

SUZLON ENERGY LIMITED

Analyst/Investor Conference Call

October 27, 2006

Moderator

Good afternoon ladies and gentlemen, I am Sunil, the moderator for this conference. Welcome to Suzlon Energy conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to SingTel. After that the question and answer session will be conducted for India participants. I would like to hand over the proceedings to Mr. Tulsi Tanti. Thank you and over to you sir.

Tulsi Tanti

Thank you very much Mr. Sunil and Good Afternoon everybody. At the outset, let me introduce my team, Mr. Kirti Vagadia, Head – Finance, Mr. Samir Shah, General Manager – Corporate Finance, Mr. Anand Bagrecha, DGM - Accounts and Mr. Gaurang Vasani, Sr. Manager – Corporate Finance. I am glad to be here with you all.

This time as I mentioned in my last call, we have published consolidated numbers for our half yearly results.

Coming to the results for this half year, we have continued our track of continuous growth.

Suzlon in the first Half of the current year clocked sales of 584 MW as against 364 MW for the first half of the previous year. The turnover is Rs. 3156 Crores as against Rs. 1,434 Crores during first Half of last year.

EBIDTA for first Half of the current year is Rs. 547 Crores as against Rs.325 Crores for first Half of last year.

Net Profit stands at Rs. 333 Crores for first Half of financial year '07 compared to Rs. 251 Crores for first Half last year.

Since the first half of the current year includes Hansen Transmissions, the numbers of the first half of the previous year are strictly not comparable.

We have successfully completed the acquisition of Hansen Transmissions. The provisional unaudited consolidated results of Hansen show Sales of Rs. 752 Crores and EBIDTA of Rs. 99 Crores for the first Half of the financial year '07.

I am sure you would have had the opportunity to review the Half Yearly presentation that is hosted on our website.

Now let's have a look at the key developments that have happened in the first six months of this financial year,

The demand continues to outstrip supply and this can be seen by the additional installations

The global wind energy industry clocked its cumulative installations at 66,869 MW in September from 59,247 MW in January this year, an addition of over 7,500 MW in the nine months as against only 4,500 MW added in the nine months of the previous year.

With the demand for energy continuing to outstrip supply, high focus on energy security, climate changes and global warming issues, the industry remains confident of outperforming the 20% growth.

At an individual market level, US has added 1,400 MW and crossed cumulative installations of 10,000 MW and the key markets of India and China show tremendous promise.

India installed over 650 MW in first six months with Suzlon having 50%+ market share. This Half Year also saw various State Electricity Regulatory Commissions bring in the RPS mechanism and increase in tariff rates to promote renewable energy in the country. Today around 11 states have adopted this mechanism.

Coming to Suzlon, in these past six months, we have crossed many milestones and discovered newer heights to soar.

We are pleased to inform you that our manufacturing facilities set up in China and USA started production in September and the deliveries have started this month. Our project team repeated their feat of setting up manufacturing facilities in a short span of nine months and that too in two different continents.

The USA facility at Minnesota, is set up for the manufacture of rotor blades. It has a capacity of 600 MW and has around 200 employees. The China facility is in Tianjin and is an integrated manufacturing facility. This plant has a capacity of 600 MW and employs around 300 people.

With these two facilities, our manufacturing capacity reached 2,700 MW from the previous 1,500 MW.

We have added two more products to our products portfolio which are customized to suit the investment needs of customers the varied wind and climatic conditions in Asia. The 600 kW machine focuses on customers who need a smaller capacity machine for their energy requirement while our 1.5 MW machine which is more efficient in terms of cost per kWh caters to the low wind regime.

At Suzlon, people are our key asset and we strive hard to create high performance culture through out the Company and motivate our people to excel in everything they do. We have grown from strength to strength not only in revenues but also our Human Capital.

Our total employee count is over 8,700 with around 6,700 domestic employees and around 2000 international employees from 12 different nationalities.

To promote and nurture this talent pool that we have, we started the Corporate Learning Center in Pune to establish career tracks and leadership programs for our executives. Today, over 1,500 employees and 700 engineers from our domestic and international facilities have undergone technical and other kinds of training at this center.

As a part of our corporate social responsibility drive, we have identified three focus areas. These are the well being of our employees, underprivileged sections of the society and leveraging upon our core competencies to benefit the society at large.

