

November 14, 2020

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001  <b>Scrip Code: 542760</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza Bandra Kurla Complex Bandra (East), Mumbai – 400 051  <b>Symbol: SWSOLAR</b>
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**Sub.: Investor presentation on the Unaudited Consolidated and Standalone Financial Results of Sterling and Wilson Solar Limited (“the Company”) for the quarter and half year ended September 30, 2020**

**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 and half year ended September 30, 2020.

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**  
**An Associate of Shapoorji Pallonji Group**

Registered Office: Universal Majestic, 9th Floor, P. L. Lokhande Marg, Chembur (W), Mumbai – 400 043  
Phone: (91-22) 25485300 | Fax: (91-22) 25485331 | CIN: U74999MH2017PLC292281  
Email: info@sterlingwilson.com | www.sterlingandwilsonsolar.com



# STERLING AND WILSON SOLAR LIMITED

**Analyst Presentation**  
– Q2 and H1 FY21  
14<sup>th</sup> November 2020



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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.

	<b>Key Highlights</b>	<b>3</b>
	<b>Order book</b>	<b>5</b>
	<b>Financials</b>	<b>9</b>
	<b>Way Forward</b>	<b>15</b>

## Healthy order inflow and robust order book

- ✓ Current year order inflow to date is Rs 6,116 crore (1.5 GW) i.e. 133% of restated FY20 order book (after exclusion of non-contracted projects)
- ✓ 8.0 GW contracted O&M as at 12<sup>th</sup> November 2020 (16% higher as compared to September 2019)
- ✓ Gross Unexecuted Order Value (UOV) as at 12<sup>th</sup> November 2020 is Rs 9,564 crore (before adjusting for revenue post 30<sup>th</sup> Sep 2020) – Please refer Slide 6 for explanation on exclusion of LOIs

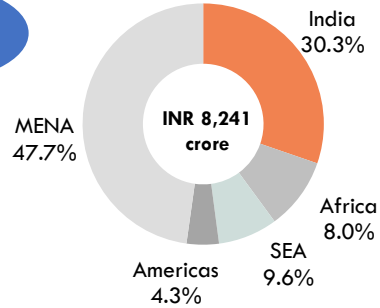
- ✓ Revenue for H1FY21 stood at Rs 2,405 crore driven by significant pick up in execution of projects across all geographies in Q2FY21
- ✓ O&M revenue increased by 57% in H1FY21 to Rs 121 crore compared to H1FY20
- ✓ Gross margins stood at 9.6% in H1FY21
- ✓ EBITDA for H1FY21 was Rs 26 crore and EBITDA margins (excluding interest income) stood at 1.1% in H1FY21
- ✓ Negative net working capital of Rs 72 crore as at 30<sup>th</sup> Sep 2020 compared to positive net working capital of Rs 178 crore as at 31<sup>st</sup> Mar 2020
- ✓ Repaid term debt (principal) of Rs 1,931 crore since listing till 12<sup>th</sup> November 2020. Interest on term debt is serviced separately on a monthly basis
- ✓ Intercompany deposit (ICDs) of Rs 1,615 crore (Principal + Interest) repaid from the date of listing till 12<sup>th</sup> November 2020

# Significant geographic diversification continues

**FY19**

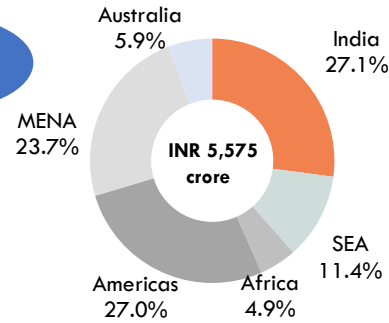
## EPC + O&M Revenue break-up by geography

