

Suzlon Energy Limited  
FY '09 Annual Results Conference Call  
June 29, 2009

Moderator: Good afternoon Ladies and Gentlemen. I am Manjula, the moderator for this conference. Welcome to the Investor-Analyst Conference Call for Suzlon Energy Limited FY '09 Annual Results. For the duration of the presentation, all participants' lines in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. Now, I would like to handover to Mr. Tulsi Tanti, Chairman and Managing Director of Suzlon Energy. Thank you and over to you sir.

Mr. Tulsi Tanti: Yeah, thanks. Good afternoon Ladies and Gentlemen. Thank you for joining us today to discuss the Suzlon annual results for the financial year 2008-2009. My senior management team is with me on the call, Sumant Sinha, Chief Operating Officer; Mr. Robin Banerjee, CFO; Mr. Kirti Vagadia; and the IR team. First, I would like to take the opportunity to talk briefly about the global wind industries' landscape in the past year. The financial year 2008-2009 has been a challenging year for all the industries and wind sector is no exception. However, despite the drastically changed business landscape in the past year, the wind sector installed over 27,000 MW worldwide in the calendar year 2008. The long-term outlook for the wind remains strong with the renewed government mandates and regulatory supports. We believe that the wind market will rebound in the calendar year 2010. Suzlon and REpower has complimentary stand that will allow us to reach new onshore and offshore wind markets around the world and build on this resurgence. Despite the challenge, Suzlon has registered a good growth at consolidated level with the revenue growth by 91%, 26,082 crores, translating into 5.4 billion dollars. With the changing environment, we have focused on consolidating the business and have undertaken several strategic initiatives to make our business more efficient, competitive, and financially healthy in the long term. I would like to briefly update on some of the key initiatives that have progressed in the past year. The retrofit of the all V2 blades 80% is completed. Completed the programs previously scheduled for the completion in June 2009. We faced some overruns and is now scheduled for the completion in August 2009. The retrofit program and other upgrades have resulted in the steady improvements of the availability and the

performance level of the turbines. The S83 V3 introduced in early 2008 is constantly delivering the targeted performance at the fleet level. This reflects a stabilization of Suzlon's S88 2.1 MW turbine platform, and the launching point for the future product development. We undertook a liability management exercise for the foreign currency convertible bond, FCCB, of the US dollars 500 million issued in 2007. We successfully renegotiated the liability, reducing the debt by 111 million US dollars through the buyback and exchange mechanisms. This stimulus may also be achieving the successful relaxation and modification of the financial covenant for the acquisition loan facilities and FCCB, resulting in the improved financial flexibilities. Going into the financial year 2009-2010, we have adopted a very stringent policy on the debt management, working capital reduction, increasing the operating efficiency, the freezing on the fresh capex, continuous performance monitoring and operating costs rationalization. We are also focusing on raising the bar for quality for all our products. On order outlook with funding the uncertainties and the change in the small and medium term market dynamics, the wind sector has been slowing down in the order uptake. The Suzlon order book is 1,463 MW as on June 25, 2009. Looking at the overall group picture, all group companies demonstrated the strong performance. The Suzlon achieved the completion of the acquisition of 91% stake in the REpower, making us a major step in harnessing the group wise synergies. REpower reported a sales increase to 1.2 billion Euros, and EBIT doubling to 76.9 million Euros in the last financial year. The Suzlon's Hansen transmissions, the new facilities in India and China commenced commercial manufacturing. The SE Forge has achieved the commercial production, supplying the component to Suzlon and SKF bearings. The industries forecast projects a degrowth in the sales in the sector in calendar year 2009 followed by the rebound in the calendar 2010 as more government mandates and stimulus spending measures take ground. The long-term forecast for the industry is on track with the government mandate targets and regulatory supports alongside the stimulus spending commitment to the renewable energy industry. Investment interest in the sectors remain strong. Despite the current financial climate, and more nations and leaders realize the importance of the wind industry in creating jobs and providing the stimulus to their national economy. Looking ahead, changing the market landscape, all the present exciting opportunities, as we are one of the few wind power companies with the resource across development, manufacturing, and deployment, allowing us to be the more responsive and flexible to the markets and

continuously being exceptional customer centric in all areas of our operations. Thanks a lot. Now, I will handover to Sumant Sinha to take the question and answers.

Mr. Sumant Sinha: Hi, this is Sumant. Robin and Kirti and the IR team are here as well. We will be happy to take any questions.

Moderator: Thank you very much sir. At this moment, I would like to handover the proceedings to WebEx International Moderator to conduct the Q&A for participants connected to WebEx International. After this, we will have a question and answer session for participants at India Bridge. Thank you and over to you Regina.

International Moderator: Thank you. We will now begin the Q&A session for participants connected to the WebEx International Bridge. Please press \*1 to ask a question. First question is from Mr. Rajesh Panjwani of CLSA.

Mr. Rajesh Panjwani: Good afternoon sir. Thanks for the update. My first question is, can you please give us a breakup of your other expenses of 29.5 billion for the wind business for FY '09? Hello?

Mr. Sumant Sinha: Yeah, I think that breakup is, just one second. You know what we can do is we can give you some of the major items of expenditure. At the Suzlon Wind level or the SEL level of the total amount, freight cost accounts for 688.74 crores.

Mr. Rajesh Panjwani: Sorry, can you repeat that?

Mr. Sumant Sinha: Freight cost accounts for 689 crores. There are certain availability means which accounts for 281 crores. There is a number for provision for O&M warranty of 244 crores. There are LD costs of 304 crores. There are consulting charges of 136 crores. There are bank charges of 126 crores. There are certain other miscellaneous items around quality, certain other technical work and some R&D work which accounts to about 150 crores, and that is pretty much the bigger part of the breakup.

Mr. Rajesh Panjwani: Which was the first item, 689 crores which you mentioned.

Mr. Sumant Sinha: That is freight.

Mr. Rajesh Panjwani: That is freight?

Mr. Sumant Sinha: Logistics.

Mr. Rajesh Panjwani: Okay sir. If I add up all this, this is around 1927 crores, so it leaves around 1000 crores.

Mr. Sumant Sinha: Okay, just one second.

Mr. Rajesh Panjwani: Probably I think the net provision for warranties, guarantees, sales, and administrative expenses, manufacturing expenses, etc., are still..

Mr. Sumant Sinha: You know there are a lot of other overhead costs that also are part of this, traveling, office rentals, advertising, you know, whole bunch of normal running costs, which accounts for balance

Mr. Rajesh Panjwani: Okay.

Mr. Sumant Sinha: When we print the balance sheet, you will probably get the details, but a lot of the other costs really are broken down under the number heads. I have given you the major items of expenditure, which are sort of more relevant, I guess, your analysis standpoint.

Mr. Rajesh Panjwani: Okay, so the main question which I had was, you know, if I look at the other expenditure, that has gone up by 108% in FY '09 versus if I look at the volume growth that is 22%.

Mr. Sumant Sinha: Yeah.

Mr. Rajesh Panjwani: You have mentioned in your presentation that there is around 6.45 billion which is on account of certain charges, which you expect partly to be one-off. Even if I exclude those one-off charges, even then the other expenses have gone up by almost 62%. So, I was wondering what has led to, you know, is there something in addition to those charges which you have mentioned, which we are missing, which have led to other expenses going up by 62% while the volumes have gone up by 22%, and how do we see it going forward. One explanation could be, you have set up this new capacity, which was probably not fully utilized, and so going ahead, what is the guidance on other expenditure.