We are also proud to inform you that in these six months, Suzlon has been recognized and acclaimed with many awards and has been included in the S&P CNX Nifty index from June onwards.

Also Euromoney and Ernst & Young presented Suzlon with the "Best IPO of the Year" award at their Global Renewable Energy Awards 2006.

Coming to Order Book, we have a strong domestic order book position of around Rs. 824 Crores and international order book of Rs. 5813 Crores, therefore the total order book is Rs. 6637 Crores.

I am pleased to inform you that we have received an order for 50 MW from China. With this the total order book in China is 183 MW.

We entered the European and Latin American markets for the first time winning 61 MW total from Italy & Portugal and 225 MW from Brazil. We have also won repeat orders for our two customers from US – John Deere and the Edison Mission Group.

These repeat orders bear testimony of customer confidence and further motivates us to expand our business.

We had announced CAPEX of Rs. 750 Crores for the Integrated Manufacturing facility for Turbine and its components close to port in Karnataka exclusively for exports. The facility will have a capacity of 1,500 MW and is targeted to be completed by July '07.

With completion of this facility, our total production capacity will reach 4,200 MW from the present capacity of 2,700 MW.

Also in line with our vertical integration strategy, in the last quarter, we had announced our CAPEX plan of Rs. 750 crores for the coming year for Forging and Machining plant at Vadodara and Foundry unit at Coimbatore.

These plants will use the latest technology available in the world and in keeping with our philosophy of continuous innovation, be amongst the first to use such advanced technology.

Work is also on track for capacity addition at Hansen, in Belgium with gearbox capacity increasing from 3,200 MW to 5,800 MW.

We are in the process of setting up Asia's first Rotor Blade testing facility at Vadodara, Gujarat. Similar facilities exist in TU-Delft University in Netherlands and NREL in USA. We are establishing these facilities at investment of approx Euro 6 million with the technical tie-up with Knowledge Center WMC, a unit of TU-Delft. This facility will conduct a Life Cycle test, destructive test on the rotor blade. This is expected to be operational by June '07.

We would now be happy to take any questions that you may have. Thank you very much.

Moderator

Thank you very much sir. At this moment I would like to hand over the proceedings to Ameena to conduct the Q&A for participants connected to SingTel. After this we will have a question and answer session for participants at India bridge. Thank you and over to Ameena.

Ameena

Thank you Sunil. We will now begin the question and answer session for participants connected to the SingTel bridge. Please press 01 to ask to a question. Your first question is from Mr. Venkatesh of Citi Group.

Venkatesh

Hello sir, this is Venkatesh from Citi Group. You mentioned that your order backlog is roughly around 6638 crores. Can you tell us what is the order backlog on the Hansen side? And secondly, this total order backlog, I mean on the Suzlon side and on the Hansen side how much of it can be executed over the next 6 months?

Tulsi Tanti

First of all whatever the number of the order book given is exclusive of Suzlon, #1. And Hansen current capacity is completely sold out for the next 3 years, and whatever the new capacity we are building that will be taken order later on. And whatever the order book today is there nearly 40-45% will be executed in next 6 months.

Venkatesh

Sir as a followup, is it possible to reveal the Hansen order backlog numbers, and also secondly on the margin side the wind turbine margins have contracted roughly around 400 basis points, now is this what and your wind turbine margins are somewhere around 18-19% in the first half, is this what you expect the margins to be for the full year? And secondly, on the Hansen side it is roughly around 13%, is this your expectation for the full year for the Hansen margins?

Samir

Yeah, this is Samir here Venkatesh. As far as the Hansen is concerned the seasonality prevails and if you see the working for the first half of the previous year Hansen comparable number is at 35% of the total sales, this year also it looks like it is between 35-40%. So the margin at the EBITDA level for full year FY06 at Hansen was 16.5% which looks 13.2% for the first half, so we firmly believe that it will go back to its original level on a yearly basis, so there may be a plus minus 1% contraction or increase in that margin at Hansen level. That answers your question on Hansen. So far as the margin contraction in terms of Suzlon on a wind business basis, the basic difference is 18.6% is the EBITDA margin at H1-07 compared to you rightly said about 22% at H1-06, the difference accounts for the two major reasons: one is the staff cost and the operating cost, when you put that together right now in the H1 it is about 17.8%, comparable number last year from H1 was 15%, but you would definitely appreciate that there are two or three factors which contribute to this increase is that: (a) we started manufacturing facilities in US, in China, in India, and the people were recruited much ahead of time obviously and the outputs from these factories will start off in the second half of this year, so there is a basic synchronization issue you could call it. Secondly that for all the international order book that you are seeing, Rs. 5000 crores plus, people and operating expenses come into play quite early, and the order book is coming to play but the order book when sold will have the revenue recognition, so the overheads which are being debited to the P&L in terms of staff cost and other operating cost get apportioned against the existing 6 months turnover that we did in the current half of 584 Megawatt. Third interesting factor which you could note is that 88 Megawatt of sales which has been shipped out of India is in transit, so the direct overheads for these sales have already been booked but the revenue recognition will follow in the next quarter as we complete the sales on a consolidated basis in the next quarter.