19 Projects  
10 Countries



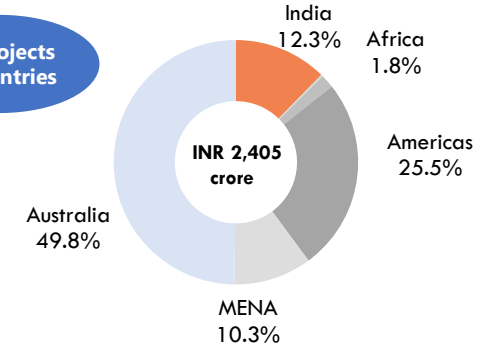
**FY20**

18 Projects  
9 Countries

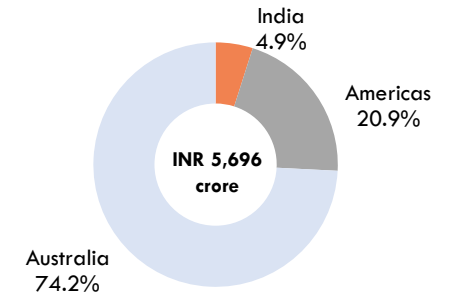
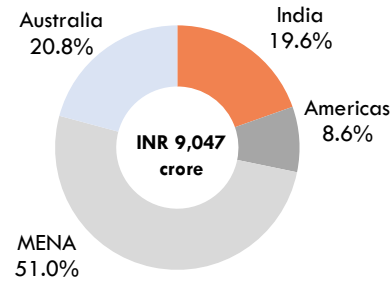
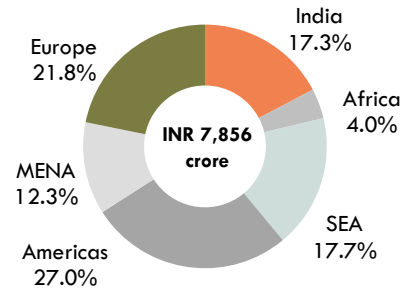