Mr. Sumant Sinha: You know, if you look at our normalized expenses quarter on quarter, those are typically at the, for opex, is typically at around 12% level. That is where it has been for the last some period of time. In Q3 and Q4, those expenses have actually increased, as a result, some of the items that I mentioned to you, to closer to about 20% to 22% for opex in all. In that, the primary increase happened for the reasons that I mentioned to you. There are a number of other smaller items that may also have gone up, but our

expectation is that the reversal which happened in the items that I have mentioned to you, those are not of a recurring nature. A number of the other items are of recurring nature.

Mr. Rajesh Panjwani: Okay, and within that, one specific item, which is availability related charges, what I understand is that some of those are related to...most of that is related to turbines in addition to the availability charges for turbines which had cracked blades. So, can you explain why this availability charges occurred and how is it likely to pan out going forward.

Mr. Sumant Sinha: Yeah, actually these availability charges basically are with respect to the fact that we commissioned a number of new turbines in this year, particularly in the second half of the year, geographies as diverse as the US, Australia and so on, and these turbines have typically come on at lower than required availability numbers, i.e., contracted numbers. Now, as we have gone through the financial year, availability is a very important aspect that we have been working on because that obviously goes to the heart of our product performance, so that is an area that we have been working on quite diligently, and the availability numbers now in different geographies are at pretty close to a contracted levels. So, while these numbers have increased in the second half of the year, we do not expect these to recur at similar levels going forward, just looking at the operating performance now that our turbines have got to.

Mr. Rajesh Panjwani: But, you do expect some charges on this account.

Mr. Sumant Sinha: No, those are sort of normal recurring charges that will be there, but it is diminishing quite rapidly, and so I can't give you the specific number as to what the number will be going forward, but you know, the other thing I should tell you is that with respect to a number of these product related costs, typically we have been sort of expensing them as they have been occurring, and in general that number has been depicted as 2% and 2.5%. However, as all of you observed, with respect to some of the other costs that we have started incurring with respect to the blade retrofit and so on, if you factor that in, you know, it is our belief that some of these costs are a little bit higher in the last 2 to 3 years, and so the guidance that we want to start giving and in fact the provision that we ourselves want to start making going forward is increasing that provisioning from 2% to 2.5% to closer to 3.5% level, so that increase hopefully will now capture all the product related costs, availability type of issues, any TCIs, that is technical work

in the field, any of those will be captured under that 3.5%. So, going forward our guidance is at a number of these costs that are showing up on the different heads in our profit and loss statement will start getting captured under that one single number, and we expect that number to be going forward at the 3.5% level, and I think it is also important to keep in mind that some of these costs that we have been incurring in the number of these areas has been really on account of 2 issues. One is stabilization of the product itself, which as you know takes a little bit of time. It takes some time for our service engineers to get familiar with the product, for us to iron out the kinks in the machines to make sure the manufacturing process is smooth, and so as you introduce the new product into the field, in the beginning, the stabilization cost was a little bit higher. In our case, of course we have had slightly out-sized retrofit cost that is not slightly out-sized, significantly out-sized cost that has also hit us over and above what you might consider to be the normal stabilization cost, but anyway, those now we have under better control and we expect those to go down as we go forward. So, one is that. The second issue that we have also encountered is the fact that we have grown in new markets, and we have hired a number of new people in these new markets, so it has taken some bit of time to get our supply chains batten down, get the people trained to the right levels, to handle reasonably complex and delicate product like a wind turbine, fairly as reliably in the field, so those costs have also hit us, and for example the LD costs are to some extent related to those sort of issues. So, we don't expect any of those really to continue going forward now, and as I said, even if they, to whatever extent they do occur, we expect to capture that into a 3.5% sort of provision number going forward.

Mr. Rajesh Panjwani: Okay, just a clarification, are all these availability charges are related to S88 turbine?

Mr. Sumant Sinha: They are not all of them related to be S88, but mostly they are. I think the S64s and the other machines, smaller machines are all, as you know, mostly operating in India and China. Our availability numbers for those machines are really at contracted levels. There may be the odd one-off case where a machine happens to perform at a lower number than required, but by and large, it is S88 related.

Mr. Rajesh Panjwani: And within S88, which would be the dominant, V1, V2, V3.

Mr. Sumant Sinha: It would be V2.

Mr. Rajesh Panjwani: It is V2?

Mr. Sumant Sinha: Yeah, V3s had been operating at pretty close to contracted levels right from day 1. I think that we also are seeing some degree of differentiation in terms of the performance of machines in the different markets, which is also I think to some extent a function of our ramp-up in different markets and our ability to get our respected service forces to the right levels of proficiency in dealing with some of these problems, and also the geographic spread of the machines in different markets because it just makes accessibility to them a little difficult in certain cases, which enhances therefore the time to get a machine back up and running.

Mr. Rajesh Panjwani: Just to understand this better. You said mostly these are related to V2. Is it related to turbines where you have conducted the retrofit and those turbines are not performing as per the power curve you have guaranteed or is it related to turbines where retrofit has not yet been conducted.

Mr. Sumant Sinha: No, Rajesh, I would not draw any specific inference from there. These could be, you know, in the V2s, could be some gear box issue in certain of the machines, could be some bearing problems. It could be a whole host of different areas, but there is nothing of a serial nature that I would like to highlight.

Mr. Rajesh Panjwani: Sir, basically you are saying it is in V2, but it is not related to blade.

Mr. Sumant Sinha: No, no. Not at all, not at all. So, it is not as if all the blades related numbers had been accounted for in the below the line cost. There are a number of other aspects also with respect to the performance of the machines related to potentially other parts and so on that are also accounted for in some of these numbers that I just mentioned, and of course, there are some costs pertaining to the V3s also, but it is certainly not of the order of the V2s.

Mr. Rajesh Panjwani: Final question sir. Roughly, what percentage would pertain to V3?

Mr. Sumant Sinha: What percentage, just give me a second. Rajesh, I think it would be maybe maximum 10% or thereabouts.

Mr. Rajesh Panjwani: Okay, thanks a lot.

Mr. Sumant Sinha: Yeah.

International Moderator: Your next question comes from the line of Rupesh Madlani with Barclays Capital.

Mr. Rupesh Madlani:

Good morning, Rupesh Madlani from Barclays Capital, London. Three quick questions please. First, could you comment on your expectations for an improvement in the financing for wind projects, either domestically within India but also more broadly. Second, did you comment on the expectations, for the timing of the cash grant for the ITC, the US projects, and the scale and potential that represents for you for this year, and next and third, to the extent that you can, can you comment around the thinking around the announcement recently made around the disposal of stake in Hansen Transmissions and does that alter your research and development and security of supply that you have been able to achieve historically with the ownership of Hansen?

Mr. Sumant Sinha:

Okay, with regards to your first question around financing, I think it is a very important issue that you raised, financing is really at this point, you know, the factor that is impacting new orders coming into the market. Let me first do with India, I think in India, you know, the market has not been as badly impacted as may be in the rest of the world. As you know, the market here is, the bank market is largely owned by the government or rather nationalized, but interest rates had gone up, and they are still on their way down from high levels. So, as they go down, I think wind projects become more attractive, and therefore, our expectation is that the availability of credit has been there, but it has really been mostly a cost issue from a corporate standpoint. As the interest rates start trending downwards, we expect financing to be more easy or more attractive for companies, and so that will certainly assist wind projects or companies that want to get into wind projects to get financing lined up for such projects. So, I think that certainly is heading in the right direction, although one might question a little bit of speed at which interest rates are declining in India.