Venkatesh

Thank you sir.

Ameena

Thank you. Next on line is Mr. Suhas from UBS.

Suhas

Two quick questions. I guess on the margins you will probably have more questions, but can you give us some sense of the actual delivery schedule of

your order book in terms of may be on a quarterly basis, if that is possible. Secondly, in terms of you mentioned about the 600 KW machines for India and you also mentioned captive users, but 600 KW isn't that too small even for a captive user or would you think you know because as you rightly mentioned may be a 1.5 Megawatt will probably be more optimal because he is not going to be dependent on this from 600 KW. Can you just throw some light on what is logic for the 600 and who really are the customers for these?

Tulsi Tanti

The Indian market the two different customers are there, one is IPP customer, they go for the bigger machine and they are selling their power to SEB and they are recovering their money from SEB. Another customer profile is captive means they have their independent manufacturing units in the small and medium size of the company they have one unit and their consumption is suppose is 1.5 million units, those companies cannot go for the bigger size of machine and because of that they prefer to go for the smaller size of machines. So that is why the requirement there, because to balance additional unit if they put a bigger machine and the balance units to sell to the SEB, and their financial strength and capability is not for the bigger machine investment, that is why normally they prefer to go smaller machine. And second, in Indian market nearly 20-25% contribution is coming from this smaller size 600 kW size machines, and in our portfolio we don't have that size of the machines because we have a 350 KW and then straight away we have 1.25 Megawatt machines, so to cater the 20% of this market 600 kW is ideally and more strategically important for us. And particularly this product is especially developed for low wind sites and very bigger 52 meter rotor dia and 78 meter tower heights, so it gives a very good cost competitive efficiency also, and also it gives good performance in low wind site.

Samir

As far as Suhas your question on the order book cycle, out of the order book that we have announced 6637 crores, 824 is domestic, of course it is for the second half of this year, obviously as you are aware that in the Indian markets normally the order book has a cycle of 4-5 months, more orders will be added before the balance sheet ends on 31st March 2007, will be received and executed by us. In terms of the international order book out of the order book that we have right now of about 1200 Megawatt approximately 400-450 will be delivered during the next 5-6 months.

Suhas

Okay, just one follow up question on the margins, is there any guidance that you are giving for the full year?

Samir

Basically what we are trying to explain out here is that the synchronization is not happening because this business has to be looked on an annual basis, and therefore whatever is the 15% operating and staff cost which have happened in the H1-06 vis-à-vis 17.8% in the current half year, we believe that over a period of next six months we see more increase in the sales compared to H1, in H2 you will have more overheads being apportioned properly over the revenue that is being recognized during that time and we believe that the EBITDA will normalize to the levels of between 21-22%, on an annualized basis.

Suhas

Okay, thank you.

Samir

You are welcome.

Ameena

Thank you. Next we have Mr. Rajesh from CLSA. Mr. Rajesh go ahead sir.

Thank you. Next we have Mr. Katie Brown from Henko Bank, go ahead.

Thank you. Next we have Mr. Hendrick from Denmark. Go ahead sir.

Hendrick

Can you hear me?

Tulsi Tanti

Yes.

Hendrick

Great, thank you. Just three quick questions if I may. Can you first of all elaborate a bit on the pricing environment those what you see in the domestic market and also on the international markets. You have been quite aggressive and won a lot of orders, can you talk a little bit about what pricing have you achieved on this? And secondly, I can see on the raw material cost they seems to be increasing somewhat with a higher rate than the sales development. Is that due to the higher steel prices, copper prices or what is the reason behind this? And second, certainly if you can comment on the Hansen expansion of capacity, when will you start to use Hansen Gears, or is it expansion only for other parties? Thank you.

