

November 13, 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
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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, 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 and half year ended September 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

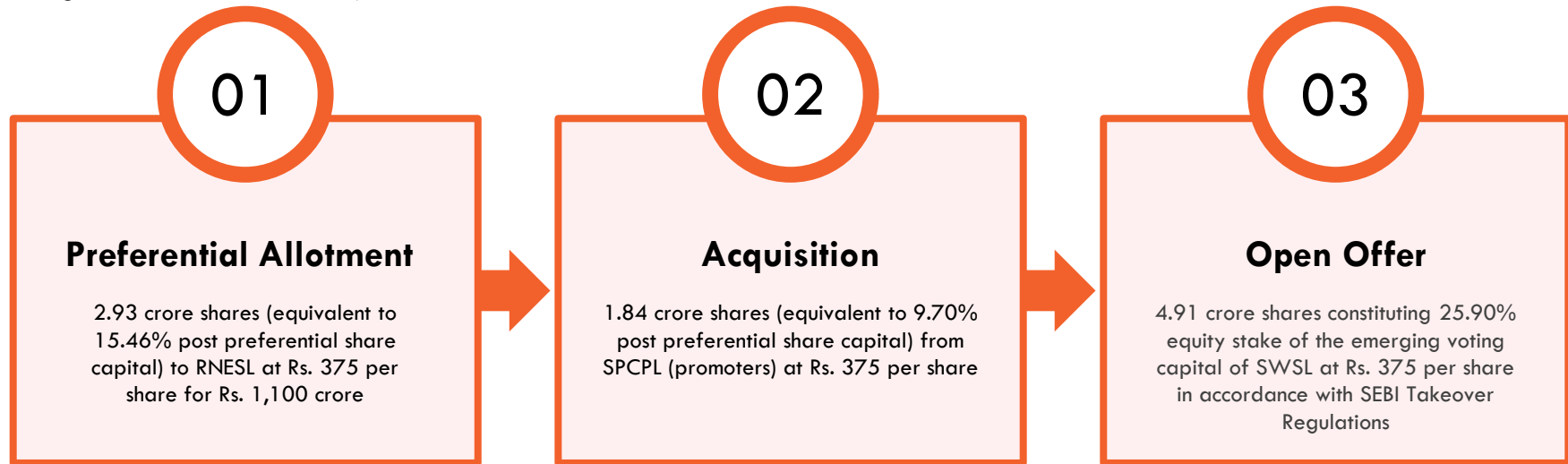
Analyst Presentation
Q2 and H1 FY22
14 November 2021

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- ✓ Reliance New Energy Solar Limited (RNESL), a wholly-owned subsidiary of Reliance Industries Ltd (Reliance) executed definitive agreements on 10th Oct 2021 to acquire **40% stake post-money in SWSL via combination of Primary Investment, Secondary Purchase and Open Offer** through a series of transactions, as follows:



- ✓ Depending upon the open offer response, RNESSL may acquire shares from existing promoters of SWSL to achieve 40% stake post –money in SWSL
- ✓ In the event pursuant to open offer, the public shareholding is lower than 25%, then RNESSL / existing promoters shall sell such number of shares to ensure MPS subject to RNESSL shareholding not falling below 40%.
- ✓ Preferential allotment of Rs. 1,100 crore to RNESSL will strengthen the balance sheet and further improve the financial profile of SWSL
- ✓ Mr. Khurshed Daruvala will continue to be Chairman of the Board and lead the next phase of growth for SWSL
- ✓ The Board will be reconstituted to include two directors from Reliance Group and additional independent directors



Approvals Received



In principal approval from exchanges for preferential allotment



Shareholders approval for preferential allotment



NOC from 8 lenders



Approvals Pending



CCI approval



SEBI observation on the draft open offer



NOC from remaining lenders

Our Global presence (11.6 GW EPC Portfolio)



- ✓ Signed first order of ~ Rs 1500 crore in Waste to Energy business
- ✓ Revenue for H1FY22 stood at Rs 2,633 crore as compared to Rs 2,405 crore in H1FY21
- ✓ Gross margins impacted significantly on account of increase in execution costs and increase in modules, commodities and freight
- ✓ Inter-corporate deposits fully repaid by Sterling and Wilson Pvt Ltd & Sterling and Wilson International FZE along with interest thereon during Q2FY22
- ✓ Gross Debt increased to Rs 674 crore due to advance and performance bank guarantees encashed by three customers amounting to Rs 404 crore. Two of the projects are virtually completed and the third one is substantially completed. The Company is in advanced stage of discussion with the customers and is confident of recovering the amount