The second issue is with respect to the international market. You know, in the international markets, as you know, there has been a significantly contraction in credit available to wind projects in general. In the US market, for example, there has been a fairly significant collapse, almost you might say of the tax equity market that has been taking advantage of the PTC to fund wind projects, and even in the rest of the world, some banks have either cut back on allocations to any one specific project, or in certain cases banks have withdrawn from broad areas of financing of some countries altogether. So, none of that really has been positive for the sector as a whole, and that really would explain why new orders have declined so



rapidly or signing the new orders have declined so much since the middle of last year. So, it has really now been a 12-month high. It is where new order signing has been a lot lower than earlier. Our expectation is that going forward a number of these stimulus packages that have been announced or the mandates that have been announced by various governments will begin the kick in, and will start encouraging more active lending to the sector, and so therefore there will be pick up in the financing market as well, which we will start to see towards the second half of the year and hopefully into early next year, so we are somewhat optimistic that there will be an improvement in the financing environment for wind projects, and a number of discussions where either banks or customers are holding back or in certain cases even we are holding back on going forward. Those orders and discussions will start come into fruition.

With respect to the US market itself, as you know, basically the incentive was through the production tax credit which gets extended year on year. That has now been extended at one shot by 3 years till the end of 2012. In addition to that, we also have the investment tax credit that is being announced, so that gives people the ability who have profits to take all the benefits upfront. Of course, there is a certain percentage of load factor beyond which the PTC becomes more attractive than the ITC. So, you know, project on project, people then take a call on which is more attractive, but replacing out of that as you now as you observed is the cash grant which is a straight forward 30% grant of principal value to project that really starts before the end of 2010, so that will be a fairly significant positive as well, but the one area that we believe is going to be the most positive for the US market, but really given point No.1 which is the financing market is really the loan guarantee scheme, where the government has announced a 6-billion dollar actuarial allocation to the wind sector, and that could potentially finance on a principal value basis projects up to almost 80 to 90 billion, of which even if half only gets allocated to the wind sector, you would considerably see on this 25,000 to 35,000 MW of new wind projects getting financed. That is actually quite an enormous benefit, and it goes to the heart really of the current problem which is the financial side of the issue. So, we are actually fairly keenly awaiting details of both the cash grant as well as the loan guarantee program, which we expect will be announced by the department of energy some time in the late part of the summer, maybe July-August, and in fact in anticipation of that, various customers are also holding back signing orders, so therefore we expect that once these things are announced, the second half of the year, in the US market,

we will see to some extent to return to normalcy. You know, for those of you who have been tracking order signings in the US market, you will observe that there has been almost very little new orders that are being signed in that market, so we expect that there will be a quite a few new orders that should be getting work upon and announced in the second half of the year and to early next year.

Your last question was with respect to Hansen. I think on Hansen we have maintained that we cannot at this point state anymore than what we have already stated in our public filing to the stock exchange, and that basically says that we are at the early stages of contemplating a sale of some or all of our stake in Hansen, and really beyond that I cannot comment at this stage.

Mr. Rajesh Madlani:

Are you able to comment as to how important you see, just more broadly how important you see an integrated approach to gearbox development and turbine design through owning a gearbox manufacturing business, and how important you see that going forward and also the comments around how important securing supply, A) is through owning a gearbox manufacturing company.

Mr. Sumant Sinha:

Okay, you know, I think that if you look at the wind business over the last 2 to 3 years, growth has to some extent been constrained by access to component supply. Now, over the last 3 years, clearly capacities have been created all the way through the supply chain, including at the turbine level, and at the same time, demand at least you know over the last 12 to 18 months has declined to or has not really grown at anticipated level, and this situation might very well continue for maybe another 6 to 12 months, so the fundamentals of the demand-supply for components has changed to some extent. So, that is I think one point to note. The second point to note is that really gearboxes are critical to any turbine manufacturing. We have over the last 2 to 3 years of our ownership of Hansen have been able to develop many close linkages with the Hansen, with respect to new product development as well as with respect to a better integration of supply chains. Hansen has in fact over the last year or so set up manufacturing facilities both in the India, which are closer to our manufacturing facilities as well as in China, and likewise our other gearbox supplier Winergy has done the same. So, our linkages include gearbox sourcing and now a lot strong than they were earlier. With respect to new product development as I said our linkages with both Winergy and Hansen have obviously been strong in the past and will continue to be strong in the future. In terms

of new product development on the wind side, really the only significant development we are looking at at this point is a version of the S88, which will really be a 92 or 94-meter rotor diameter machine, which will be oriented towards wind class 3 type of sites, and so that is something we are actively working on, but beyond that at this point, specific point, we do not envisage a lot of new product development. I should also say that at this point Hansen is also working closely with REpower on supplying or developing gearboxes for them as well.

- Mr. Rupesh Madlani: Okay, that very helpful. Thank You.
- Mr. Sumant Sinha: And also for 6 MW machine.
- Mr. Rupesh Madlani: Very good, thanks.
- International Moderator: Your next question comes from Charanjit Singh of HSBC.
- Mr. Charanjit Singh: Good afternoon sir. Many thanks for providing this opportunity for asking these questions.
- Mr. Sumant Sinha: Charanjit, at the very outset, I should try to enforce a limitation to the number of questions you ask.
- Mr. Charanjit Singh: Haha. No, I will be asking 2 to 3 questions anyway.
- Mr. Sumant Sinha: Okay, no that was a joke by the way.
- Mr. Charanjit Singh: Now, since we hold over 90% stake in REpower, if you could share your strategy on integrating REpower and Suzlon, and also if you could share your position with regards to domination agreement.
- Mr. Sumant Sinha: Sure. You know, with respect to REpower, at this point as you are aware, we now own almost 91% of the company. As I answer this question, I think we have to be mindful of German regulations, under German regulations, basically there to progress a further level of control over REpower or of any company actually for that matter, you would have to, beyond an ownership level of 75%, file a domination agreement in the courts and that would give you certain control rights, or if you are crossing 95%, then you would have the ability of squeezing out the minority shareholders again through a fairly similar court process. Now, at this point, as I mentioned we are at 91% in REpower. At some point in the future depending on various stakeholder issues, we might progress one of these opportunities. At this point in time, I cannot give you a timeframe of this nor do I know exactly which one we are likely to progress. In the meantime, the areas of cooperation that we can work

on with REpower in such a way that our mindful of German regulation are basically two areas that we are actually working with them right now. One is the area of component supply, so there Suzlon facilities are being used to supply certain components to REpower, and the second area is the area of cooperation with respect to future technologies for turbine design, so we are working on both of those areas right now with them, and we might again come up with other areas of cooperation, keeping in mind again German regulations as we go forward. Those are areas that as we are able to work on them, and feel that they are from a regulatory standpoint possible, we will progress them. If it is with respect, let us say domination or squeeze out, at this point I cannot give any timeframe.