**H1FY21**

15 Projects  
7 Countries

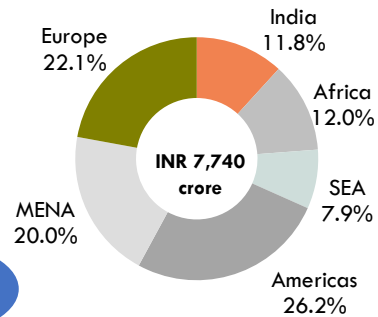


## Orders booked by geography

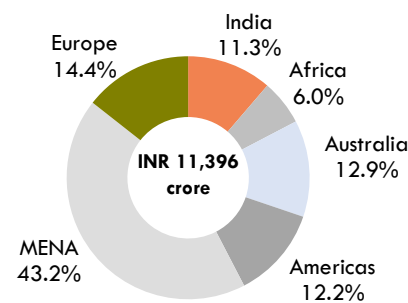


## Unexecuted Order Value (UOV) break-up by geography

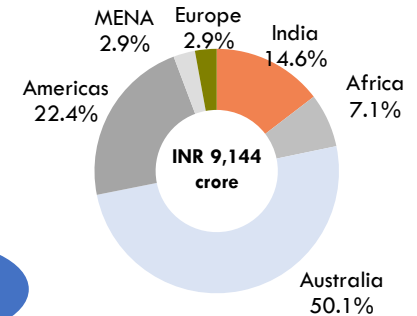
17 Projects  
9 Countries



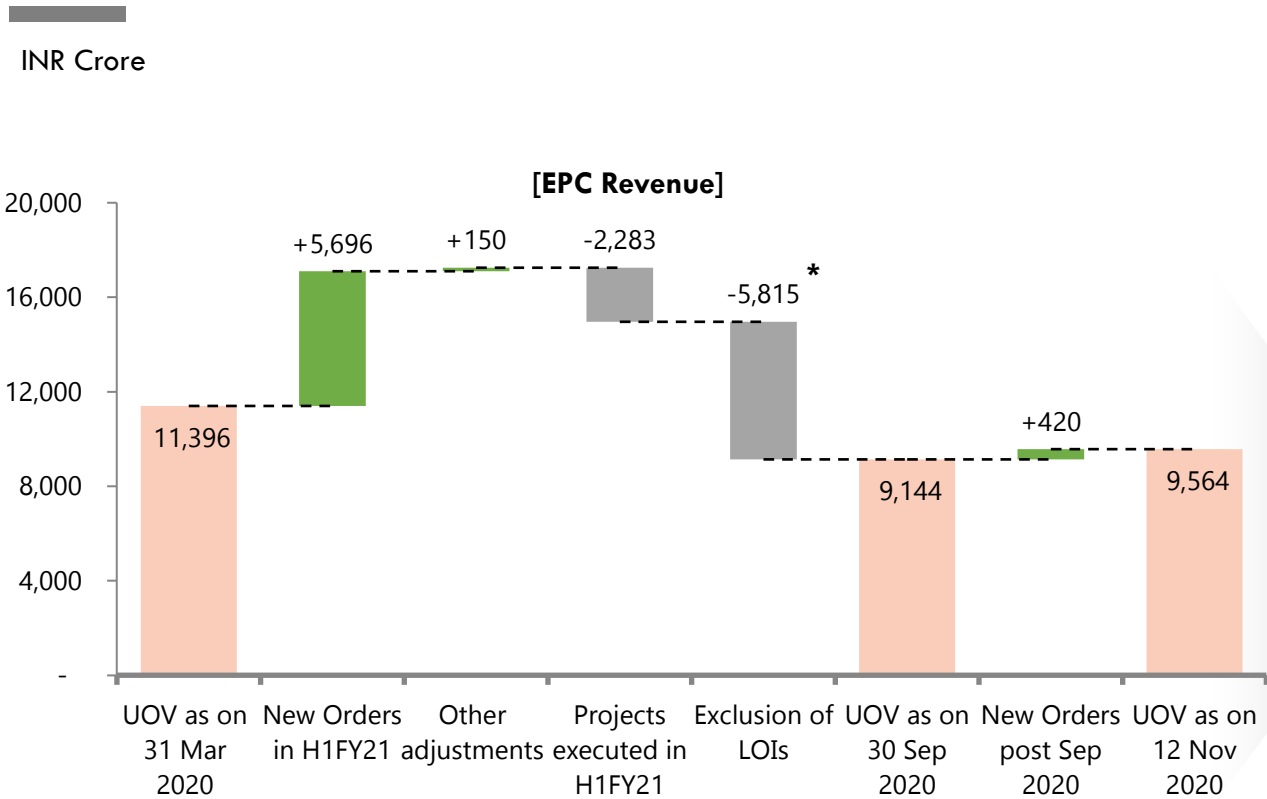
12 Projects  
9 Countries



17 Projects  
9 Countries

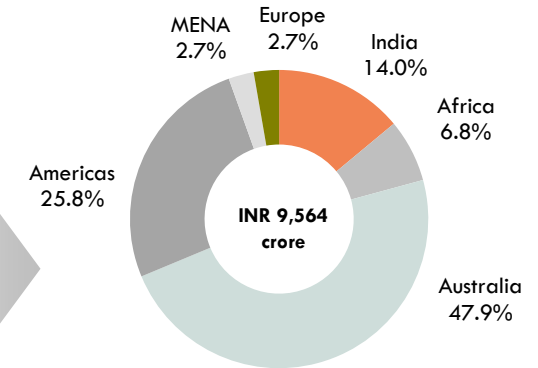


# Unexecuted Order Value (UOV) Movement



## Gross UOV as on 12 Nov 2020

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



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

If the same policy were to have been adopted retrospectively, the orders booked in FY 20 would have been Rs. 4,602 crore in comparison with which, the orders booked in the 7 ½ months of the current year are already Rs. 6,116 crore

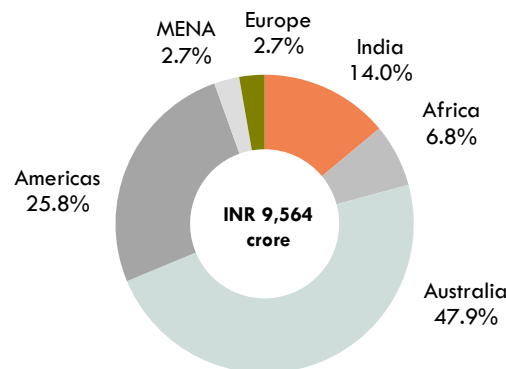


# Order Inflow – April to Sep 2020 and till date

Country	MW	INR. Crore
India	380	280
United States of America	194	728
Australia	450	2,625
<b>Apr to June 2020 (a)</b>	<b>1,024</b>	<b>3,633</b>
Chile	106	462
Australia	309	1,601
<b>July to Sep 2020 (b)</b>	<b>415</b>	<b>2,063</b>
<b><u>Oct 2020 onwards</u></b>		
Chile	86	420
<b>Oct 2020 onwards till 12<sup>th</sup> Nov 2020 (c)</b>	<b>86</b>	<b>420</b>
<b>TOTAL (a+b+c)</b>	<b>1,525</b>	<b>6,116</b>