19.6 MW in UK

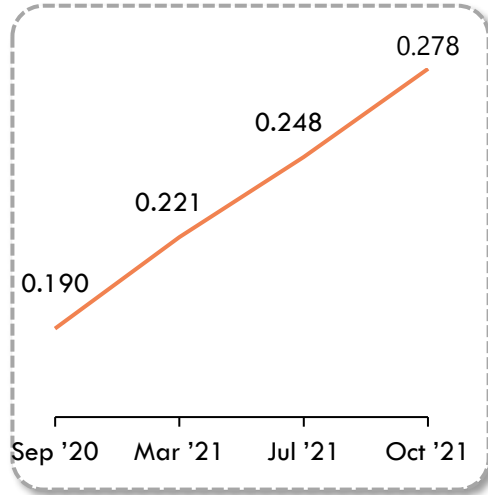
**185,600 tonnes of
municipal waste to be
processed annually**

**Power for 30,000
homes and heat for
nearby business**

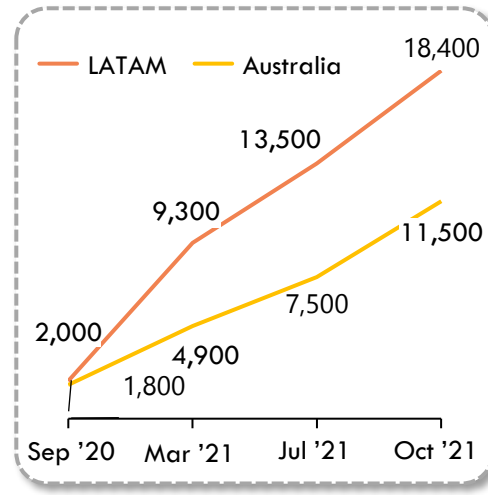
- ✓ Client is a leading developer of energy assets in UK and Europe
- ✓ SWSL is a lead consortium member with other associate companies i.e., STC Power Srl (technical expertise and PQs) and Shapoorji Pallonji & Co Pvt. Ltd
- ✓ Scope of work includes
 - ✓ Design, engineering, procurement, construction, commissioning and testing of the facility
 - ✓ Boiler (fuel - Refused Derived Fuel)
 - ✓ 19 MWe steam turbine generator and condenser, pollution control equipment, water treatment plant, associated balance of plant and
 - ✓ O&M post completion
- ✓ Project to be commissioned over three years
- ✓ Advance is 15% of contract value

Orders finalisation expected in H2FY22 now pushed to FY23 due to rise in costs

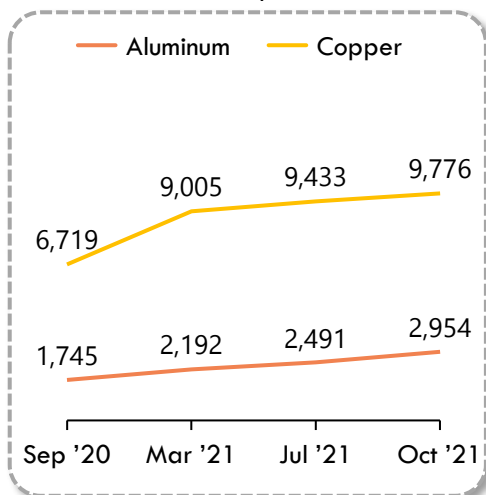
Module price trends (price in USD per Wp)



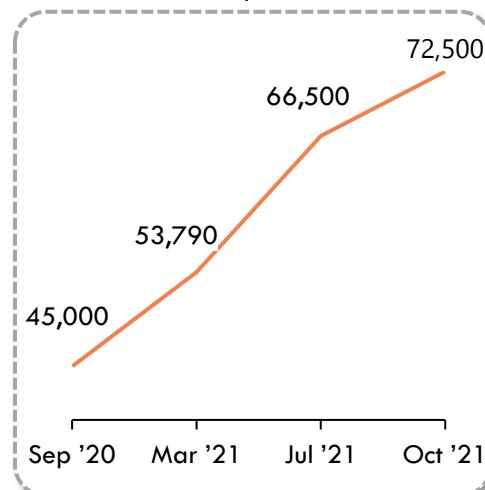
Freight rates Ex China (per 40 feet container)