- Mr. Charanjit Singh: Mr. Tanti, in the start mentioned about V3 turbines being operational since early 2008, how many of these turbines have been operational since early 2008.
- Mr. Sumant Sinha: Since early 2008, about 50 turbines were installed in early 2008 in Australia, which are really the oldest V3 machines that we have in operation currently.
- Mr. Charanjit Singh: If you could just share the number which has been operational for over 12 months.
- Mr. Sumant Sinha: Over 12 months?
- Mr. Charanjit Singh: Yeah.
- Mr. Sumant Sinha: Charanjit, I think we will get back to you with details on that. I do not want to give you any incorrect answer. Either Nishit or Samir will get back to you with the numbers.
- Mr. Charanjit Singh: Okay fine. In your presentation, you mention about some 500 crores of savings per annum. If you could please elaborate on this, from where the savings will come?
- Mr. Sumant Sinha: Yeah, sure, you know, the point that Rajesh was making earlier was with respect to our opex cost, of which I highlighted some. Now, the opex costs are broken down by and large into 2 years. One is the normal operating cost that we have, which I mentioned are the recurring sort of items around overheads, expenses and so on, and the other really are around the operating areas of you know claims, availability, LDs, and so on. Now, what we have stated is that from the claims, availability, and you know the operating side, we expect to get a significant amount of cost savings going forward. In addition to that from the non-sort of turbine operating part, which includes things

like the bank charges, the consulting fees, the overheads. Also adding to that the employee cost areas as well as items below the EBITDA lines such as interest, it is from those areas that we intend to be able to extract a fair bit of cost savings going forward because you will see that some of these costs have really bloated last year, and are quite out of line with our historical numbers, and we have a specific understanding of what are the things that we need to do to get those costs down.

Mr. Charanjit Singh: Then will it be right to assume that large proportion of the saving will come from interest per se.

Mr. Sumant Sinha: I would not disagree with that statement necessarily.

Mr. Charanjit Singh: Okay, probably the last question. Your presentation mentions that the realizations will drop by somewhere around 5% to 10% in the coming year.

Mr. Sumant Sinha: Right.

Mr. Charanjit Singh: In the current year.

Mr. Sumant Sinha: Right.

Mr. Charanjit Singh: So, because if one looks at the current order book, that itself gives the realization which is 5% down vis-à-vis the previous year, and knowing that the metal prices have fallen and are continuously falling, so is there a likelihood that the realizations will drop below 10%?

Mr. Sumant Sinha: Yeah. I think what we have said is that the 5% to 10% drop is expected. Now, the current orders that we have to my mind, you know, have not really been done at significantly lower pricing than what we have booked in earlier periods of time, so if you are finding a 5% reduction in that, then that may just be as a result of either market mix issues, or the currency issues or it might be because in certain cases we do EPC contract, in certain cases we don't, but by and large the orders that we have in the order book right now have not shown a specific price decline. Having said that, given the market environment and given the reduction on the cost side, we do expect to pass on some of those to customers going forward, and it is in anticipation of that, that we have basically stated that we expect 5% to 10% reduction in pricing going forward.

Mr. Charanjit Singh: For the international markets, which are the key markets where you are expecting orders sir?

Mr. Sumant Sinha: Going forward, beyond this current order book?

Mr. Charanjit Singh: Yeah.

Mr. Sumant Sinha: I would say basically it really would be the markets that we operate in Charanjit. We have a reasonable order book from China, but that market is doing very well, so we can probably expect to see some more orders in that market. As you know, Australia has always been an important market for us over the last 3 years. We have a leading market share. That is the market we expect to get some more orders from. There are other markets like Brazil and South Africa, where especially in Brazil we have invested a fair bit of time, effort, and energy. We would expect to get new business from, where in fact the government is also trying to encourage renewable energy sources, and of course the US market. In the US market, we really have not booked any orders apart from the small Duke order that we announced few months ago. We really have not booked anything dramatic for the last almost 12 to 15 months, and part of it was because of to some extent the retrofit issue, but then for the last 12 months, nobody has booked any orders in the US. So that market will pick up, and we expect therefore to get a fair bit of orders in that market. In the US market, really in 2009, we had No.3 market share, so it is an important market for us and we are sizable players in that market. Of course being cognizant to the fact that GE has more than 40% market share, so we do expect to get orders from there as well. In addition to that, some of the Mediterranean countries where we have active discussions going on. We will expect to see some order signings, so I would say that, that is going to be fairly well distributed across all the different geographies that we operate right now.

Mr. Charanjit Singh: Thank you. Thanks a lot.

Mr. Sumant Sinha: Thank you.

International Moderator: At this moment, there are no further questions from participants at the WebEx International Center. I would like to handover the proceedings back to India Moderator.

Moderator: Thank you very much Regina. 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. First in line, we have Lakshminarayanan from BNP Paribas. Please go ahead with your questions.

Mr. Lakshminarayanan: Hi, good afternoon. My first question is regarding the S88 V3 turbine. We are of the understanding that the main difference between V3 and V2 is the blade design, and what we want to know more now is how is V3 able to provide more availability versus V2, if you can throw some light there, and then I will ask the second question.

Mr. Sumant Sinha: Yeah, sure.

Mr. Tulsi Tanti: Regarding V2 and V3, it is not just only the blade difference, no doubt it is more aerodynamic performance product and more stronger rotor blade is there, but particularly in turbine also normally it is part of the development process. Once we have introduced version 1, then we have introduced version 2 and then version 3, so all the technical related upgradations required on a learning curve point of view, the version 3 is the more stabilized and reliable product. It is upgraded product. It is not the rotor blade, and that is why the availability of the machines that are running the field are extremely good compared to the version 2, and currently, we are achieving as per our contract with the customers, we are achieving those availability, the 97% availability of the turbine is running. Not only that, but aerodynamic performance is also higher, so energy output compared to 2 and 3 is also higher. So, it is a more reliable and more stabilized product.

Mr. Lakshminarayanan: So, how long do you think it will take for V2 to stabilize at the V3 levels, I mean, after restructuring.

Mr. Tulsi Tanti: All the V2 turbines, except some of the machines which 20% rotor blades retrofit program is pending, I think that by August will be over, 80% turbines is completed, and along with the rotor blades, we have already done all the finetuning and upgradations required in the product in mechanical part areas, small, small things, or electric part. So, that is already stabilized, and that product is already running with the 96% availability, 80% of the fleet. The 20% which yet we are doing those programs which completed by the August. After that, we are quite comfortable. All the turbines of V2 will also run by 96% to 97% availability. That is what is happening mainly when you are putting a product in the different, different sites, the key area is always initially if the people is there because learning curve of the people and understanding of the product and to understanding of the control system logic and everything, it takes some time. It is not a design issue or it is not a product related issue. It is more the connections and people understanding the product and the

fine tuning of the settings of the machines are there. So, those things, always it takes some time. Normally, it is 2 to 3 months, but in V2 case it has taken the time of 1 year. So, that is the only, disadvantage was there, but now this, by August, all V2 products will run extremely satisfactorily.

Mr. Lakshminarayanan: Okay, and my second question is, given the fact that you have achieved restructuring the financial covenants and have got some financial flexibility, what exactly is the real hurry to sell Hansen stake, well on one hand you are giving a cautiously optimistic outlook for fiscal 10, saying that markets would improve in US and China and other geographies. On the other hand, you are also talked of stake sale in Hansen, so can you clear the air for us in terms of outlook and how comfortable you are in achieving your new covenants for fiscal 10, and why Hansen sale is justified now. Thank you.

