Suzlon Energy Limited
Quarter One Earnings Conference Call, Financial Year 2010
August 3, 2009

Moderator: Good evening ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to the Suzlon Energy Limited Investor 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 WebEx International. After that, the question and answer session will be conducted for participants in India. Now, I would like to hand over to Mr. Tulsi Tanti, Chairman and Managing Director of Suzlon Energy. Thank you and over to you sir.

Mr. Tulsi Tanti: Thanks Manjula. Good evening, good afternoon, good morning to everybody. Welcome to the Suzlon Energy Limited Conference Call for Q1 FY 2010. I am joined by our COO, Mr. Sumant Sinha; our CFO, Mr. Robin Banerjee; Mr. Kirti Vagadia; and our IR Team. I would like to start by giving you a snapshot of our results and then take any question you have. At the consolidated level, we have achieved revenues of rupees 4,153 crores for the Q1 FY 2010, compared with rupees 3,118 crores for the Q1 FY 2009. However, the net result at the PAT level is negative with rupees 453 crores of loss for Q1 FY 2010 as against a profit of rupees 9 crores in Q1 FY 2009. Our order book stands at 1,500 megawatt and rupees 8,316 crores as on 30th July 2009. REpower reported a confirmed order book of 1,231 megawatt as on 30th June 2009, with a volume of euro 1.45 billion and more than euro 5 billion in framework agreements and firm contracts. Consolidated order books for our wind turbine business is now 2,732 megawatts.

Consolidation of operations in tough times is the key business recovery. We have registered a steady improvement in the health of operations through a sustained focus on consolidation. The working capital intensivity at Suzlon wind level has been gradually reduced. Inventory levels have nearly stabilized. There is a steady reduction in receivables, though collections are slow due to the credit crunch in the market. We have also brought extraordinary costs under control. We are on track with the blade retrofit program. No fresh provisions were necessary for the retrofit during the Q1 FY 2010. We have launched a focused cost reduction program to achieve a significant reduction in operational cost. During the last quarter, we have seen international customers requesting us for the postponement of the delivery to the second half of the financial year. In India, some of the orders are delayed because of the delayed Union Budget and has impacted the finalization of orders. Due to this, the volumes for Q1 FY 2010 for Suzlon Wind were lower than usual, although we registered growth in consolidated level revenue. This led to the under-absorption of fixed costs and therefore a negative profitability. For the full year, we see volume picking up significantly in the second half. This will normalize the effect of the first half on a market-wide level. We believe the US stimulus package will start delivering the result by end of the calendar year 2009. Its full impact will be seen in 2010 and 2011. This will also be a catalyst to the demand growth in other leading markets for the industry as a whole.

In other key updates, the planned retrofit program for strengthening all version 2 S88 rotor blades is well under way. We have successfully completed 90% of the project. The retrofit project is scheduled for completion in August 2009.

We successfully undertook the strategic fund raising of USD 202 million through a GDR of 108 million dollars and secured 94 million dollars through anFCCB issue. We also commenced the supply of the rotor blades to REpower in China after successful prototyping and achievement of the specific technical criteria. All in all, most of the internal issues and challenges that we have faced in the past two years have been slowly sorted out.

In terms of the market outlook, the global wind markets have continued to feel the impact of the credit crisis and overall macroeconomic conditions. The financing issues continue to be short term, but a major challenge. However, strong worldwide policy support and cost competitiveness are driving a strong long-term outlook. The industry is expecting a revival in end 2009. Despite some momentum being lost, we see the governments around the world continuously building a strong policy framework to support the growth of renewable energy. The stimulus packages announced by the governments around the world have dedicated funds of approximately 163 billion dollars to green energy with much of the impact expected to happen in 2010, driving alongside the overall economy revival the world over. Thank you and now I hand over the floor for 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 Q&A session for participants at India Bridge. Thank you and over to you Krista.

International Moderator: Thank you moderator. We will now begin the Q&A session for participants connected to the WebEx International Bridge. Please press *1 to ask a question. Again, please press *1 to ask a question. At this moment, there are no questions in queue for the participants at WebEx International Center. I would now like to hand the proceedings back over to the India moderator.

Moderator: Thank you very much Krista. 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, kindly press *1 now. First in line, we have Mr. Pankaj. Please go ahead with your questions sir.

