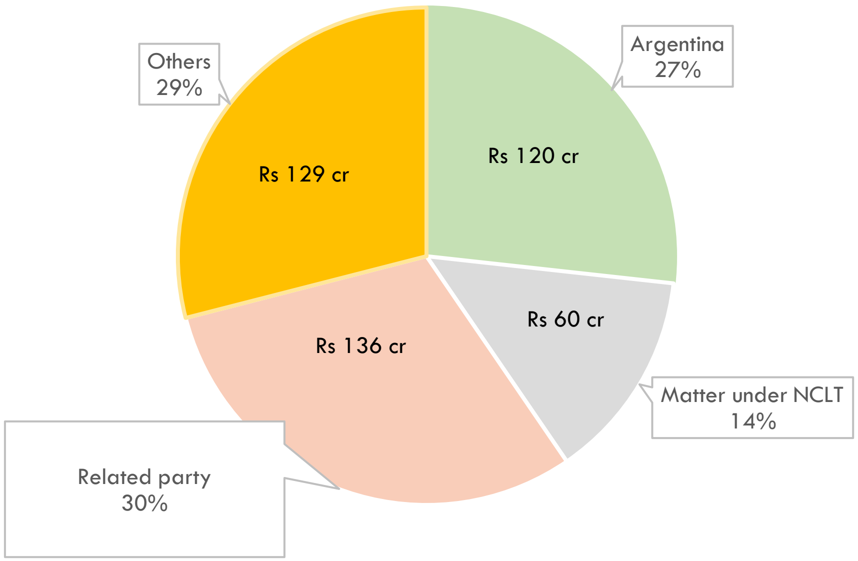
- Shareholders funds declined marginally on account of loss for the year offset with recycling of effective portion of derivative contract from OCI to income statement
- Borrowings from Banks as at 30th June 2021 includes term debt of Rs 64 crore and working capital of Rs 374 crore. Decrease in borrowings is on account of repayment of ICDs

Application of Funds

- Business continues to remain asset light
- Deferred tax and income tax balance is on account of recognition of Deferred tax assets on loss and effective portion of cash flow hedges recognized in OCI.
- Inter Company Deposits balance lower as at June 21 due to repayment of ICDs and interest thereon
- **Core working capital**
  - Negative working capital of Rs 571 crore as at June 21 compared to negative working capital of Rs 530 crore as at Mar 21
  - Negative working capital is 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 June 21 includes Rs 445 crore due for more than a year. Further details on receivables provided in the subsequent slide
- Other liabilities has seen a major reduction of Rs 72 crore of derivative liability

Analysis of receivables > 1 year as at June 2021

Mix of receivables > 1 year as at June 2021 – Rs 445 crore



Comments

- Key receivables outstanding for more than 1 year of Rs 445 crore as at June 2021 comprise
  - Matter under NCLT - Net Receivables is Rs 60 crore (after ECL provision of Rs 31 cr). The same has been explained in the subsequent slide
  - Argentina receivables of Rs 120 crore –During the Q1FY22, 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 136 crore - The Company has received business of ~Rs 1,320 crore from related parties over the last 4 years and receivables outstanding as at June 2021 is Rs 136 crore. This includes receivables of Rs 102 crore against which the Company has received unconditional assurance of proceeds from sale of plant
  - Other receivables comprise Rs 129 crore of which Rs. 18 cr has been collected till date. Management is confident of collecting the balance old receivables

IL&FS Receivables assured by Embassy Energy

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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")
- 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 Holding 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 Holding Company that they would make the payment if the customer failed to pay. As on date the customer owes SWPL Rs 92.45 crore.
- In addition, an amount of Rs 64.10 crore under confirmed, irrevocable Letters of Credit arranged by the customer from their bank ('Axis Bank') mainly for the supplies which had been discounted by SWSL, 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 NCLT order, and the Holding 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 Nil crore (31 March 2021: Rs 31.33 crore) for the quarter ended 30 June 2021, based on management's best estimate of collection of the aforementioned receivables as at 30 June 2021