LME Index (USD /MT)



Indian Steel Price (Rs/ MT)

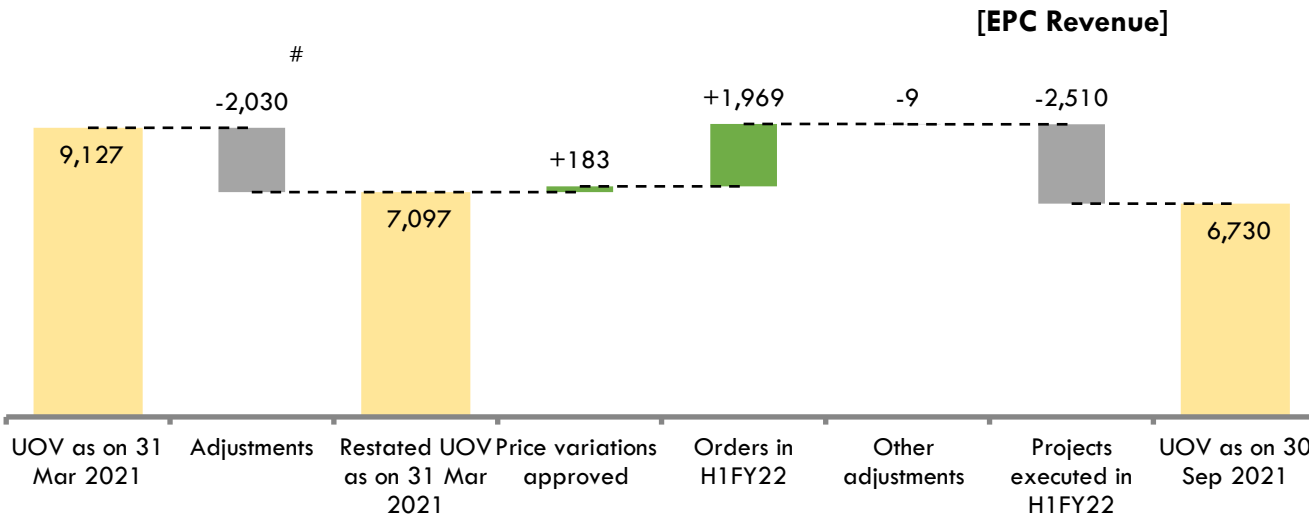


Key Highlights

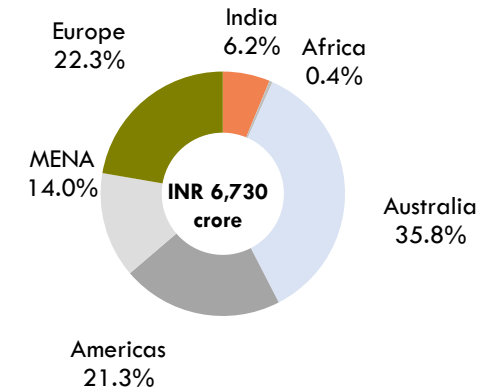
- ▶ Due to an unprecedented increase in costs of modules, commodities and freight in H2 of FY21 and Q1 of FY22, it was earlier anticipated that IPP's would delay finalization of contracts to H2 of FY22
- ▶ However as can be seen from the adjacent chart the prices continue to rise, making the projects for IPP's unviable and hence we anticipate that a majority of order finalization will shift from the current year to FY23

Unexecuted Order Value (UOV) Movement

INR Crore



Gross UOV as on 30th Sep 2021



Module exposure in UOV

Pending partial supply of modules for 2 projects
(422 MW aggregating ~ INR 765 crore)

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 and are subject to ongoing discussions with the Developers. The same have now been adjusted in the UOV given above.