Mr. Pankaj Kalra: Yeah, thank you very much Mr. Tanti. This is Pankaj Kalra from Credit Suisse. I have two questions for you. One is, just want to understand, you know, how much did sort of the wind turbine business of Suzlon on a standalone basis do in the first quarter in terms of megawatt relative to the first quarter of last year? And then the second question was that, you know, the financial results of both REpower and Hansen were I think lower than, you know, market and analyst expectations and I was just hoping that, you know, you could give some clarity as to why that, you know, why that happened and what the outlook is for those businesses for the rest of the year?

Mr. Sumant Sinha: Okay. With respect to how Suzlon Wind did in Q1 compared to Q1 last year, essentially we did 123 megawatts of sale in Q1 this year and we did 338 megawatts of sale in Suzlon Wind last year and just for your information and for the information of others on the call, there is an investor presentation in our website that has a number of details about performance in each of the different entities. That will be informative if you haven't gone through it. With regard to REpower and Hansen, you know, I can't really comment on that because Pankaj, you know that they are separately listed entities.

Mr. Pankaj Kalra: Sure. Yeah…no, I understand that, yeah.

Mr. Sumant Sinha: So, I guess you will have to check back with them for what they believe happened with respect to their results.

Mr. Pankaj Kalra: Okay, thank you. So, you said for the first quarter it was?

Mr. Sumant Sinha: 123 megawatts compared to 338 megawatts last year.

Moderator: Thank you very much sir. Next in line, we have Mr. Ashish from JM Financial. Please go ahead with the questions.

Mr. Ashish: Hello…hello…

Mr. Sumant Sinha: Yeah, go ahead please.

Mr. Ashish: Good afternoon everybody. Just two quick questions. In your presentation that is there on the website, we have sales for Australia and New Zealand region and Europe and rest of world, but there are no megawatt sales. I believe these are project sales, am I right?

Mr. Sumant Sinha: That's right, yeah

Mr. Ashish: Just wanted to know what would be the raw mat to sales ratio if we exclude the projects business from the overall sales?

Mr. Sumant Sinha: You know, you should roughly assume and we haven't sort of laid any public statement to this effect, but just to give you some numbers right now…

Mr. Ashish: Yeah.

Mr. Sumant Sinha: …you should assume that the projects' gross margin is typically about 20%.

Mr. Ashish: 20%?

Mr. Sumant Sinha: Yeah, just ballpark, you know. We will try to give you better clarity on these numbers next quarter call.

Mr. Ashish: Okay.

Mr. Sumant Sinha: So, we have not been sort of separately tracking the projects business in general in our P&L in terms of what we disclose…

Mr. Ashish: Okay.

Mr. Sumant Sinha: …and usually it is not such a big component of our overall sales.

Mr. Ashish: Yes sir.

Mr. Sumant Sinha: So, it doesn't show up individually.

Mr. Ashish: But I can assume close to 20%...21%?

Mr. Sumant Sinha: Yeah, just sort of back of the envelope 20%.

Mr. Ashish: Okay.

Mr. Sumant Sinha: But what we haven't said is how much our project sales, for example, the India sales or in the US sales.

Mr. Ashish: Okay.

Mr. Sumant Sinha: So…but you can make some broad conclusions from there. The only issue is that with 120 odd megawatts of sale…

Mr. Ashish: Yeah.

Mr. Sumant Sinha: …you really shouldn't draw any real sort of recurring inferences from them with respect to margins.

Mr. Ashish: This can be taken as one-off, but overall 20-21%, that is what you are saying?

Mr. Sumant Sinha: Yeah.

Mr. Ashish: Okay. Second question relates to the FCCB that you have issued. Looking at the conversion price, I mean, it is close to 90 rupees. So, does that mean the management expects the prices to remain at these levels even when, I mean, even after some years when the convertible…becomes convertible?

Mr. Sumant Sinha: No, clearly we do not expect it to remain at these levels.

Mr. Ashish: I mean, there seems to be no premium in the price?

Mr. Sumant Sinha: No, there isn't actually. The reason…there is a very small premium and to be honest, this was an agreement that we had at the time that we settled the restructuring of the earlier convertibles.

Mr. Ashish: Okay.

Mr. Sumant Sinha: So, in the sense that we give an option to investors to go with this, you know, to go with this striking formula. Just for your....

Mr. Ashish: Hello…

Mr. Sumant Sinha: Hello…

Mr. Ashish: Sir, can you be a bit louder, I am not able to hear you.