Consolidated Cashflow

INR Crore	Q1FY22	FY21
Profit before tax	**(87)**	**(340)**
Adjustments for noncash / other items	123	96
Operating profit before working capital changes	36	(244)
Working Capital Adjustments	(105)	557
Cash flows generated from Operating Activities	**(68)**	**313**
Income tax (paid) / Forex translation	(9)	(112)
Net Cash flows generated from Operating Activities	**(77)**	**201**
Inter Company Loan given	-	-
Inter Company Loan repaid	155	219
Interest received	10	244
Fixed Deposit	21	(38)
Fixed Assets etc	(3)	(16)
Net Cash flows generated from Investing Activities	**183**	**409**
(Repayment) /Proceeds from External Borrowings (Net)	(30)	(756)
Interest paid	(12)	(93)
Dividend	-	-
Others	(1)	(5)
Net Cash flows generated from Financing Activities	**(44)**	**(853)**
Net Cash increase	**63**	**(243)**
Net movement in currency translation	0	(0)
Cash and cash equivalent at the beginning of the period	**220**	**463**
Cash and cash equivalent at the end of the period	**283**	**220**

Key Highlights

Cash flow from Operations

- Cash flow from Operations negative due to payment towards MTM losses on cancellation and rebooking of forward contracts

Cash flow from Investing activities

- No further ICDs given post date of listing
- Cash flow from investing activity positive in Q1FY22 due to receipt against ICDs and interest thereon

Cash flow from Financing activities

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

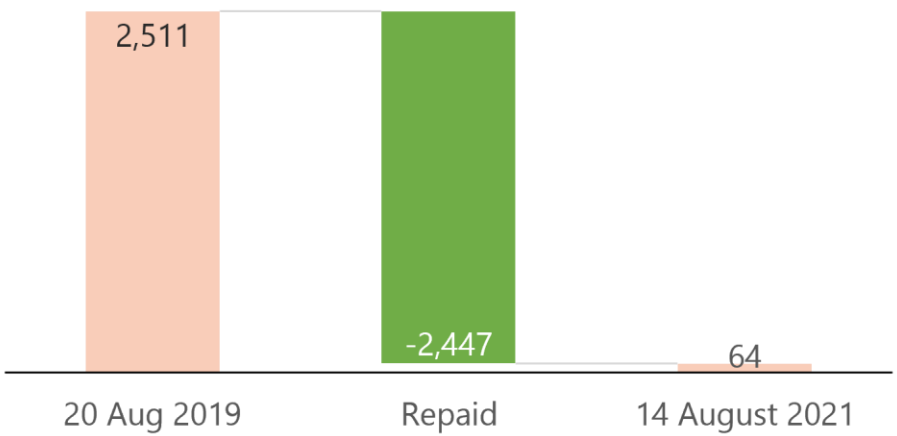
Cash and cash equivalents

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

External Debt and Intercompany Deposit movement post listing

INR Crore

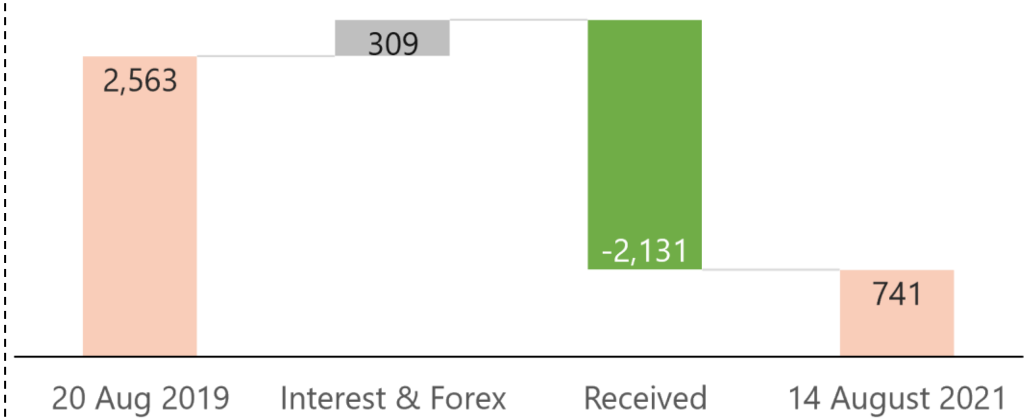
Term Debt



Note: the above table excludes interest

- Term debt reduced by Rs 2,477 crore from the date of listing till date
- Repayment schedule of term debt of Rs 64 crore
    - Rs 24 crore payable in Q2 FY22
    - Rs. 40 crore payable in Q3 FY22

Intercompany Deposit (ICDs)



- Repayment timelines till September 2021
- Securities created of Rs 805 crore
- 400 basis points spread agreed

Business expansion – EPC for Waste to Energy plants

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Focus on generating energy in the form of electricity and/or heat by using Municipal solid waste (MSW), biomass etc. as feedstock using Municipal Waste Incineration

Global Market

- 400 mn tons of waste annually processed to produce energy
- ~US$ 5.25bn annual market till 2027
- ~70 new plants estimated per year until 2027
- UK and Europe constitutes 40+% of the Global market