**UOV as at 12 Nov 2020**  
**~ INR 9.5K Crore**

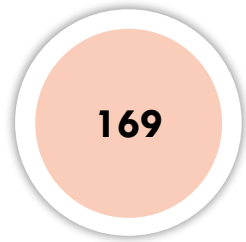
*(before adjusting revenue post 30<sup>th</sup> Sep 2020)*



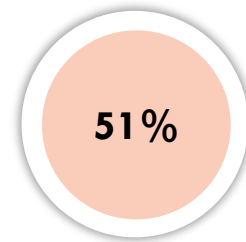
# O&M Business – Key Highlights



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



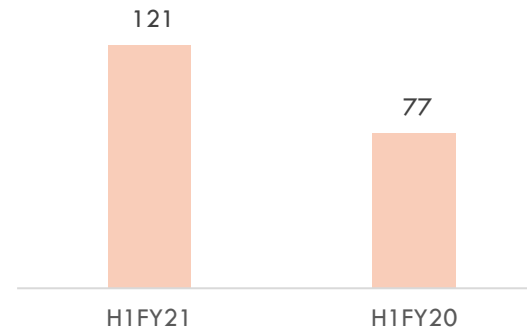
**Sites including third party**



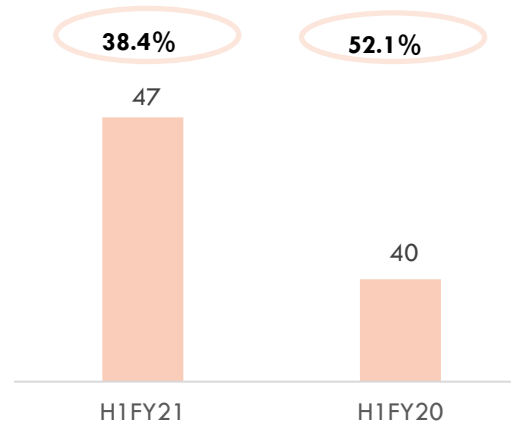
**Third party contracts O&M**

INR Crore

## Revenue from O&M Operations



## Operating EBIT & EBIT Margin %



## Key Highlights

- ▶ O&M revenue increased by 57% in H1FY21 compared to H1FY20
- ▶ O&M constitutes 5.0% of revenue in H1FY21 compared to 3.2% in H1FY20
- ▶ O&M EBIT margins stood at 38% in H1FY21 compared to 52% in H1FY20