Mr. Sumant Sinha: Yeah, can you hear me now?

Mr. Ashish: Yeah, it is better.

Mr. Sumant Sinha: Okay. No, when we had given the option the first time…

Mr. Ashish: Yeah.

Mr. Sumant Sinha: …at that point, if you recall, the conversion price on the convertible bond was 76.7.

Mr. Ashish: Yes, yes.

Mr. Sumant Sinha: The second, it was really 90 rupees, 91 rupees or thereabouts.

Mr. Ashish: Yeah, yeah, yeah.

Mr. Sumant Sinha: I think this should be looked at more in that context.

Mr. Ashish: Okay. So, that is more or less in line with the…given that you had with the restructuring…when you were restructuring the earlier bonds?

Mr. Sumant Sinha: Right.

Mr. Ashish: Okay. Thanks a lot sir, thanks for the replies, thanks a lot. That's all from my side.

Moderator: Thank you very much sir. Next, the lines are open for Mr. Anuj Upadhyay from Alford Financial Service. Please go ahead with the questions.

Mr. Anuj Upadhyay: Yeah, good evening everybody. Sir, my first question is that, you know, looking at this quarter, Suzlon's standalone sale, it declined almost by 50% whereas if you look at for the Hansen and REpower, it was almost flat on a year-on-year basis. So, I mean, could you…is there any specific reason for this part?

Mr. Sumant Sinha: Yeah, what we said actually is that, you know, first of all we have a pretty lumpy business. So, you know, quarter on quarter is not always the best reflection of our overall recurring quality of business. Just for example, in the last financial year which is the prior quarter…

Mr. Anuj Upadhyay: Yeah, yeah.

Mr. Sumant Sinha: …we did about 1000 megawatt and this quarter, we did 123 megawatt. So, fact of the matter is there is a fair bit of seasonality in our business. This year, that seasonality was further accentuated because of the fact that in India the Budget only came out on July 6th and so, therefore a number of Indian clients deferred their purchasing schedule till after the budget and, in fact, we have seen a pickup in order flow after the budget has come out since no major changes happened in the budget from our point of view.

Mr. Anuj Upadhyay: Okay. But Indian business, I mean, we usually used to get short-term orders from the Indian market.

Mr. Sumant Sinha: Yeah, that is right, but the point is that those orders did not come through.

Mr. Anuj Upadhyay: Okay.

Mr. Sumant Sinha: Because you see if as a customer, there is an impending event, then as a potential buyer, you would say that you would rather wait for the impending event before you make the purchasing decision and so usually the budget would come out in the end of

February and by the time the year would start, there would be fair clarity as to what customers should expect. This year, that was not the case because the budget got postponed. Therefore, the India customer base decided to defer their purchasing decision. So, I think that was one aspect which accounts for minimal 35% to 40% of out total sales for Suzlon Wind and in the international markets, basically one or two of our customers who had deliveries for in Q1 requested for a postponement from Q1 to later in our financial year.

Mr. Anuj Upadhyay: Okay.

Mr. Sumant Sinha: And because…while it impacts our cash flows to some extent, you know, because our customers made that request from us, we decided to sort of help them out by postponing some of the order deliveries for the second part of the year. So, we don't believe that is going to impact our full year financials, but it does impact our Q1 financials.

Mr. Anuj Upadhyay: Okay sir. So, I mean, can we expect some improvement in the second Q or it would be in the…

Mr. Sumant Sinha: As Mr. Tanti also said in his speech, typically our H1 versus H2 sales figures, sales numbers are typically about 35:65, so about one third and two thirds.

Mr. Anuj Upadhyay: No, no, I am talking about the second quarter.

Mr. Sumant Sinha: In the second quarter, there will be some improvement, but, you know, it will not be of the order of the H1 that we had last year.

Mr. Anuj Upadhyay: Okay sir. Sir, another question is you mentioned about some other expenditure in the consolidated part which amounts to 655 crore. Could you please brief us about the items which are included into it?

Mr. Sumant Sinha: Sorry, which one are you referring to?

Mr. Anuj Upadhyay: The consolidated, other expenditure in the consolidated P&L, it comprises of 655 crores because, you know, the company has…in the note, it is mentioned about 142 crores loss from the forex exchange.

Mr. Sumant Sinha: Yeah.