Mr. Sumant Sinha: Yeah, Lakshmi, see the issue is that while we shall be meeting our debt covenants, you know, our leverage levels I would say are still little bit on the higher side. Our overall debt if you look at it is still around 11,800 crores on a consolidated basis. Our EBITDA last year was on a consolidated basis, 2800 crores, so I think just on a pure fundamental basis, I would try in general to get to a better credit scenario. The other thing is that while we do believe in the guidance that we are giving and while we obviously want to ensure that we deliver against the expected performance going forward, events of the past 12 months have taught us to also be cautious, and we therefore want to be in a position where we are having the financial flexibility and the strength to take us through whatever might be happening from an external sort of macroeconomic environment standpoint. The other thing I should also say is that even from a marketing standpoint, I think all corporates which are doing business with each other are tending to eye each other much more carefully. You know, as a vendor, I am eyeing my customers much more carefully, and I am sure that our customers are looking at us as a vendor more carefully because certainly we have certain obligations towards them as well going forward, and of course, banks which are the ones who are in the middle who have to finance and make the deal happen are also wanting to do business with institutions or companies that they unreservedly have comfort in that these companies have a very strong financial position. So, rather than in your situation where we are viewed as sort of marginally okay from a financial standpoint. We want to make sure that we viewed as strongly being or ideally our financial position being viewed as a strength, rather than as a bare qualification. So, I think it is really from both the



marketing side as well as from the uncertainties of the external environment as well as our overall leverage levels at this point, that while it is not causing us immediate anxiety, it is something that we want to make sure that we have options to deal with those issues, and really that is where our thought process is emanating from, and we will see what happens. I think that we have made a certain statement. There are certain actions that are being taken, and we will see how the market evolves, but certainly we do not want to preclude any options and we certainly do not want to rule anything out. If anything, we want to make sure that we are in a position where we have multiple options as things progress.

Mr. Lakshminarayanan: Perfect, and one last question. You obviously talked about the US market revival. Our reading of the China market is that the extent to which the capacities are building out there, it potentially could depress prices globally also, and there is so much more like lot of capacity has come in already in China, so what is your reading of the situation there, and what sort of order guidance would you give for us from that particular market in China.

Mr. Sumant Sinha: You know, in China, it is a very interesting market, it is almost that a switch has been turning, and suddenly the market has come from nowhere and it is almost the only active wind market from an order signing standpoint right now. If you look at the last 6 months, almost 5000 MW of new orders had been signed in China, which accounts for almost, actually more than almost 2/3 of the total new orders signed globally. So, it is really almost the, as I said the only functioning or actively growing market at this point. A lot of that business as you know is basically going from local companies to local companies. So, clearly there are two parts of the market there. One is sort of normal market that we are all familiar with, and the other is this local to local market, which is really only going to local Chinese manufacturer, and of course going forward we want to make sure that we are able to compete in both markets, so we are working on strategies to make sure that that happens, but with respect to capacity creation in China from a manufacturing standpoint, and its impact on the rest of the world, I would say that at this point, Chinese manufactures have fairly extensive order books or backlogs, and it would appear to me that at least for the foreseeable future they would have their hands full of meeting demand in China. Having said that, we have seen some very incipient forays into the international markets by Chinese companies, but nothing of a substantial nature. These are still at the very, very initial level. I personally think that the wind business is not necessarily a business

where you just supply turbine and you forget about it. You have to have extensive teams of people on the ground who are able to provide service levels and maintain turbines in different geographies, who are able to operate cross-culturally, and where the standards enforced by customers are significantly different from what you might encounter in your home market, and to be honest with you that is something that we have also gone through in terms of a learning process. I think that there are some natural barriers to expanding rapidly from your home market to the international market, and I think Chinese companies will have to go through that learning process. I have no doubt in my mind that they will go through it, and at some point will become important competitors in the international market arena. So, as a strategy what we need to do is we need to localize in China, we need to make sure that the supply chains or access to supply chains that they have, we have as well, and frankly given the fact that most of our manufacturing capacity is either in India with a small footprint in China, it gives us the ability of matching them from a low-cost standpoint, and also gives us the option value of growing our own manufacturing in China as well in a way so as to match Chinese cost of manufacturing going forward. So, it is an important market for us, both from the market standpoint as well as in terms of potential future competitor standpoint and as well as from the point of view of supply chain and sourcing, so it is a market that we are monitoring very carefully, and fortunately having a team of people there and having manufacturing there does give us the ability of doing that. I don't know if I answered your question because I thought of addressed a lot of other issues as well.

Mr. Lakshminarayanan: That was really useful, and that was the last question. Thanks and all the best.

Mr. Sumant Sinha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Mithul Mehta from Lucky Securities. Please go ahead with your questions.

Mr. Mithul Mehta: Good evening sir. Sir, my question pertains to the addressable market in the windmill gearbox space for 1 MW and 2 MW and up to whatever Suzlon manufactures. Can you please quantify that numbers.

Mr. Sumant Sinha: You want to know about the gearbox market for 1 and 2 MW gearboxes, is it?

Mr. Mithul Mehta: Yeah, for domestic as well as export opportunity.

Mr. Sumant Sinha: For domestic as well as exports...exports from where. To be honest, this is a question that is probably better directed towards Hansen.

Mr. Mithul Mehta: Yeah, it is macro, basically a macro, just to kind of gauge what is the opportunities I mean.

Mr. Samir Shah: I will answer this, Samir here. Basically, if you look at the data provided by even BTM, the normal average turbines are between 1 to 2 MW and they account for about 80% of the installations last year.

Mr. Mithul Mehta: Okay, okay, and sir what percentage is gears?

Mr. Samir Shah: Sorry?

Mr. Mithul Mehta: What percentage would be gears?

Mr. Samir Shah: Non-gears are about 8% to 10%.

Mr. Mithul Mehta: Okay sir.

Moderator: Thank you very much. Next in line, we have Mr. Indrajit from Macquarie Capital. Please go ahead with the questions.

Mr. Indrajit: Hi, thanks for taking my question. Taking out from the question earlier on the Chinese demand, can you elaborate as to how open that market is to a manufacturer who does not have a large presence in China, and what is your current capacity there, so can you really use your capacity out of India to supply to the Chinese market?

Mr. Sumant Sinha: No, Indrajit, you know, we have never contended that we are supplying into China from India. We have a 600-MW manufacturing capacity in China in a place called Tianjin. Whatever we supply into China really comes out of that facility, and our intention obviously would be as the market expands and we get more orders would be to grow that facility, so really that is where we are.

Mr. Indrajit: So, what would be the likely size of your capacity in another 2 to 3 years' time, and are you looking at any significant capex out there in China?

Mr. Sumant Sinha: No, at this point we are not. If you see our sales in China last year was 250 MW. We expect that to go up this year. We do not necessarily expect that we would have a capacity shortage issue this year, but it is something that we will look at for the year after that. Capacity expansion

as you know is reasonably capital light and can be done reasonably rapidly as well. So, we have some time to see how the market evolves, and primarily our position evolve, before we necessarily have to take any calls on capex.

Mr. Indrajit: Okay, another thing, regarding the comment on this retrofit program, it has been said that around 80% of the retrofit program is done, so should we also look at it from a point of view of the actual cost on the retrofit program or?

Mr. Sumant Sinha: No, not at all. Whatever provisions now we have taken, in fact to be honest with you the provisions we had taken back in January for the Q3 numbers should have actually been sufficient to complete the program. Unfortunately, the program for a variety of reasons ended up getting extended by 2 months longer than we had expected, and as a result of that, certain other costs are coming into the system, and against those anticipated costs, we have taken a further provision in our Q4 numbers, and that provision should be sufficient to cover the expenditure that we are incurring even right now to complete the program.