# Consolidated Profit & Loss – Q2 and H1

INR Crore	Q2FY21	Q2FY20	H1FY21	H1FY20	FY20
<b>Revenue from Operations</b>	<b>1,337</b>	<b>1,193</b>	<b>2,405</b>	<b>2,438</b>	<b>5,575</b>
<b>Gross Margin</b>	<b>117</b>	<b>195</b>	<b>231</b>	<b>378</b>	<b>715</b>
<b>Gross Margin %</b>	<b>8.7%</b>	<b>16.3%</b>	<b>9.6%</b>	<b>15.5%</b>	<b>12.8%</b>
Other Income	3	16	5	17	79
Overheads	83	113	163	207	405
Overheads %	6.2%	9.4%	6.7%	8.5%	7.3%
Forex & MTM	29	(13)	47	11	6
<b>EBITDA</b>	<b>7</b>	<b>111</b>	<b>26</b>	<b>178</b>	<b>383</b>
<b>EBITDA Margin %</b>	<b>0.5%</b>	<b>9.3%</b>	<b>1.1%</b>	<b>7.3%</b>	<b>6.9%</b>
Depreciation	4	4	8	7	14
<b>EBIT</b>	<b>4</b>	<b>107</b>	<b>18</b>	<b>171</b>	<b>369</b>
<b>EBIT Margin %</b>	<b>0.3%</b>	<b>8.9%</b>	<b>0.7%</b>	<b>7.0%</b>	<b>6.6%</b>
Interest Income	36	56	66	120	224
Less : Interest Expenses	22	62	47	113	195
Net Interest Income	14	(6)	19	7	29
<b>PBT</b>	<b>18</b>	<b>101</b>	<b>37</b>	<b>177</b>	<b>398</b>
<b>PBT Margin %</b>	<b>1.3%</b>	<b>8.4%</b>	<b>1.5%</b>	<b>7.3%</b>	<b>7.1%</b>
Current Tax expense	3	14	4	45	99
Effective current tax rate	16.8%	13.6%	11.2%	25.3%	24.7%
Deferred Tax expense/ (credit)	(1)	8	1	7	(4)
<b>PAT</b>	<b>15</b>	<b>79</b>	<b>32</b>	<b>125</b>	<b>304</b>
<b>PAT Margin</b>	<b>1.1%</b>	<b>6.7%</b>	<b>1.3%</b>	<b>5.1%</b>	<b>5.5%</b>

## Key Highlights

- ▶ Revenue marginally lower in H1FY21 compared to H1FY20. There has been significant pick up in the execution of projects in Q2FY21 leading to improvement in revenue
- ▶ O&M revenue higher by 57% in H1FY21 as against H1FY20. O&M constitutes 5.0% of revenue in H1FY21 compared to 3.2% in H1FY20
- ▶ Gross margins\* were higher in H1FY20 due to higher margin towards project closure in MENA and SEA region
- ▶ Overheads reduced in H1FY21 due to cost efficiency measures undertaken, reduction in travelling cost due to COVID-19
- ▶ Forex and MTM in H1FY21 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 12 crore on account of MTM loss on forward contracts relating to projects yet to commence
- ▶ EBITDA lower in H1FY21 on account of lower gross margins
- ▶ Net interest income higher in H1FY21 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***

## Derivative contracts

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

INR Crore	H1FY21	H1FY20	FY20
<b>Other comprehensive income</b>			
- Not reclassified subsequently to profit or loss	-	-	-3
- Reclassified subsequently to profit or loss			
- Effective portion of cash-flow hedge reserve (net of deferred tax credit)	(47)	-	-
- Foreign currency translation	(16)	11	50
<b>Total other comprehensive income</b>	<b>(63)</b>	<b>11</b>	<b>47</b>

Effective portion of Cash flow Hedge (Amount in Crore)	AUD-INR	AUD-USD	USD-INR
Notional currency and value	2 AUD	26AUD	4 USD
Effective portion of changes in the fair value of derivative contract – recognized in OCI	5	55	4
Ineffective portion of changes in the fair value of derivative contract – recognized in statement of profit and loss	-	0.8	(0.2)
<b>Total</b>	<b>5</b>	<b>56</b>	<b>4</b>
<b>Tax impact</b>	<b>(1)</b>	<b>(16)</b>	<b>(1)</b>
<b>Net impact on OCI and statement of profit and loss</b>	<b>4</b>	<b>40</b>	<b>3</b>

# Consolidated Balance Sheet

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

## Key Highlights

### Assets

- ▶ Business continues to remain asset light
- ▶ Increase in non-current asset on account of recognition of Deferred tax assets on effective portion of cash flow hedges recognized in OCI.
- ▶ Inventories increase on account of the goods in transit Rs 41 crore at the end of H1FY21 as per the terms of the customer contracts
- ▶ Trade receivables reduced as at Sep 20 compared to Mar 20
- ▶ Other current and financial assets as at Sep 20 primarily comprise unbilled revenue of Rs 580 crore, indirect tax balances of Rs 289 crore and advance to suppliers of Rs 211 crore. Increase in other current and financial assets primarily on account of higher unbilled revenue by Rs 79 crore and advance to vendors by Rs 53 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 2 crore
- ▶ Other current and financial liabilities as at Sep 20 primarily comprise advance from customers of Rs 535 crore, derivative liability for forward exchange contract of Rs 74 crore, statutory liabilities of Rs 40 crore and employee benefit of Rs 29 crore