Tulsi Tanti

Yeah first regarding the Hansen, this current capacity is 3300 in the Belgium and the same location we are expanding capacity up to 5800. As far as concern of the Suzlon, the second half of the next year, after 12 months, we will get very few gear box because first they have to develop the Suzlon product, so prototype and everything will be ready after 12 months, so in 2008 the Hansen can start some good deliveries from Hansen and the balance capacity will continue to go to the existing customers. And regarding the raw materials, Samir will answer.

Samir

The raw material cost on the H1-06 was 62.4% of sales and for H1-07 are about 63.6% of sales. The reason of 1.2% increase are attributable to two or three factors. One is budget impact of the last year where the additional custom duty was levied and increased by about 4%, which is now having its impact here, apart from that minor impact on the commodity prices, and the third important impact that you are seeing is because there is a change in the product mix as we start selling the newer turbines of 600 KW and 1.5 Megawatt turbines, at the initial stage the volume of these turbine manufactured and the components received are lower and therefore there is a little bit higher cost absorption in the raw materials. As the volumes increase of the new products the benefit of volume will come into play.

Hendrick

Okay, and then on the pricing environment, can you still achieve higher prices on new projects?

Tulsi Tanti

Compared to the domestic market, the international markets we are getting 3-5% higher price.

Hendrick

Okay, thank you.

Tulsi Tanti

You are welcome.

Ameena

Thank you. Next we have Mr. Karthik from Lehman Brothers.

Karthik

Yeah, good evening. Am I audible?

Tulsi Tanti

Yes sure.

Karthik

I have a couple of questions. The first question is mainly on your domestic installations this quarter. I believe it more or less flattish. I know that this is a monsoon quarter but going forward do you see domestic growth kind of slowing down? And secondly, can I have a break up of your order book megawatt wise?

Tulsi Tanti

Yeah sure. First of all regarding the domestic market, the Q2 is always a little bit low and this year the monsoon in India was very high. You can see the total installation of India is 660 Megawatt against that we have achieved more than 50 plus market share, so we are with the line with the market, #1. And #2, going forward, compared to H1 H2 will be naturally higher and normally in Indian market H1 is 35% and 65% is H2, and that we will maintain.

Samir

Karthik as far as the breakdown is concerned, we have put up on the presentation there, but I can just give you the numbers quickly. In terms of domestic the megawatts are about 206 and exports to 1238, totaling to about 1443 as the order book outstanding and USD million 182 for domestic and exports is about USD 1.28 billion, totaling to USD 1.46 billion order book, and that is also there on my website.

Karthik

Okay, great, no problem. Thank you.

Tulsi Tanti

You are welcome.

Ameena

Thank you. At this moment there are no further questions from participants at SingTel. I would like to hand over the proceedings back to Sunil.

Moderator

Thank you very much Ameena. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions please press *1 on your telephone keypad. On pressing *1 participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question please press *1 now.

The first question comes from the line of Mr. Abhishek Tyagi from BNK Securities. Mr. Abhishek.

Abhishek Tyagi

Hello, am I audible?

Moderator

Yeah, you can go ahead sir.

Abhishek Tyagi

Hello. Just wanted to know sir like you know you said you have sold 584 Megawatt in the first half of '07.

Tulsi Tanti

Yes.

Abhishek Tyagi

So, is it total sales or is there any spill over in this or I mean you know we are not able to understand that how should we see 584 versus the consolidated profits of 330 crores that you have put up. So if you can just help us comprehend that information.

Gaurang

Yes Prasanth. We have a total sales of 670 Megawatt out of which 584 is booked in consolidated with 88 Megawatt which is a spill over from the second quarter to the third quarter, that is 88 Megawatt is in transit.

Abhishek Tyagi

Okay, so 88 is over and above this 584?

Gaurang

Yes.

Abhishek Tyagi

Okay. Now another thing that of that 88 the cost you said is already been booked up, so to what extent it is already booked up, I mean what all things have already been booked for this 88 Megawatt?

Gaurang

The overheads are already booked for this 88 Megawatt, you remove the sales as well as the cost of material, the overheads which is roughly 14-15% has already been booked up.