Mr. Anuj Upadhyay: What about the remaining part, I mean, could you just brief us about that 655 crores, what are the items that have been included in it, other expenditure?

Mr. Nishit Dave: Yeah Anuj, this is Nishit Dave.

Mr. Anuj Upadhyay: Yeah, hi Nishit.

Mr. Nishit Dave: Anuj, that is actually the aggregate of all the operating expenditure including freight charges, the provisions, etc., and then you also have other expenses like consultant fees, rent charges, other operating expenditure like communication charges, etc., that forms part of all of it and that figure, that 655 crores that you are quoting is also consolidated with the Hansen and REpower numbers and the Suzlon Wind numbers.

Mr. Anuj Upadhyay: Because, you know, the expenses are pretty high in this quarter.

Mr. Robin Banerjee: This is Robin Banerjee here. I will just answer that question. 655 crores entails our Group companies and Suzlon.

Mr. Anuj Upadhyay: Right.

Mr. Robin Banerjee: To give you a broad idea, Suzlon Wind is about 286 crores. We have Hansen which is about 149 crores. REpower is 210 and there is another 11 crores in other companies, small companies. So, total comes to 655 crores. What Nishit was trying to explain to you was the contents of this 655 crores.

Mr. Anuj Upadhyay: Okay, okay, fine. Has the freight cost been increased or it has been declining in this quarter?

Mr. Robin Banerjee: Yeah, it is, of course…this is Robin again, it is declining…

Mr. Anuj Upadhyay: Right.

Mr. Robin Banerjee: …but if you compare last year's total cost…

Mr. Anuj Upadhyay: Right.

Mr. Robin Banerjee: …cost was 378 crores.

Mr. Anuj Upadhyay: Right.

Mr. Robin Banerjee: However, last year, REpower, it was not full year, it was only two months of the year and therefore, it is not comparable. Last year, REpower which was given in our accounts was only 50 crores.

Mr. Anuj Upadhyay: Okay. I mean, similar things do apply for the employee cost because even that has been included, some 423…

Mr. Robin Banerjee: Exactly, 423 to 592 crores is primarily because last year REpower was only for two months, but this year it is for the full. One month…sorry, not two months, one month and REpower is for 12 months.

Mr. Anuj Upadhyay: Okay, okay

Mr. Robin Banerjee: So, it is 1 month versus 12 months and therefore, there is an inconsistency in those figures, but to answer your question, yes, the costs are on the decline compared from year-to-year basis.

Mr. Anuj Upadhyay: Even the margins have been impacted at a gross level because we were expecting, you know, the gross margin to improve a bit as the material price has depreciated a lot, but still the gross margin has impacted severely, I mean almost by 1200 to 1300 basis point, I mean, it has declined from 42.6% to 29.89%, gross margin.

Mr. Sumant Sinha: You have to look at the individual numbers, go through the presentation in our web site. You can look at the financials of Hansen and REpower.

Mr. Anuj Upadhyay: Okay.

Mr. Sumant Sinha: And you can see that margins in Hansen and REpower have come down by quite an amount and that is impacting the numbers and, of course, at the Suzlon level itself, because our numbers are much lower, I presume you are talking about the EBITDA margin.

Mr. Anuj Upadhyay: No, the gross one.

Mr. Sumant Sinha: No, the gross margins of Suzlon Wind really have not come down very much. The only reason there has been an impact on Suzlon Wind gross margins is because we had a higher percentage of project work we have done.

Mr. Anuj Upadhyay: Sorry…

Mr. Sumant Sinha: We had a higher amount of project work and as we said earlier, project work has a lower margin than the turbine segment of the business.

Mr. Anuj Upadhyay: Okay sir. And sir, one last question sir, it is related to the debt level.

Mr. Sumant Sinha: Yeah.

Mr. Anuj Upadhyay: You know, I mean, company has been working on bringing down its current debt level, but it has gone up by another 1000 crore or so I guess. It was 11,093 crore and has gone up to 12,223 crores.

Mr. Sumant Sinha: Yeah, you are talking about the…

Mr. Anuj Upadhyay: Consolidated one.

Mr. Sumant Sinha: Consolidated one.

Mr. Anuj Upadhyay: Yeah.

Mr. Sumant Sinha: Part of the reason it has gone up is because we had about 1300 crores of acquisition cost of REpower.