Consolidated Profit & Loss – H1FY22

INR Crore	Q2FY22	Q2FY21	H1FY22	H1FY21	FY2021
Revenue from Operations	1,438	1,337	2,633	2,405	5,081
Gross Margin (post project MTM)	(177)	117	(149)	231	63
Gross Margin %	(12.3%)	8.7%	(5.7%)	9.6%	1.2%
Other Income	19	3	25	5	27
Recurring Overheads	91	83	171	163	324
Recurring Overheads %	6.3%	6.2%	6.5%	6.8%	6.4%
Non-recurring Overheads	14	-	17	-	49
Accelerated MTM on cancellation of forward cover	9	-	58	-	37
Forex	9	29	4	47	43
EBITDA	(281)	7	(374)	26	(363)
EBITDA Margin %	(19.5%)	0.5%	(14.2%)	1.1%	(7.1%)
EBIT	(284)	4	(380)	18	(379)
EBIT Margin %	(19.7%)	0.3%	(14.4%)	0.7%	(7.4%)
PBT	(284)	18	(370)	37	(340)
PBT Margin %	(19.7%)	1.3%	(14.1%)	1.5%	(6.7%)
PAT	(284)	15	(360)	32	(290)
PAT Margin	(19.7%)	1.1%	(13.7%)	1.3%	(5.7%)

Key Highlights

- ▶ Revenue increased by 9% in H1FY22 to Rs 2,633 crore
- ▶ O&M constitutes 4.3% of revenue in H1FY22
- ▶ Gross margins impacted in H1FY22 due to unprecedented increase in prices of modules, commodities, freight and increased execution costs due to the impact of COVID
- ▶ Normalized gross margins for H1 would have been 3.5% after eliminating the impact of increase in costs as explained above. Further, the normalized margins for H1 continue to remain lower on the account of the carry forward impacts of items which had affected FY21
- ▶ 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 12 of H1 results). The same has been flushed out from effective portion of cash flow hedge of OCI resulting in negligible impact on Shareholder's fund

Consolidated Balance Sheet

INR Crore	Sep-21	Mar-21
Sources of Funds		
Shareholders Funds	438	658
Borrowings from Banks	674	468
Total	1,112	1,126
Application of Funds		
Fixed assets (including right to use assets)	44	47
Core Working Capital	(297)	(530)
Inter Company Deposits	-	885
Bank balance (including fixed deposit)	432	296
Other assets/ (liabilities)	492	(26)
Deferred tax and income tax balance	145	155
GST and VAT balances (net)	296	299
Total	1,112	1,126

Breakdown of Core Working Capital	Sep-21	Mar-21
Current Assets	1,655	1,652
Inventories	5	3
Receivables (net of LD provision)	1,436	1,431
Receivable days	98	103
Advances to suppliers	214	218
Current Liabilities	1,952	2,182
Trade payables	1,668	1,857
Payable days	118	136
Advances from Customers	284	325
Net Working Capital	(297)	(530)
Net Working Capital days	-	-

Key Highlights

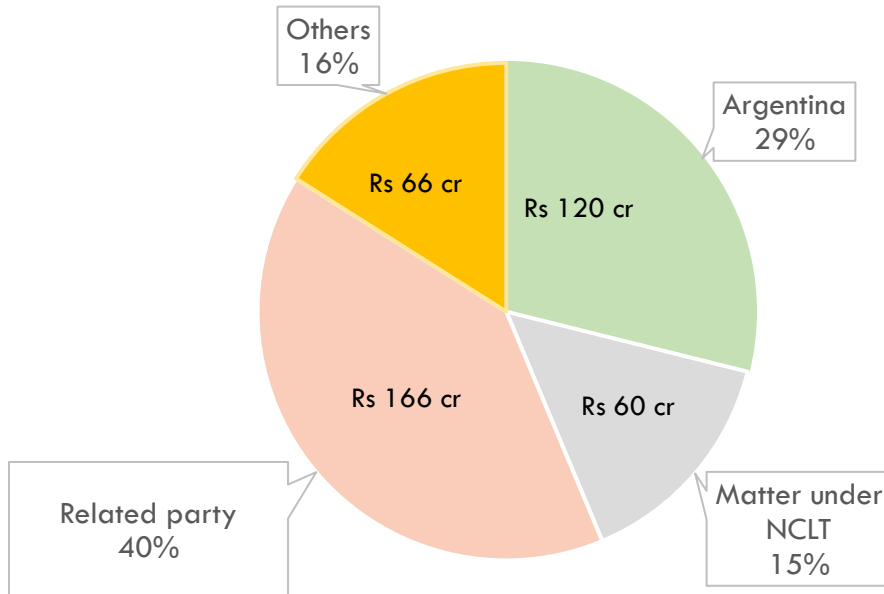
- ▶ Borrowings from Banks as at Sept 21 increased on the account of the loan taken against the repayment of Bank guarantee encashed by customer
- ▶ Inter Company Deposits has been completely repaid
- ▶ Net debt position is as follows