Abhishek Tyagi

So the cost part of around 14% is booked up.

Gaurang

Yeah, 14% is the overhead and the employee cost is also there, 4% is the employee cost. So roughly 16-17% has already been booked.

Abhishek Tyagi

So remaining, but material cost is not booked you mean to say.

Tulsi Tanti

That gets knocked off.

Abhishek Tyagi

Okay. Alright fine, thank you.

Moderator

Thank you very much sir. The next question comes from the line of Mr. Dipen Mehta from Dipen Mehta Shares.

Dipen Mehta

You said 584 Megawatt was sold in the first half, so in second quarter how much is it, can you work with the number sir?

Tulsi Tanti

Second quarter domestic is 216 Megawatt and export is 173 Megawatt, totalling to 388. Q2 FY07, right?

Dipen Mehta

Yeah Q2, so 388 is what we sold.

Tulsi Tanti

Yes.

Dipen Mehta

And this 388 does it include any of the spill over like

Tulsi Tanti

This 388 does not include spill over of 88 MW

Dipen Mehta

No, no, in first quarter therefore you sold 196 Megawatt and second quarter 388 Megawatt?

Tulsi Tanti

Correct.

Dipen Mehta

Okay, so first quarter you sold 196, second quarter 388, and another 88 is still already shipped out, right?

Tulsi Tanti

It is in transit, yes it is booked in standalone, and in consolidation it is knocked off. Dipen did you get it?

Dipen Mehta

No I am not.

Tulsi Tanti

So in first quarter we have booked the sales of 196 Megawatt, the second quarter we have booked the sales of 388 Megawatt, that totals to 584 Megawatt, and the 88 Megawatt is in transit as on 30th September. And if you look at the standalone sale of Suzlon Energy it is totalling to 671 Megawatt.

Dipen Mehta

Okay fine, thank you. I will just reserve my question for later, thank you.

Moderator

Thank you very much sir. The next question comes from the line of Mr. Mukul from Prabhudas Lilladher.

Mukul

Hello, yeah good afternoon sir, can you hear me?

Tulsi Tanti

Yes.

Mukul

Regarding the realization, if we see your Brazil order, your realizations are much higher than 5.5 crores. So where do you see the realizations going forward in the global market as well as the Indian market and what would be the reason for such high realizations?

Tulsi Tanti

It would depend on the different scope, because some order is the equipment supply and some orders are with some added service, so based on that the realization is changing.

Mukul

But this Brazil order what would be the supply, you will be supplying the equipment as well as services, what all would be the main product that you would be supplying in there?

Tulsi Tanti

Brazil order is the equipment supply and installation cost.

Mukul

Okay and for this order your margins would be like?

Tulsi Tanti

Margins will be in line with the current margin.

Mukul

Okay. Where do you see the realizations going forward for the next one or two years in the global as well as the domestic markets?

Tulsi Tanti

The domestic market is 1-3% is increasing, international market going forward year-on-year 2-3% is increasing.

Mukul

Okay. Secondly, sir on other question, if we see companies like Vestas__Nordex___Repower and all they are operating at margins in the range of 7-12% or so, considering Suzlon we are at much higher margin, so is it because of the outsourcing thing that we are more India focused or is it mainly on account of the overhead portion there?

Tulsi Tanti

I think it is a lot of influence are there, it is not only one parameter, it depends on the organization's philosophy and technology development, so it is not just one parameter we can calculate on that.

Mukul

Okay sir, that would be all. Thank you.

Moderator

Thank you very much sir. Next question comes from the line of Mr. Nehal Shah from Way2Wealth.

Nehal Shah

Yeah, am I audible?

Tulsi Tanti

Yes.

Nehal Shah

I just wanted to know the reason for the personnel cost which has gone up from 24 crores to 168 crores on consolidated basis, the reason for that?

Tulsi Tanti

Mainly the Hansen manpower cost.

Nehal Shah

Okay.

Moderator

Mr. Nehal?

Nehal Shah

Yeah.

Moderator

Sir are you through with your question sir?

Nehal Shah

Yeah, and how would as go further third and fourth quarter?

Tulsi Tanti

Sorry?

Nehal Shah

The personnel cost, how would you see that cost going in future?

Tulsi Tanti

Basically we look at Suzlon H1, Suzlon plus Hansen put together the staff cost is in the region of 9% of sales. We are looking at benchmarking at little bit lower level than that on an aggregate annualized basis.