Mr. Anuj Upadhyay: Okay. But…

Mr. Sumant Sinha: For our balance stake of REpower. So, really it has gone up for that reason and there was some reduction of cash at Hansen as Hansen has gone ahead and carried out its CAPEX program. At the Suzlon wind level itself, debt levels have stayed to the plan.

Mr. Anuj Upadhyay: Okay, okay sir. Sorry to, I mean, add, one more question, anything, any idea on the stake sale of Hansen?

Mr. Sumant Sinha: No. We have an idea presently, but unfortunately it is not something that I can share at this point in time, you can imagine it is a sensitive information and it is something that we will make an announcement in the due course of time.

Mr. Anuj Upadhyay: Okay. Thank you sir. Thanks a lot.

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

Mr. Harish Subramanian: Hello sir, good afternoon. First an observation, I think the voice is very feeble, so we are not able to hear properly, if you can come to the mic and speak, it would be great.

Mr. Sumant Sinha: Okay.

Mr. Harish Subramanian: Yeah. Sir, I have very specific questions. Let me start off with the strategic question first. Sir, we have seen in the order book there are some orders with respect to China which has been standstill for about six months and in the US also, there has not been much of the movement in the order book. Now, can you tell me, what is the total portion of order book that the customers have requested to postpone and for how long and out of this 1500 megawatt, what is the proportion of slow-moving is what I want to know in the first instance? I think we will take it one at a time, the questions.

Mr. Sumant Sinha: Okay. So, what is your first question then?

Mr. Harish Subramanian: Yeah. What is the proportion of the order book that is slow moving as of now and when do you expect it to execute, like this 1500 megawatt?

Mr. Sumant Sinha: No, you know, we haven't really classified anything in our order book as slow moving. The only reason…we only put things in our order book when we are reasonably comfortable that, in the sense when we have got the advance and typically a notice to proceed with respect to supplies and certain of those instances, customers may come back to us and request for delayed supplies and so on.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: And to the extent that that said, that we can meet their requirements without putting ourselves too much, we, from the point of view of customer service, do like to do that. Now, with respect to our order book, you will see that we have almost 600 megawatts in the US…

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: …and about 600 megawatts in China. The China order book has been building up…

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: …and we expect the servicing of that to start happening this quarter onwards.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, it is just that in the Q1 we did not have any China deliveries planned.

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: In the US market, really the US market is where some of our customers have requested for deliveries to be a little bit later in the financial year.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, we expect…we will see this 600 megawatt order book coming down really only more towards H2 than in H1.

Mr. Harish Subramanian: Okay, okay. So, out of this 1500, I mean, can you quantify the portion of the order book the customers have requested to postpone to the second half?

Mr. Sumant Sinha: No, as I said, I can't give an exact number.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: But as I told you, most of the US sales are back ended…

Mr. Harish Subramanian: Okay sir.

Mr. Sumant Sinha: …into H2 than in H1.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: And China is going to start from Q2 itself. So, really that's it.

Mr. Harish Subramanian: Okay. Sir, the second question is with regarding to the debt servicing capability. I understand that about 1000 crores is the annual, you know, principal repayment portion that is there and you have another 1200 crores of interest payment. Now, we have a situation in Q1 where since our volumes are lower, the EBITDA is, you know, if you remove the other income, EBITDA is negative. So, I would want to understand, you know, the debt servicing capability and the covenants there with respect to the debt servicing. So, can you briefly talk about that please.

Mr. Sumant Sinha: Yeah, on the debt servicing front, we don't anticipate any problems. As you know, we also just raised recently about 200 million dollars from the market. So, we have some payments coming up in September and some of them early next year.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, as you observe, we have about a 1000 crores of total interest payments that have to be made.

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: So, we don't anticipate that that should be a problem.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: With the respect to the…

Mr. Harish

Subramanian: Covenant.

Mr. Sumant Sinha: …debt covenant itself, yeah, that is something that we are monitoring carefully and obviously when we had restructured the covenant the last time, we had requested for adequate room to be provided.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Now, as we get closer to the time period, we will see whether any further discussions need to be had with the banks or not.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: At this point in time, we are hopeful that that might not be required.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: But, of course, it is something that we will monitor carefully.

Mr. Harish Subramanian: Okay. Sir, with respect to the domestic market, what are the customers telling because we haven't seen much of order inflows, I mean, where do you see the domestic market heading towards in the rest of the year because earlier in the last quarter, we had envisaged about 600 to 800 megawatts during the current year of order inflows, I mean, do we still stick to that target?