Breakdown of Net Debt	Sep-21	Mar-21
Term debt	60*	138
Working capital related debt	312	330
Debt on BG encashment	302	-
Total Debt	674	468
Less: Cash and Bank balance	(432)	(296)
Less: Intercompany debt	-	(885)
Net Debt	242	(713)

* Since repaid

- ▶ **Core working capital**
 - ▶ Negative working capital of Rs 297 crore as at Sept 21 compared to negative working capital of Rs 530 crore as at Mar 21
 - ▶ Trade receivables as at Sept 21 includes Rs 412 crore due for more than a year. Further details on receivables provided in the subsequent slide
- ▶ Other assets includes a) recoverable from customer towards bank guarantee encashment of Rs 404 crore and b) derivative assets of Rs 47 crore (as against derivative liability of Rs 97 crore as on Mar 21) relating to forward contracts

Mix of receivables > 1 year as at Sep 2021 – Rs 412 crore



Comments

- ▶ Key receivables outstanding for more than 1 year of Rs 412 crore as at Sep 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 166 crore - The Company has received business of ~Rs 1,320 crore from related parties over the last 4 years and receivables outstanding as at Sep 2021 is Rs 166 crore. This includes receivables of Rs 113 crore against which the Company has received unconditional assurance of proceeds from sale of plant
 - Other receivables is net of LD provision of Rs 44 crore based on the management estimate

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 which is now pending for Final Orders with the NCLT as the Arguments have been completed on 11th November 2021

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 six months ended 30 Sep 2021, based on management's best estimate of collection of the aforementioned receivables as at 30 Sep 2021

INR Crore	H1FY22	H1FY21	FY21
Profit before tax	(370)	37	(340)
Adjustments for noncash / other items	167	14	96
Operating profit before working capital changes	203	51	(244)
Working Capital Adjustments	(769)	216	557
Cash flows generated from Operating Activities	(972)	267	313
Income tax (paid) / Forex translation	11	(24)	(112)
Net Cash flows generated from Operating Activities	(961)	242	201
Inter Company Loan repaid	885	62	219
Interest received	45	53	244
Fixed Deposit	23	(55)	(38)
Fixed Assets etc	(5)	(14)	(16)
Net Cash flows generated from Investing Activities	948	48	409
Proceeds from / (Repayment) External Borrowings (Net)	205	(277)	(756)
Interest paid	(29)	(51)	(93)
Dividend	-	-	-
Others	(2)	(1)	(5)
Net Cash flows generated from Financing Activities	174	(330)	(853)
Net Cash increase	161	(40)	(243)
Net movement in currency translation	0	-	(0)
Cash and cash equivalent at the beginning of the period	220	463	463
Cash and cash equivalent at the end of the period	381	424	220

Key Highlights

Cash flow from Operations

- ▶ Increase in working capital on account of BG encashment of Rs 404 crore and payment to overdue vendors

Cash flow from Investing activities

- ▶ Intercompany deposit fully recovered

Cash flow from Financing activities

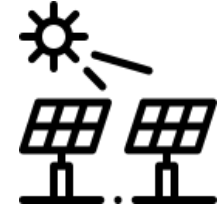
- ▶ Increase in Borrowings on account of bank guarantees encashed by the customer

Cash and cash equivalents

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

Industry Outlook

- Short term outlook continues to be challenging
- Majority of order finalization in H2FY22 pushed to FY23



Target large EPC markets

- Significant opportunities in North America and Europe market
- Pursue development activities to secure more EPC business and increase market coverage in US, Europe and Australia



Grow O&M portfolio

- Increased focus on third party O&M in International markets
- Provide enhanced value to customers through O&M differentiators



Expand new business

- Leverage client relationships to gain meaningful market share in rapidly growing battery storage and WTE business