Mr. Indrajit: So, if my understand is right, even if the program ends in August, you would not be required to take any further provisions either in quarter one or quarter two of the FY '10, right?

Mr. Sumant Sinha: That is right, yeah.

Mr. Indrajit: Okay, and another thing is, maybe much more of a macro question, what we understand is that the oversupply at this point of time in wind turbine market is much more compared to the gearbox market, so why not sell REpower but sell Hansen, if you have to look at adjusting your balance sheet and bring down budget?

Mr. Sumant Sinha: You know, that is a tough one to answer, and I would suggest that you know if at some point if you are based in Mumbai, then we could meet up and have a longer chat about that, but sort of less flippantly, you know, REpower is basically a core part of our business. We are wind turbine manufacturers and you know that is what we do. That is what REpower does as well, and so it is really core part of our businesses. The second thing is that the benefits of the REpower integration are still very much to be accrued. We have, you know, 91% but at this point in time, a lot of the benefit that we could get are subject to a number of regulatory steps that we need to take. So, I would say that the benefits of that acquisition have not yet been realized. Once we do that, you know, and really make that, as I said, core part of our business, what it gives us is multiple

product platform that we can use to go from 600 kilowatts to 6 megawatts onshore and offshore. We can go from wind speeds 1 to wind speeds 3. It gives us, you know, selling capability in markets, in the heart of Europe as well, which is a good compliment to us, so there are a number of things that we get by virtue of the acquisition that are still to be realized. So, I would say that it is therefore, you know, REpower in a sense is at this point a more critical company for us with respect to our core business.

Mr. Indrajit: Okay, lastly, the thing that you mentioned about this regulatory steps that need to be taken for much more closer integration of REpower and Suzlon, when do you expect that to happen and what needs to be done for those things to kind of fall into place?

Mr. Sumant Sinha: Indrajit, I am afraid I can't give you a specific timeline for that, but for the squeeze out, we need to have 95%, and currently we are at just a little bit under 91%, so unless we increase our stake further, we can't go forward with the squeeze part of the process, and with respect to domination there are a couple of issues that we need to work through at the REpower level. If and when those happen or those are addressed appropriately with the appropriate stakeholders it is only after that, that we can start the process of the domination.

Mr. Indrajit: Okay, thanks a lot. Thank you.

Mr. Sumant Sinha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Srinivas Rao from HDFC Mutual Fund. Please go ahead.

Mr. Srinivas Rao: Hello sir, my question is related to pricing, can you give us a sense on how is the pricing in key markets for you and for the industry also?

Mr. Sumant Sinha: Pricing in key markets. Okay, you know, the only market that I can give you specific guidance, not guidance, it is a wrong word, but some sense which is an indication to an active market really is China because a number of other markets, nothing really has been signed as such that allows us to point a finger and say that prices are going up or prices are going down and so on. I think in the China market, clearly there is some degree of price competition, prices are between the Chinese manufacturers and between international manufacturers are tending to converge a little bit, which is to some extent putting a downward pressure on pricing in China. Really, that is it. I think in other markets nothing really much has happened.

- Mr. Srinivas Rao: What will be the price difference is there in China versus say Indian markets?
- Mr. Sumant Sinha: May be about 5% or so, and don't forget you see again it is not strictly comparable because in China our scope of work, it does not include towers in a number of cases, and it does not include the downstream work of installation and erection and commissioning, whereas in India, you know, we do complete end to end work on setting up a wind farm, so therefore the prices that we offer to customers are necessarily different. In addition to that, the cost basis is also somewhat different, obviously in China.
- Mr. Srinivas Rao: You know, if possible I was trying to get on a like-to-like basis what is the price difference, whether it is with India or with say US market.
- Mr. Sumant Sinha: No, it is very hard to give that specific information right now.
- Mr. Srinivas Rao: And this second question, again related to pricing is you know if I see your FY '09 average realization was 5.7 crores per MW, so what was it for last order that you bagged.
- Mr. Sumant Sinha: Last order that we bagged. I would say that you know let me just give you a sense that for example the Duke order that we got couple of months ago, that was very much in line with the previous Duke order. There was no change in pricing, and some of the discussions happening, they have been in other geographies are not happening at lower price points at this point, and I should also say that in general, except for certain markets like China where the competition is very price based, in other markets the competition really is not very price based because buying a wind turbine is not really, it is not a commodity product. The customer is buying not just the turbine but also the reliability, the quality, in a way the piece of mind, the operation and service cost, the power output and so on as well, and so therefore I think, and if you look at the cost of a total wind farm, the turbine really forms a 40% or 50% part of the total cost, so it is not as if a full turbine really is 100% of the cost of the wind farm, so I think in general, if cost can be cut, I would imagine that most customers would like to cut costs elsewhere rather than on compromising on wind turbine quality.
- Mr. Srinivas Rao: Okay, so sometime back you were making a comment about 5% to 10% price reduction, what is that if you can?

Mr. Sumant Sinha: That is really based on the fact that our COGS is going down as a result of commodity price reduction, and so that is something that we are quite okay about passing on to our end customers without impacting our margin necessarily, so cost reduction does not equate or price reduction does not equate to margin reduction.

Mr. Srinivas Rao: Okay, so you know, if not a guidance, but can we infer that if I am looking at 5.7 crores last year, we can expect 5% to 10% lower average realization in FY '10.

Mr. Sumant Sinha: No, I don't think we can give you the guidance. I think that if you look at our GP, our gross profit has from FY '08 to FY'09 for the full year has actually gone up by 200 basis points or thereabouts. So, you know, the accuracy level of what can happen in FY'10, whether it is going to go up by 100 basis points or down by 100 basis points, that is a little bit hard to forecast and you know if it goes up by 100 basis points for example, you know, on an absolute basis, the GP will not really change compared to last year.

Mr. Srinivas Rao: Okay, thank you.

Mr. Sumant Sinha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Harish from Tower Capital. Please go ahead with your questions.

Mr. Harish: Hello sir, good afternoon. Thank you for taking my questions. I would like to dwell deep on the other expenses that the first caller was mentioning. In fact, I would like to take it from Q4 FY'09 onwards. If we see comparison with this quarter last year, it is almost in fact doubled from 520 crores to about 1281 crores. Can you tell me how much was, out of 1281, how much was recurring, non-recurring, and what was the non-recurring item in that, and if possible you know, out of the recurring give us the break up between LD and availability provisions that you intend to make in future as well?

Mr. Sumant Sinha: You know, what I suggest is some of these detailed questions, could you please contact our IR guys, and they will be happy to take you through some of the details of the specific line items and explain them for you if you don't mind.

Mr. Harish: I don't mind it, but at least figure on the non-recurring item would be of help to us immediately.

Mr. Sumant Sinha: I think we have said that for FY'09.

Mr. Harish: 09, you have said.

Mr. Sumant Sinha: That there are non-recurring expenses of close to about 500 crores or thereabouts, which are of non-recurring nature that actually over our EBITDA line at this point in time, and are impacting therefore our EBITDA margins.

Mr. Harish: In Q4, FY'09, right?

Mr. Sumant Sinha: No, in the full year, FY'09.