Mr. Sumant Sinha: Yeah, actually we did not talk about 600 to 800.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: I think we are looking at a slightly higher number than that.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: We had, in fact, said that in 2008 financial year we did about 950 megawatts.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: In 2009 financial year, we did about 760 megawatts and we are really looking at numbers being flat from last year to just a little bit higher.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Because in India market, things are looking better.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Credit is also opening up. We are seeing more banks being amenable towards lending and hopefully with the overall economy picking up, you know, profit buildup in companies would also be better.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, we see demand returning to the India market and so therefore, we are…we feel that we will be able to hit the numbers as we had last year…

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: …for the India business.

Mr. Harish Subramanian: Okay. Regarding international market, the US market particularly, I mean, nothing has happened after the Obama package and all is it?

Mr. Sumant Sinha: A lot has happened. Basically when they announced the package, there was a couple of things that still needed to be spelt out.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: One was the cash grant. You know, basically the government in the US was giving a benefit which would either based on a production tax credit or an investment tax credit…

Mr. Harish Subramanian: Right.

Mr. Sumant Sinha: …for both of which, you needed to have either production or income from other sources. This way, with a 30% cash grant, you know, being sort of in addition to either of those two…

Mr. Harish

Subramanian: Okay.

Mr. Sumant Sinha: …in addition by, I mean you can choose the cash grant in lieu of either of the other two.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Actually, that opens up the market because even financial investors or other people who don't have those tax credits can now come in and invest in wind plants and get to 30% benefit.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, that…the detail of that has come through.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: But the second part of the program which is basically the loan guarantee of scheme, the details of that are still being worked out…

Mr. Harish Subramanian: Okay.

Sumant Sinha: …and our view is that in the next month or so, there should be further clarity on that.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: And that is very significant because in the US market, the one thing that is constraining the development of new plants and farms really is the availability of financing…

Mr. Harish Subramanian: Okay.

Sumant Sinha: …and the loan guarantee program actually addresses the issue of financing head on.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: And if this program kicks in as we expect it will very soon, then the expectation is that it may guarantee up to 60 to 70 billion dollars of new investments in renewable energy.

Mr. Harish

Subramanian: Okay.

Mr. Sumant Sinha: Which will be quite sizeable because almost 30,000 to 40,000 megawatts of new wind farms can be set up on that basis.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Even if you make some conservative assumptions about loan ratios and so on.

Mr. Harish Subramanian: Okay.

Sumant Sinha: And given the fact that last year the market size was 8,000, 20,000 to 30,000 megawatts or more will be many times the sale that we had in any one year, which is in fact the best year…

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: …and a lot of these will be available only for those plants that are set up in the next…by the end of next financial year or the middle of the year after that.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: By end of next calendar year, sorry. So, therefore, there will be a lot of incentives for developers to come back into the market. Right now, people are holding off because they expect these programs to come in. They want to see what these programs are like and then based on that, they will take an investment decision of going forward.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, because of that anticipation, people have just gone slow which is why if you look at the US market, you will find that very few new orders have been signed over the last six to nine months.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: In fact, maybe only 100-200 megawatts.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, it is actually a very small rate at this point because the whole market is awaiting the final details.

Mr. Harish Subramanian: Sir, in the last quarter, you were guiding for about 2400-2600 megawatt as yearly sales.

Mr. Sumant Sinha: Yeah.

Mr. Harish Subramanian: Do we have to, you know, relook at that or we are still maintaining that target?

Mr. Sumant Sinha: No, at this point, we are not relooking at that.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: We still have several months in which to get the balance of the orders that we require…

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: …and service them. We feel that even if we get orders till November-December…

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: …we can service them this financial year itself for the international market. For the Indian market, of course, we can service it till March 31st.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, at this point in time, we have not yet, you know, taken a view of, you know, revising our guidance.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Of course, it is something that we will monitor as we go forward…

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: …and depending on how the markets evolve, we will change our guidance if it is required to be done.

Mr. Harish Subramanian: Okay. And a word on the margins sir because margins have been varying quite a lot in the last four quarters.

Mr. Sumant Sinha: Yeah.

Mr. Harish Subramanian: I mean…so what would be the, you know, normalized EBITDA margins going forward, that we could expect?

Mr. Sumant Sinha: Okay, let me…see, first of all, let me tell at the gross profit level our margins tend to vary from 30% to 40%...