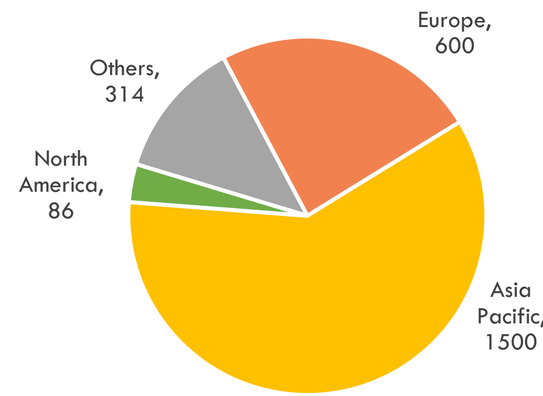
Key Growth Drivers

- Depleting conventional energy resources
- Increasing municipal solid waste (MSW) generation
- Global need to decline the landfill sites
- Favorable regulatory policies encouraging proper waste disposal
- Rapidly increasing number of waste to energy projects across geographies

Synergies

- Strong Existing Relationships with Clients across globe will provide access to markets
- Our global execution ability will help in quick geographical understanding and on time execution
- Increased presence in ESG Space

Geographical split of ~2500 WTE plants



Source: ecoprog.com, datatopics.worldbank.org, mordorintelligence.com, management estimate

Business expansion – EPC for Hybrid Energy & Battery Storage

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Hybrid energy focuses on solutions involving two or more sources of energy with or without energy storage. Battery energy storage systems are rechargeable battery systems that stores energy and provide the same when required

Global Market

- Hybrid market expected to grow at 8% CAGR to US$ 3.7 bn by 2025
- Battery Energy Storage Systems (BESS) and Energy storage systems (ESS) to grow 2x in next 4 years to $12 Billion annually
- US, China and Australia are the large markets in BESS

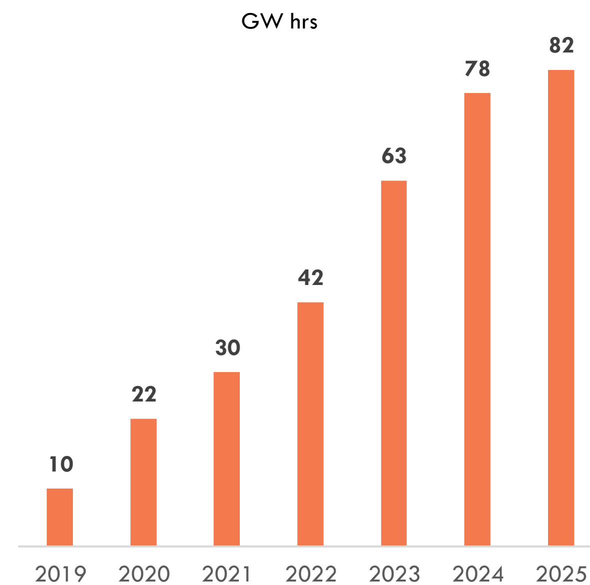
Key Growth Drivers

- Reduction in battery cost is driving increased adoption of BESS
- Integration with storage/ hybrid energy to provide reliable power to grid reducing fluctuations
- Innovation & Improvements in the ESS sector are bringing new technologies thus increasing the market potential
- Solar + BESS becomes a single window offering single point responsibility and uninterrupted reliable power commitment

Synergies

- Already have presence in markets expected to see the highest growth in battery storage
- Quickly ramp up battery storage business by adding a team of battery experts as sales, execution and design & engineering teams will be common for the businesses
- Clients for battery storage projects are generally large IPP's and we have strong relationships with most of them
- A common execution team under Hybrid / Solar + ESS provides single point ownership, reduction in cost and on time performance

Annual installations of battery energy storage



Source: marketresearchengine.com, BNEF, *Energy Storage Grand Challenge Energy Storage Market Report 2020*

Way Forward

Strong Pipeline	○ ~80% of order finalization to happen in H2FY22 ○ Expect to maintain strike rate of 14 -15% for FY22
Target large markets	○ North America market size ~19.5 GW in CY21 ○ Europe market size ~7 GW in CY21
Grow O&M portfolio	○ Grow O&M portfolio by 40%+ in FY22 in range of 11.5 to 12 GW ○ Increased focus on third party O&M in International markets
Expand new business	○ Leverage client relationships to gain meaningful market share in rapidly growing battery storage and WTE business ○ Explore partnership/ ties up in battery storage business

THANK YOU

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