Mr. Harish: Yeah, I got in the full year, but in the Q4, if there are any specific because that also is quite a high figure, I mean, if I extrapolate that figure for the entire year, it is coming to about 5,000 crores, which would not be the case normally, so...

Mr. Sumant Sinha: Yeah, you know, to be honest with you, most of those costs are in Q4.

Mr. Harish: Okay, fine, that is what I wanted to know. Okay, thanks. Yeah, my next question is with respect to the manpower cost as well. Can you tell me how many employees do we with wind business, in the wind business, Suzlon?

Mr. Sumant Sinha: I think the number is around 13,000 right now.

Mr. Harish: Okay, and how many have been recruited in the current year if at all any?

Mr. Sumant Sinha: Sorry, listen, I am being corrected here. I think the number is 11,000. 11,000 is the right number.

Mr. Harish: Okay, and how many have you recruited in this half or in this year?

Mr. Sumant Sinha: Okay, I think the answer is that incrementally there are hardly any recruitments.

Mr. Harish: Okay, but then we do see a substantial jump in the manpower cost as well in Q4, if you look at that I mean it is gone up by about 100%.

Mr. Sumant Sinha: Are you talking about the incremental recruitments. I am talking about fact that between FY '08 and FY '09, there have been recruitments.

Mr. Harish: Okay, fine.



Mr. Sumant Sinha: It happened in the middle of FY '08, and early in FY '09, and therefore those costs are being now fully accrued in FY'09, but did not stay there for the full year in FY'08.

Mr. Harish: Okay, but these are the numbers that we are likely to see next year as well, right?

Mr. Sumant Sinha: Well, we are trying to rationalize to some extent the cost.

Mr. Harish: Okay, fine. My third question will be with respect to SE Forge. Can you tell me what is our stakeholding in SE Forge, and the order book and the likely margins in that business.

Mr. Sumant Sinha: Yeah, in SE Forge our total stakeholding right now is 83%.

Mr. Harish: 83?

Mr. Sumant Sinha: And order book from third parties is currently 443 crores, and if I add in the group companies, Suzlon, Hansen, and REpower, then that goes up to closer to 1000 crores.

Mr. Harish: Totally about 1000 crores, right?

Mr. Sumant Sinha: That is right, yeah.

Mr. Harish: Okay, and the stakeholding is 83% you said.

Mr. Sumant Sinha: Yeah.

Mr. Harish: Okay, any plan to dilute in this company as well.

Mr. Sumant Sinha: No, specific plans at this point in time.

Mr. Harish: Okay, and the margins in this business in SE Forge.

Mr. Sumant Sinha: The EBITDA level is about 20%.

Mr. Harish: Okay, fine, yeah. One second. Just wanted to ask regarding the presentation, there was a breakup of Suzlon, REpower, Hansen and SE Forge, and the breakup in fact does not, the PAT of the sales does not match up to the P&L PAT and sales figure. Are we missing some subsidiary there or is it?

Mr. Sumant Sinha: I think there are some eliminations that happened.

Mr. Harish: Okay, fine, so I can get that offline right?

Mr. Sumant Sinha: Yeah, of course.

Mr. Harish: Okay, thank you so much.

Mr. Sumant Sinha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Harsh from IIFL. Please go ahead with your questions.

Mr. Harsh: Hello sir. My question pertains to the MTM losses and the way we treat our forexes. Now, if you could just take us through our policy to handle our receivables as well as payables, now I understand that we will be taking some quarterly call in terms of the WTG sales and so on and so forth, so if you could elaborate more on that.

Mr. Robin Banerjee: About the foreign exchange MTM loss, what we have done this time is that we have followed AS-11 guidelines which allows us to amortize the loss incurred which was a one-time loss incurred over a period of 3 years. Last year, when we had the value of a dollar to a rupee was about 40 rupees to a dollar. This year, it became 50 rupees to a dollar in 31<sup>st</sup> of March, 2009. This was an abnormal depreciation of an Indian Rupee vis-à-vis the foreign currency which perhaps does not happen in either in the recent history, so the government of India as well as Institute of Chartered Accountants, they allowed us to amortize the cost over 3 years. We have chosen to do that, primarily because this MTM loss is notional in nature. It is not a cash outflow, and to show the whole loss in one year in an abnormal year is inappropriate for us to show it in accounts, so that is what we have done. It is as per the guideline. However, in all our other MTM losses have been fully charged, fully accounted for in case of all other hedgings and so on and so forth. You had a question on debtors and creditors policy, is that the right question?

Mr. Harsh: No, my question pertained to you know the way we managed our forexes and the MTM losses that we have charged to our P&L, what is the stated policy as to you know at the start of the year we take a call on the WTG sales and you know keep on covering our payables and receivables or is it on a quarterly basis or what is the other policy.

Mr. Robin Banerjee: You are talking about the hedging, our foreign exchange hedging that I would guess. Foreign exchange hedging policy is we do not keep open exposures, large of an exposures, so therefore as and when we receive orders, we do tend to book most of our receivables and payables and that is what has happened in this particular case. The orders received last year and as you know it takes like quite a significant quantum of time to ship and realize the

amount and also due to the slowdown of the economy, so when these transactions took place and the orders we have received, the dollar-rupee was around 40, in fact if you remember it became 38 and 37 rupees to a dollar also. So, we had booked at around 40 rupees. However, the rupee then depreciated to Rs. 50, and of course to some extent it has hit in our MTM, so to answer your question, we do not keep open exposures. We do tend to hedge a majority of our exposures. That is our policy.

Mr. Harsh: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Anuj Upadhyay and Independent Research. Please go ahead.

Mr. Anuj Upadhyay: Hello everybody. My question is you know as you said that Hansen is a very important part of the strategy of Suzlon, and you mentioned that you know because of current demand constraint, the scenario has changed for the component market, but going forward, you know, after 1 or 2 years, when we expect the demand really will rise at an alarming rate, don't you think that Hansen would be a very good strategic play?

Mr. Sumant Sinha: No, I don't disagree with you. I think it will very good in play.

Mr. Anuj Upadhyay: I mean, then in that case will still Suzlon planning to, I mean, sell of its stake, full of its stake.

Mr. Sumant Sinha: You know at this point I can't give you a specific answer to that question other than what we have already stated in the public domain, which is that, we may or may not. We will certainly keep all the issues in mind that you just mentioned because obviously they are very important issues before we take any final decisions.

Mr. Anuj Upadhyay: Okay. Secondly, what is the current capacity for Suzlon sir?

Mr. Sumant Sinha: Current capacity of Suzlon today is 4200 megawatts at the Suzlon Energy level. We see an additional possibility of brown fielding by another 1500 megawatt at a fairly low cost.

Mr. Anuj Upadhyay: Okay. Initially it had been decided to, you know, to complete this 5700 megawatt by June end. So, I mean, was scheduled to be completed by June end this 5700 megawatts. So, are we, I mean, postponing this scheduling?

Mr. Samir Shah: So, may be it will take three more months. It might end in the first half of this year.

Mr. Anuj Upadhyay: Okay, but sir you know, looking at the current scenario, I mean, what caused Suzlon to go for this 5700 megawatts because it is already oversupplied by its current capacity.

Mr. Sumant Sinha: No, no, that is why, to be honest with you, the common investments that had to be made, those have been made. The other capex required to activate that capacity is something that we are holding off for the time being, but to be honest with you, that extra cost is fairly small. It may be a 100 to 150 crores. So, we are at this point in time not making that investment.