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: …depending on FX movements and, you know, where the shipment was made and does it include project cost and so on and on.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: So, in general, our gross profit margin is just around 32% to 35%.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: That is where the normalized margin tends to come over there.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Our EBITDA margin in the financial year 2008 was 15% and the financial year 2009, it was 10%.

Mr. Harish Subramanian: Correct.

Mr. Sumant Sinha: Okay. Now, this year, we expect the number to be somewhere in between those two numbers…

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: …because of the fact that even last year, we had a number of nonrecurring operating cost that has hit us and therefore, if you look at our OPEX cost, you will see that they were inordinately high last year and a lot of those were nonrecurring cost which still showed up over the EBITDA line, that will not be recurring this year and so, therefore, our EBITDA percentage will show a natural buoyancy as a result of that. In addition to that, I should tell you that even below the EBITDA line as you know…

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: …we had almost 850 crores of one-off item. About 410 crores was resultant of blade retrofit.

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: About 350 was a result of mark to market, one-off ineffective hedges.

Mr. Harish Subramanian: Yeah.

Mr. Sumant Sinha: And another 180 crores or thereabouts of the FCCB loss.

Mr. Harish Subramanian: Okay.

Mr. Sumant Sinha: Which was the…

Mr. Harish Subramanian: No, no, I was concerned more on that EBITDA margins alone, yeah.

Mr. Sumant Sinha: So, just to complete the story…

Mr. Harish Subramanian: Yeah, yeah.

Mr. Sumant Sinha: …since you asked the profitability question…

Mr. Harish Subramanian: Yeah, yeah, yeah.

Mr. Sumant Sinha: …the fact is that about 750 crores of one-off losses that we had last year, those will not be recurring in our P&L statement this year.

Mr. Harish Subramanian: Okay, fine sir. I think I will leave it at that. I will come back later with some questions.

Mr. Sumant Sinha: Okay, fine.

Mr. Harish Subramanian: Thank you.

Mr. Sumant Sinha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ashish from Nirmal Bang Securities. Please go ahead with the questions.

Mr. Ashish: Good evening sir.

Mr. Sumant Sinha: Hi.

Mr. Ashish: Sir, actually my question was with regarding to an article that appeared in Times of India this morning which stated around 260 crores of losses at the Dhule site. Can you throw some light on that sir?

Mr. Sumant Sinha: No, I really can't and I don't know where they got the number from.

Mr. Ashish: It is in the Times of India.

Mr. Tulsi Tanti: Yeah, Sumant…

Mr. Sumant Sinha: Yeah.

Mr. Tulsi Tanti: Yeah, I can…

Mr. Sumant Sinha: Yeah, Tulsi bhai.

Mr. Tulsi Tanti: This 260 number, actually we are also not aware about that number. They have collected some information from MEDA.

Mr. Ashish: Okay.

Mr. Tulsi Tanti: But overall it is there and as you know, 1-1/2 years before, nearly 60 to 66 crore loss we have spent on that theft issue.

Mr. Ashish: Okay.

Mr. Tulsi Tanti: And that is 1-1/2 years before. So, this is an old information. Today, nothing is there and maybe the overall the site's number maybe they have collected some of the things and MEDA has given because mainly it is to give the information to the industry and the government.

Mr. Ashish: Okay.

Mr. Tulsi Tanti: This is not a healthy development that is going on because a lot of potentiality is there, nearly 2000 megawatt wind farm is possible and nearly we have built only 600 megawatt today and because of this, some of the local constraint and everything, we have slowed down in the last two years, we are not building the additional capacity particularly in this site.

Mr. Ashish: Okay.

Mr. Tulsi Tanti: Whatever this current today's number is there, it is nothing relevant to us.

Mr. Ashish: So, we don't expect any like extraordinary cost going forward with regards to that?

Mr. Tulsi Tanti: No, no, no, it is a very old information they are publishing today.

Mr. Ashish: Okay. Thank you so much sir.

Mr. Tulsi Tanti: And the actual number in our books is 66, not 260.

Mr. Ashish: Okay, okay. Thank you so much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Venkatesh from Citigroup. Please go ahead with the question.

Mr. Venkatesh Balasubramaniam: Just on the US blade crack related availability provisions, this quarter there has been no provisions. I was wondering why are there no provisions this quarter on the availability side because there are still around 132 blades which need to be retrofitted and replaced. Now, is it like you have already overprovided for it last year, that is why you are not having provisions or is there any other reason for it?