Target large Solar EPC markets – US and Europe

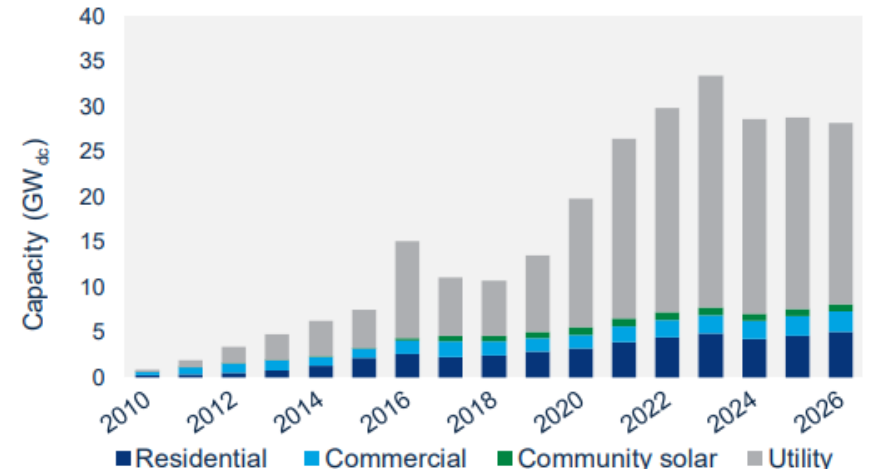
US market

- Most prominent and steady market of ~25 GW in 2022 with 75% in utility scale
- 85GW of projects currently under off-take agreements that are in various stages of development
- The recent US government policies have given a significant impetus to the growth of Solar and Energy Storage which gives us an exciting growth opportunity in one of the largest global markets
- We have completed 7 projects aggregating 38 MW in US. Two large projects in US aggregating 400 MW are in progress and expected to be completed by Q1FY23. This has resulted in SWSL being recognized as a strong EPC player in US market
- Pursue development activities to secure more EPC business and increase market coverage in US

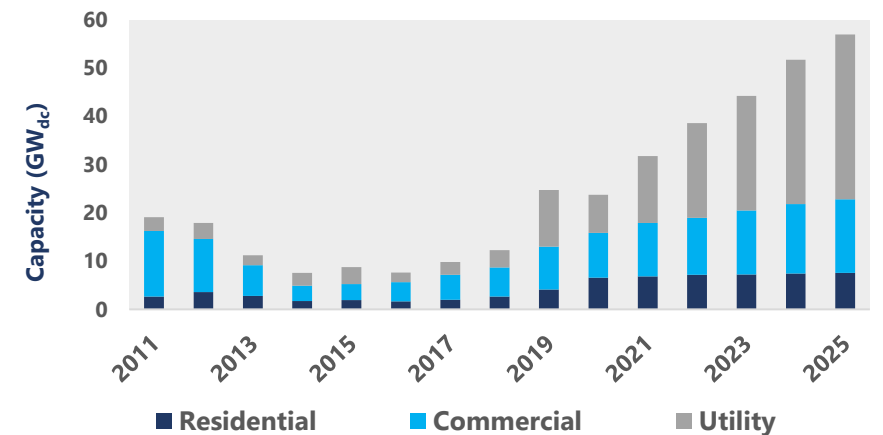
Europe market

- ~ 16 GW+ steady market (fragmented) , Germany, Spain and Netherlands are the large market
- ~ 200GW PV to be installed until 2030 (shutdowns of coal, gas and nuclear plants)
- Pursue development activities to secure more EPC business and increase market coverage in Europe

US PV Installation historical data and forecast, 2010-2026



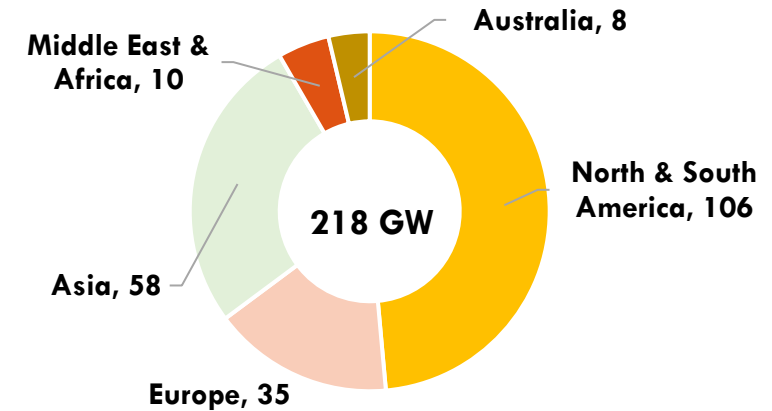
Europe PV Installation historical & forecast, 2011-2025