Nehal Shah

Okay that is fine.

Moderator

Mr. Nehal?

Nehal Shah

Yeah that is fine.

Moderator

Thank you very much sir. The next question comes from the line of Ms. Shilpa Krishnan from Kotak Securities.

Shilpa Krishnan

Yeah hi everybody. My questions are pertaining to Hansen. You have said that Hansen is fully booked for the next 3 years, does that mean that for the next years you would be selling 3300 Megawatt per annum?

Tulsi Tanti

Yes.

Shilpa Krishnan

And if that is so, does it mean that revenues for Hansen would be flat for the next 3 years, I mean because you are already operating at peak capacity utilization?

Tulsi Tanti

We are expanding capacity from 3300 to 5800, and next after one quarter each quarter some capacity will be increased.

Shilpa Krishnan

Okay so that 5800 Megawatt enhanced capacity would not come in one shot but in phases?

Tulsi Tanti

Yeah every quarter it will increase and from today to next 18 months Hansen will achieve up to 5800 Megawatt.

Shilpa Krishnan

Okay fine. And also when you said you are fully booked for 3 years, does it mean that there is no potential for you to renegotiate prices given the gear boxes are in short supply, do you see the possibility of renegotiating getting better price realization?

Tulsi Tanti

No it is all the firm contracts and there is some escalation clause of the raw material cost with the index consideration.

Shilpa Krishnan

I see, okay, and my second question is can you give the break up of sales in rupees million between domestic and exports?

Gaurang

Yeah, in domestic market we are talking about only wind business. The domestic revenue is 1557 crores and the overseas is 847 crores.

Shilpa Krishnan

Okay. Thank you.

Tulsi Tanti

You are welcome.

Moderator

Thank you very much mam. The next comes from the line of Mr. Gautam from JP Morgan.

Gautam

Hi this is Gautam here from JP Morgan, couple of questions. One, on the margins when you said it will stabilize at 21-22% for full year FY07, this basically includes Hansen or just the wind power business?

Tulsi Tanti

Independent wind business.

Gautam

That is the independent wind businesses, so this basically compares with the 23.4% odd for the last fiscal year FY06?

Tulsi Tanti

Correct.

Gautam

Okay, so you are basically guiding at a lower margin for this year?

Tulsi Tanti

Not lower, it is in line with 1% plus-minus compared to last year.

Gautam

Okay, and the second thing is the depreciation cost has also gone up in Q2, just wanted to get a sense as to when the US, China plants got commercialized in terms of booking depreciation on those plants?

Tulsi Tanti

We have commissioned these plants in this quarter only; depreciation is during this quarter only, few days.

Gautam

So the depreciation cost will go up further in Q3 and Q4 for these two plants? Okay, thanks.

Tulsi Tanti

You are welcome.

Moderator

Thank you very much sir. Next in line we have Mr. Parag Mehta from Celyon Bank.

Parag Mehta

Yeah, hi, just wanted to know why is the effective tax rate going up, any particular reasons for that?

Kirit Vagadia

Basically last year the average tax rate was 7.5% and now it is 10-11%.

Parag Mehta

Hello?

Kirit Vagadia

So on consolidation basis you may be seeing higher rate, okay, standalone we are at 11% or near to 11%, which is MAT rate only in India. Hansen is at 33%.

Parag Mehta

Yeah thanks.

Moderator

Thank you very much sir. The next question comes from the line of Mr. Mohanish from Wealth Management.

Mohanish

Hello.

Tulsi Tanti

Yes.

Mohanish

Good afternoon sir.

Tulsi Tanti

Very good afternoon.

Mohanish

Sir my question is regarding the order book we have. In case of international order book the products which are being offered are mainly of 2.1 Megawatt.

Tulsi Tanti

Yeah 90% is 2.1 Megawatt particular 2 Megawatt in USA, and China is 1.5 Megawatt.

Mohanish

So are we planning for any bigger Megawatt product in future, is there any research and development going on for any new product?

Tulsi Tanti

Yeah the bigger size turbine development is on, and we are planning to introduce bigger size machine in somewhere in 2009.

Mohanish

The size of the product would be around?

Tulsi Tanti

Yet we have not finalized the configuration.