INR Crore	H1 FY21	H1FY20	FY20
<b>Profit before tax</b>	<b>37</b>	<b>177</b>	<b>398</b>
Adjustments for noncash / other items	14	81	(24)
<b>Operating profit before working capital changes</b>	<b>51</b>	<b>258</b>	<b>375</b>
Working Capital Adjustments	216	(34)	42
<b>Cash flows generated from Operating Activities</b>	<b>267</b>	<b>224</b>	<b>417</b>
Income tax (paid) / Forex translation	(24)	(60)	(79)
<b>Net Cash flows generated from Operating Activities</b>	<b>242</b>	<b>165</b>	<b>338</b>
Inter Company Loan given	-	(453)	(504)
Inter Company Loan repaid since listing	62	250	1,280
Interest received	53	2	264
Fixed Deposit	(55)	7	(9)
Fixed Assets etc	(14)	(12)	(18)
<b>Net Cash flows generated from Investing Activities</b>	<b>48</b>	<b>(207)</b>	<b>1,013</b>
Proceeds from External Borrowings (Net)	(277)	127	(1,004)
Interest paid	(51)	(114)	(188)
Dividend	-	-	(116)
Others	(1)	14	(5)
<b>Net Cash flows generated from Financing Activities</b>	<b>(330)</b>	<b>27</b>	<b>(1,313)</b>
<b>Net Cash increase</b>	<b>(40)</b>	<b>(16)</b>	<b>38</b>
Net movement in currency translation	-	-	5
Cash and cash equivalents of subsidiary acquired	-	-	-
<b>Cash and cash equivalent at the beginning of the period</b>	<b>463</b>	<b>421</b>	<b>421</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>424</b>	<b>405</b>	<b>463</b>

## Key Highlights

### Cash flow from Operations

- ▶ Cash flow from Operations higher in H1FY21 on account of higher collections coupled with efficient management of working capital despite lower profitability

### Cash flow from Investing activities

- ▶ No further ICDs post date of listing
- ▶ Cash flow from investing activity positive in H1FY21 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

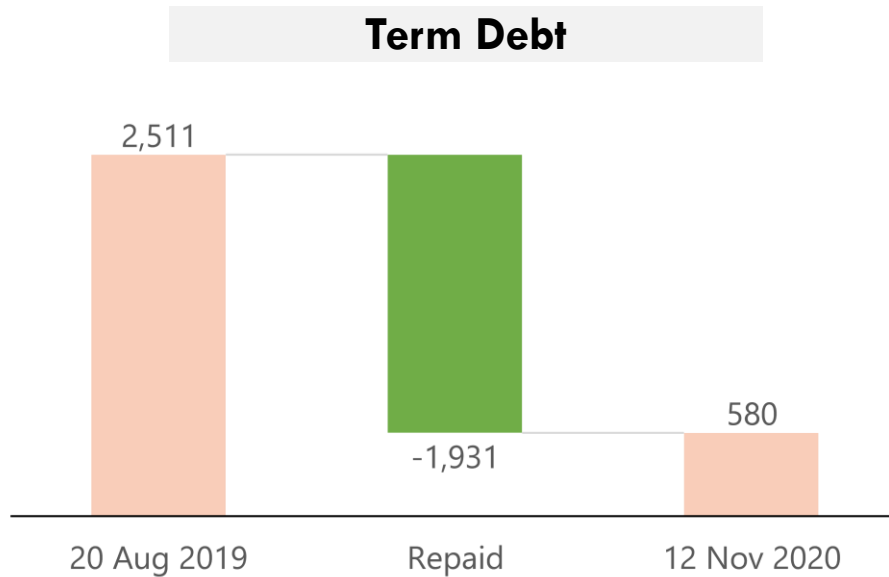
INR Crore	Sep 20	Mar 20
<b>Current Assets</b>	<b>1,890</b>	<b>2,640</b>
Inventories	52	14
Trade receivables (net of LD provision)	1,047	1,963
Receivable days	78	128
Unbilled receivables	580	502
Advances to suppliers	211	161
<b>Current Liabilities</b>	<b>1,962</b>	<b>2,463</b>
Trade payables	1,427	2,221
Payable days	118	167
Advances from Customers	535	242
<b>Net Working Capital</b>	<b>(72)</b>	<b>178</b>
<b>Net Working Capital days</b>	<b>NA</b>	<b>12</b>