Grow O&M portfolio in large International markets

- Global O&M market size of 180 GW in 2020
- O&M market size will grow as more Solar capacity additions are done
- Globally ranked as 4th largest O&M player in 2020 as per Wood Mackenzie report
- Increased focus on third party O&M in International markets through organic and inorganic route
- Provide enhanced value to customer through O&M Differentiators like drone thermography, strong analytics and predictions, IV Curve Tracer, underground cable fault finder, etc
- In-house Learning and training to upgrade the technical skills of the team

O&M market in 2020 (ex China and Japan)



Key Differentiators



Semi- Automatic & Robotic cleaning



IV Curve Diagnostic



In-house Cable fault locating system



Drone Thermography



Computerized Maintenance Management System

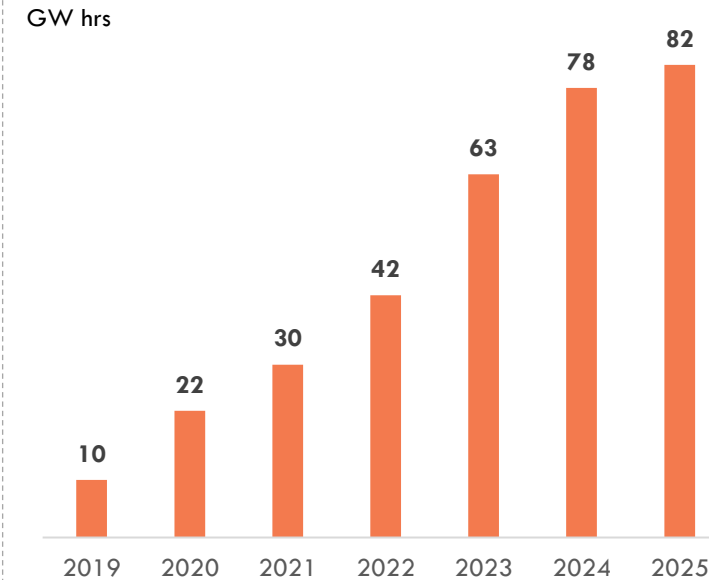


Strong Analytics & Predictions

Tap opportunities for pure BESS or Solar + BESS projects

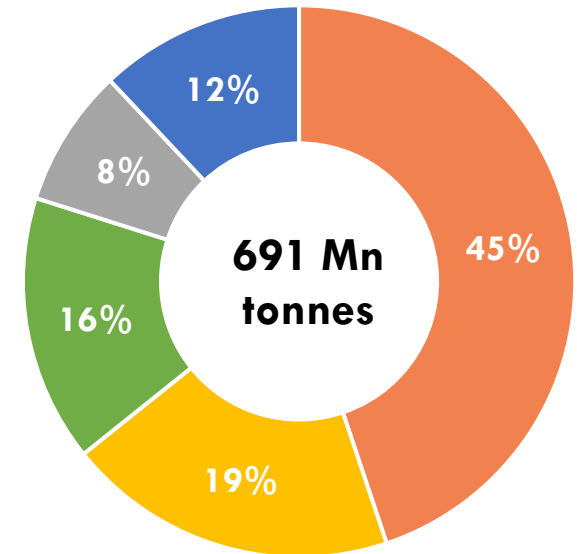
- Battery Energy Storage Systems (BESS) and Energy storage systems (ESS) to grow 2x in next 4 years to \$12 Billion annually
- US, China and Australia are the large markets in BESS
- UK + Europe will be the next big consolidated market with UK, Germany, France, Italy & Spain being the top 5 countries.
- In the 82 GWh potential, nearly 28-30 GWh will be deployed in the Solar PV + BESS projects
- Team of battery experts, sales and execution team added to cater to the market opportunity
- Bid pipeline of 1.4 GW hrs across US, Australia, Europe and LATAM
- Target order booking of 500 MWh with a value of US\$ 150 mn

Annual installations of battery energy storage



- 310 mn tons of waste annually processed through incineration 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
- Bagged first order of US\$ 200 mn in the UK market in collaboration with an associate company
- Project pipeline of US\$ 685 mn predominately in UK market
- Opened branch office in UK

Global MSW feedstock capacity by tech type (%)



- Incineration (energy recovery)
- Landfill
- Waste Processing
- Recycling
- Others

THANK YOU

For further information, please contact:

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