Mohanish

And sir any idea about is there any product in the market available from the competitors having the size bigger than 2 .1 Megawatt?

Tulsi Tanti

Yeah in the international market the larger size of machinery is 5 Megawatt turbine.

Mohanish

5 Megawatt?

Tulsi Tanti

And commercialization is 1.5 – 2.5 Megawatt.

Mohanish

Could you just repeat, I didn't get you?

Tulsi Tanti

The prototype turbine and larger capacity of 1.5 – 2.5 Megawatt in the world market.

Mohanish

Okay fine, and could you just please clarify the realization in the margins product wise, I mean what are the margins in the product of 2.1 Megawatt and the same in the 1.2 Megawatt?

Tulsi Tanti

At this moment we don't have that break up.

Mohanish

Okay sir. My further question is regarding the what new capacity addition we have done in China and USA, we said the capacity is around 600 Megawatt each, so what exactly does that mean, the plant is having manufacture only wind turbine generators or is it kind of assembly, if you could throw some light on that?

Tulsi Tanti

The China plant is is fully integrated, means turbine, rotor blade and components manufacturing, whereas the USA plant is rotor blade manufacturing.

Mohanish

Hello?

Tulsi Tanti

The USA facility is only rotor blade production facility, and China is control systems, the rotor blade, turbine integrated production facility.

Mohanish

And for USA then wind turbine generators are supplied from India plant?

Tulsi Tanti

Yes.

Mohanish

Okay sir. And my further next question is regarding the investment in the 11th plan, if you can clarify what is the planned investment under 11th plan by the Government of India and what share Suzlon is expecting from such planned expenditure?

Hello?

Samir

Could you tell me about see basically are you talking about the conventional power sector?

Mohanish

Non conventional, basically related to wind energy.

Samir

But what is the plan of investment of Government of India, normally the government in Indian context is not the customer . The wind turbine manufacturers sell to private companies and the government is not the buyer of equipment nor it puts up captive power project through wind.

Mohanish

Okay I will get back to you later on. Thank you sir.

Moderator

Thank you very much sir. Next we have a follow up question from Ms. Shilpa Krishnan from Kotak Securities.

Shilpa Krishnan

Yeah this is again pertaining to Hansen, you know the Rs. 8 billion of investment that you propose in Hansen, what is the funding pattern?

Tulsi Tanti

Whatever the expansion in Hansen will be first through internal accrual and balance from the bank debt.

Shilpa Krishnan

Okay alright. Is it possible to give a break up of how much additional debt you propose to take in Hansen?

Tulsi Tanti

Whatever additional this investment is 70% will be debt and 30% will be the internal accrual.

Shilpa Krishnan

70% debt, okay, the second question is actually it is an accounting related query. In your segmental numbers you have given the segment revenues for wind turbine generators at Rs. 16 billion in your segmental numbers, whereas in your standalone numbers we see a number of Rs. 12.8 billion, so what actually accounts for the difference between Rs. 12.8 billion and Rs. 16 billion?

Gaurang

See from India we are selling wind turbine generators.

Gaurang

See standalone is basically it is Suzlon Energy, the scope of Suzlon Energy is supplying WTG and the rotor, and tower is supplying through a subsidiary company, so the difference is mainly a tower and the O&M charges of the subsidiary of Suzlon Wind Farms.

Shilpa Krishnan

Okay, just to understand further, this 12.8 billion we need to add how much for the towers? How do we basically arrive at 16, between 12.8 and 16 how much should we add for tower, how much should we add for the O&M etc.?

Gaurang

Shilpa that details I can give you later on.

Shilpa Krishnan

Okay, not a problem. Thank you.

Moderator

Thank you very much mam. Participants who wish to ask questions please press *1 now. Next we have a follow up from Mr. Dipen Mehta of Dipen Mehta Shares.

Dipen Mehta

As we speak we have product installed capacity of 2700 Megawatt, so what is the expected Megawatt sale in the second half, because clearly capacity constraints would have impacted our revenues for the first half? What is kind of and obviously the full 2700 would not be at full capacity as well.

Tulsi Tanti

I mean you are saying that the capacity has been ramped up now to 2700 Megawatt as of October as we speak and we have done about 700 Megawatt in the first half, so the ramping up obviously after the factory started in case of China and in US it takes about 3-6 months atleast to reach to full capacity in these two countries, so the capacity utilization may not be full in those countries in the second half of this financial year.