Mr. Anuj Upadhyay: Okay, you know, because the company, I mean, Suzlon is already, they need to meet too many commitments in the coming near future. So, in that case, even for investing a few crores in, you know, capacity addition.....

Mr. Sumant Sinha: I agree with you, I agree with you....

Mr. Anuj Upadhyay: Okay, thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Hitesh from ICICI Securities. Please go ahead with your questions.

Mr. Jitesh: Good evening sir. This is Jitesh from I-Sec. Sir, a very simple one. I think majority of my questions are already answered. Sir, my question would be regarding your sir guidance on your order book basically. Last time around, we said that we are looking out for a 1000 megawatt order. Sir, any expected number this time around?

Mr. Sumant Sinha: No, not really. We are basically.....you are right. We had stated that we will get a 1000 megawatt order in the next six months, that statement was in January....

Mr. Jitesh: Yeah.

Mr. Sumant Sinha: ....at the end of January. So, you still have a little bit longer to go to meet that number. At this point, we are roughly half way there. I think what we have seen happening in the wind sector over the last few months is some postponement in new orders. As I said partly because the financing environment has stayed worsened....you know, has not recovered sufficiently for new orders to have taken off.

Mr. Jitesh: Okay.

Mr. Sumant Sinha: Secondly, in the US market also, you know, the market is waiting with bated breath for the Obama package.

Mr. Jitesh: Okay.

Mr. Sumant Sinha: So, therefore the US market also may not bring in any orders. So, I think our expectation is that we will continue to look at signing up a fair number of new orders, part of that will go towards our sales of this year and part of that will go towards the order book built-up of next year.

Mr. Jitesh: Okay.

Mr. Sumant Sinha: So, the 1000 megawatt guidance that we had given earlier in the year....

Mr. Jitesh: Yeah.

Mr. Sumant Sinha: ....we still expect to get there.

Mr. Jitesh: Okay.

Mr. Sumant Sinha: It may take just a little bit a month or two longer to get there than we had originally anticipated.

Mr. Jitesh: Okay and sir, any outlook on your Indian operations, any order book growing?

Mr. Sumant Sinha: You know, the Indian order book as you know is something that happens in a periodic rolling basis.

Mr. Jitesh: Yeah.

Mr. Sumant Sinha: So, there is no change to that.

Mr. Jitesh: Okay.

Mr. Sumant Sinha: I think some of the structural underpinnings of the market in India are more positive now than they were earlier, partly because local interest rates have gone down a little bit, tariff rates have increased in certain markets.....

Mr. Jitesh: Yeah.

Mr. Sumant Sinha: ....and so that has made it more attractive. Thirdly, you know, some of our key customers, you know, some of the small and medium-sized enterprises who had invested in other areas like stock markets and so on have found that stock markets go up but they also sometimes tend to go

down and you can't necessarily have a 15% guaranteed rate of return as expected...

Mr. Jitesh: Okay.

Mr. Sumant Sinha: So, I think some of them are willing to come back a little bit more interested in the market or the opportunities that we offer.

Mr. Jitesh: Okay.

Mr. Sumant Sinha: So, therefore, there is a base level of demand that we think will continue to grow.

Mr. Jitesh: Okay, thanks sir. Thanks a lot. Best of luck.

Moderator: Thank you very much sir. Next we will be taking the last two questions. Firstly, we have Mr. Akshan from Enam Securities. Please go ahead.

Mr. Akshan: Good evening sir. I have just one question. While we have acquired REpower, we had mentioned that we would be looking at certain synergy benefits to drive out operational efficiencies and increase margins over there. So far, we have seen margins improvement in REpower but that is largely been due to the environment. Post, you know, whether we go for a squeeze out or domination in due course, could you just outline as to what are the margin levers still available at REpower that probably Suzlon can exploit?

Mr. Sumant Sinha: Okay, that to be honest, I would guide you towards the REpower investor presentation and also REpower investor call to address those questions, and if you like we can organize for you to speak to the REpower management as well. So, it would be great if you can contact our IR guys and get in touch with the REpower people.

Mr. Akshan: Okay, but no, what I am asking for this, when we did the acquisition there were outlined sort of, you know, Tulsi Bhai had mentioned at the time of the acquisition that we are looking at such and such cost savings at REpower. So, once we would have acquired REpower now, are there any targets that we have in mind or we would let the management do the cost savings over there?

Mr. Sumant Sinha: I think the latter.

Mr. Akshan: Okay, alright.

Mr. Sumant Sinha: I think, you know, it is not something that we can drive from Suzlon.

Mr. Akshan: Sure, sure. Thank you. That is it. That is it. That is the only question I had.

Moderator: Thank you very much sir. The final question comes from Mr. Ekram from Outlook Profit. Please go ahead.

Mr. Ekram: Hi Mr. Sinha, I just had a query on the debt. This 11,800 crores debt, how much of it do you see retiring by FY '10? What is the debt equity ratio by that time and what is the general cost of debt?

Mr. Sumant Sinha: Okay. Of that 11,800 crores, about 6000 to 7000 crores is long-term debt. Of that, about a 1000 crores will get retired this year. The balance really is working capital there that tends to keep rolling over, and so some part of it will become due but then it will get rolled over again. So, really that is the amount that is becoming due. With respect to the cost of debt, you know, there are many different types of debt that we have, short-term, long-term, foreign currency...

Mr. Ekram: Between short-term and the long-term, what would be the cost?

Mr. Sumant Sinha: I can't give you a specific number for that because there are quite a few different types of facilities in both areas.

Mr. Ekram: Okay, generally, you would say in the region of?

Mr. Kirti Vagadia: Okay, our acquisition debt is something closer to 4%, which is Euribor plus some basis points. So far as working capital is concerned, it is ranging closer to 10%.

Mr. Ekram: Okay, and just sir, one more query about this gearbox, what percent of cost of production does gearbox account for?

Mr. Sumant Sinha: Typically it is about 20% to 22%.

Mr. Ekram: Okay, and say if you had to source gearbox...hello?

Mr. Sumant Sinha: Yeah, go ahead.

Mr. Ekram: Yes, if we had to source gearboxes from third parties, what percent increase are you seeing in cost, the gearbox cost?

Mr. Sumant Sinha: I don't necessarily see an increase in cost. Keep in mind that Hansen is a separate invested entity on the London

Stock Exchange. Whatever relationship we have with them is on an arm's length basis. So, they are certainly not are to necessarily do us any favor as a customer, and of course we would like to get the best deal from them, so discussions with them tend to be quite contentious to be honest.

Mr. Ekram: Okay, and is there any long-term agreements for supply of gearboxes with Hansen.

Mr. Sumant Sinha: Yeah, there is a long-term frame agreement in place.

Mr. Ekram: That will be for how many years.

Mr. Sumant Sinha: I think that is another for 2 years. Those are discussions that...anyway, fine, I will leave it at that.

Mr. Ekram: Okay, thank you.

Mr. Sumant Sinha: Okay, thank you.

Moderator: Thank you very much sir. At this moment, I would like to handover the floor back to Mr. Tulsi Tanti for final remarks.

Mr. Sumant Sinha: No, thanks a lot everybody for joining the call. There are no other specific comments from our side at this point in time. Thank you moderator, and thank you everybody for attending the call.

Moderator: Thank you very much sir. Ladies and Gentlemen, thank you for choosing WebEx's Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines.

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