## Key Highlights

- ▶ Negative working capital of Rs 72 crore as at Sep 20 compared to positive working capital as at Mar 20 and June 20
- ▶ Improvement in working capital as at Sep 20 driven by combination of higher collections, efficient management of working capital and advance from customers
- ▶ LD Provision of Rs 6 crore recognised in H1FY21 on best Management estimates

INR Crore

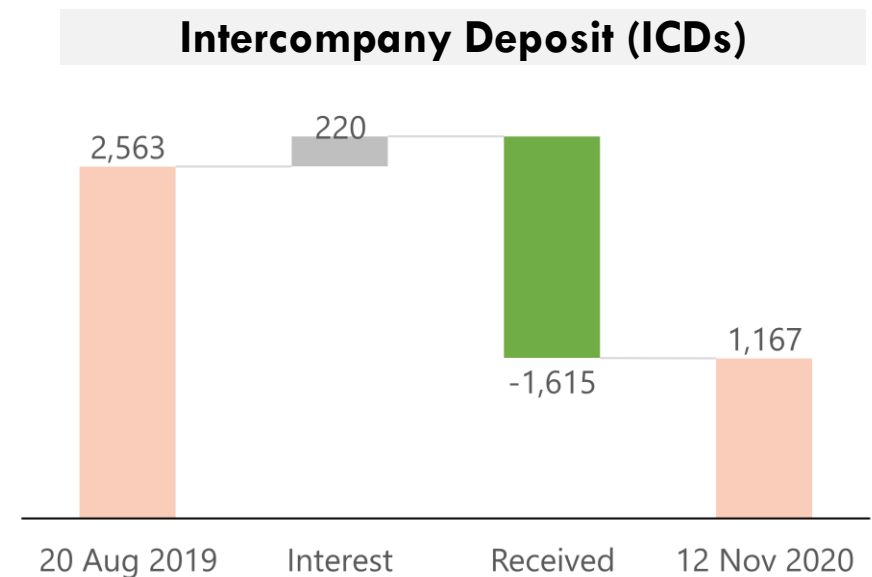
## Term Debt



Note: the above table excludes interest

- Term debt reduced by Rs 1,931 crore from the date of listing till September 30, 2020
- Repayment schedule of term debt of Rs 580 cr
  - Rs 485 crore payable in Q3 FY21 (under discussion with banks)
  - Rs. 95 crore payable in Q4 FY21

## Intercompany Deposit (ICDs)



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

- ❑ Increased market share target in Australia, Americas and Europe
- ❑ Further strengthening of management team in Spain to cater the fast growing European Market
- ❑ Improved O&M strategy under implementation for third party projects globally
- ❑ Solar projects along with energy storage and Floating Solar are poised to grow substantially in the near future. We have a very strong team and technical partnerships to take up a leading role in this emerging field

# THANK YOU

For further information, please contact:

**Company :**

**Sterling and Wilson Solar Limited**

CIN: U74999MH2017PLC292281

**Mr Vishal Jain**  
Head – Investor Relations

Email: [ir@sterlingwilson.com](mailto:ir@sterlingwilson.com)

[www.sterlingandwilsonsolar.com](http://www.sterlingandwilsonsolar.com)

**Investor Relations Advisors :**

**Strategic Growth Advisors Private Limited**

CIN: U74140MH2010PTC204285

**Mr Jigar Kavaiya / Mr. Parin Narichania**

+91 9920602034 / +91 9930025733

Email: [jigar.kavaiya@sgapl.net](mailto:jigar.kavaiya@sgapl.net) / [parin.n@sgapl.net](mailto:parin.n@sgapl.net)

[www.sgapl.net](http://www.sgapl.net)