Dipen Mehta

Therefore what will be the total capacity utilization of the company, of the 2700 divide by two 1350 Megawatt is what is the available capacity in the second half, what is the average capacity utilization for the company as a whole? What would

Tulsi Tanti

We would maximum utilize the capacity as per our planning, but we would not like to guide on the capacity that we will end at March '07.

Dipen Mehta

That means you are not guiding the capacity utilization for the second half for the company?

Tulsi Tanti

No.

Dipen Mehta

Okay and also the last conference call you had said that company was kind of delaying the accepting orders because they were expecting increases in prices, and also another gentleman asked about the kind of pricing movement, if you could just elaborate a little bit more that are the order flows coming in at these levels at slightly higher margins than what they were last year or if you can give an overview of the kind of pricing aspect?

Tulsi Tanti

Yeah compared to the initial order after that the repeat business and in current context the pricing is increasing by 2-3%.

Dipen Mehta

Okay, but that basically it will more or less takes care of the cost, so that they are coming at higher margins?

Tulsi Tanti

No but other side is there is no such big increase in the raw material cost and other cost, but other side the volume is increasing, so that is giving leverage.

Dipen Mehta

Okay thank you.

Moderator

Thank you very much sir. The next question comes from the line of Mr. Thomas from First Global. Mr. Thomas?

Thomas

No, there is no question from my end.

Moderator

Okay fine sir. Participants who wish to ask questions, please press *1 now. The next question comes from the line of Mr. Sashikant of UTI.

Sashikant

Hello, good afternoon sir.

Tulsi Tanti

Yes very good afternoon.

Sashikant

Sir, can you please comment on Hansen's profitability going forward?

Samir

For the FY06 full year Hansen had an EBITDA of 16.5% and we believe that going forward in the next one or two years it will be in the range of plus-minus 1% at that level in case of gear box sold by Hansen.

Sashikant

Okay, so we cannot expect much profitability growth in Hansen?

Samir

Not in the short term of one year or one and half years, as the volume goes up and as we expand our capacity from 3300 Megawatt to about 5800 Megawatt the volumes will take care of the expansion in the margins, and also over a period of time there will be some Asian increase in volumes which will lead to margin expansion.

Sashikant

Okay sir, thank you very much sir.

Moderator

Thank you very much sir. The next question comes from the line of Mr. Srinivasan of MK Shares.

Srinivasan

Sir could you give us a flavor of what is happening on the working capital cycle, you know I was talking a quick look at your 2006 versus 2005 numbers, you had a major increase in working capital intensity in 06 over 05, what is the situation now?

Kirti Vagadia

Working capital investment has increased little bit because of change in the sales mix_____

Srinivasan

Yes sir?

Kirti Vagadia

With the increase in exports, inventory holding period is little longer but the receivables cycle is little shorter. Thus this affects the working capital cycle.

Srinivasan

Okay sir, thanks.

Moderator

Thank you very much sir. The next question comes from the line of Mr. Naynesh of CNBC.

Naynesh

Hello, good afternoon sir. Just wanted to know something on your domestic installations, I believe last year September 2005 we had 228 domestic installations, 215 is what we have done in domestic installations in this particular quarter. What I want to know is this little bit of degrowth if one would put that, what you are saying is mainly on account of monsoon, is that right sir?

Samir

Correct, and also we are increasing the growth in export market.

Naynesh

Okay, I just want to know what are the total domestic installations in FY06 itself and how much of domestic installation accounted in second half of FY06?

Samir

I will give you the numbers: H1 06, India installations were about 620 Megawatt and the country did at the end of the full year 1700 Megawatt, this year comparable H1 installations for the country is about 660 Megawatt.

Naynesh

I mean what are we expecting in this particular year as for domestic installations?

Samir

1850 to 1950 Megawatt as a country expectation.

Naynesh

Alright sir, and just a small information, what were the total domestic installations you have done in FY06 out of this 1700?

Gaurang

882 Megawatt.

Naynesh

Pardon?

Gaurang

882.

Naynesh

Thank you very much sir.

Moderator

Thank you very much sir. At this moment there are no further questions from participants. I would like to hand over the floor back to Mr. Tulsi Tanti for final remarks.

Tulsi Tanti

Yeah thanks a lot.

Moderator

Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