Mr. Sumant Sinha: No, that is the reason Venkatesh. We had tried to provide whatever was the likely damage going forward. So, we had provided that in the last quarter numbers itself.

Mr. Venkatesh Balasubramaniam: Okay, okay. Now, can you give us an update on how have your V3 turbines, how many has been implemented, how are they running on the field, how many of them are running, what kind of availabilities they are running, the V3 version of that 2.1 megawatt turbine?

Mr. Sumant Sinha: Yeah, certainly. You know the V3 machines now have been operating for more than 18 months in Australia where they were first installed. We now have about 500 to 600 of the machines installed across the different geographies and, of course, more are getting installed as we go forward, but there are almost some 50 or 60 that have been running now for 18 months. The ones in Australia are running under fairly rough conditions, in the sense that the wind speeds are very high and they have been giving a plant load factor which is extremely high for wind turbines in general and so that gives you an indication that those machines have been working very hard and have been performing at the appropriate availability levels in that market, which is why our customers in Australia are fairly satisfied and which is why I think we are getting such a large market share in that part of the world.

Mr. Venkatesh Balasubramaniam: Okay. Now, the other thing is obviously you mentioned about the load factor, but what about the availability, what is the kind of the…

Mr. Sumant Sinha: No, no, so that is what I am saying, the availability factors are also at the contractual levels and in all markets that we are now operating in, our availability levels for the V3 machines are at the contractual levels.

Mr. Venkatesh Balasubramaniam: Okay.

Mr. Sumant Sinha: In fact, in certain markets, they are almost 100%, 99.8%, 99.9%.

Mr. Venkatesh Balasubramaniam: This will be roughly around 90%, is that…or higher?

Mr. Sumant Sinha: No, no, no, they are 95% to 97%...

Mr. Venkatesh Balasubramaniam: Okay.

Mr. Sumant Sinha: …depending on the country.

Mr. Venkatesh Balasubramaniam: Okay. Now, the other question is on, sir, any development on the potential stake sale in Hansen or is there something which is preventing the whole thing or is there something happening on this as of now?

Mr. Sumant Sinha: No Venkatesh, all I can tell you is that we have appointed an investment banker to help us…help advise us on the transaction. We have stated that we are looking at a sale of that asset in some or all part of it. It is something that all I can say is going forward at this point in time, but I can't give you any further details on that.

Mr. Venkatesh Balasubramaniam: Okay sir. Thank you very much and all the very best.

Mr. Sumant Sinha: Okay. Thank you Venkatesh.

Moderator: Thank you very much sir. Next in line, we have Mr. Sangam Iyer from Alpha Advisors. Please go ahead with the question.

Mr. Sangam Iyer: Yeah, hi. Actually most of my questions have been answered, I just want to get an outlook on the, you know, the domestic business going forward because during that period, I just missed the answer that you had given. Regarding, you know, how do you see the order book growth going forward in the domestic business?

Mr. Sumant Sinha: Tulsi bhai, would you like to answer that or would you like me to answer that?

Mr. Tulsi Tanti: Yeah, go ahead, you answer.

Mr. Sumant Sinha: Okay, yeah. No, I think our order book in India is actually showing signs of sort of growth post the budget and so we are comfortable with the direction that it is taking right now and as you said, our expectation is that we will be flat to last year in terms of overall numbers and we expect that we will get there. As you know, in most cases, our India business is very cyclical depending on year end and half year end. So, that is when most of our business gets done, but in any case, month of July is certainly looking a lot better than the first quarter.

Mr. Sangam Iyer: If you were to give some quantitative in terms of, you know, if you were to look at July with respect to the first quarter, how would you rate in terms of say, if you were to rate it, in terms of the change in outlook that has happened?

Mr. Sumant Sinha: No, I wouldn't say that I can give you a number with respect to July only, but all I can say is that, you know, in general our view is that in India, a number of our customers, see there are two types of, I mean, basically there are the small and medium sized enterprises which are the bulk of our customer base, they have two requirements. One is either for as a financial investment or two, from a captive power generation standpoint and that part of the market is still very healthy and that is the backbone of our total market demand. We see, you know, profit growth is good, that part of the market is doing reasonably well, so we are quite confident that we will be able to deliver the numbers that we did last year. The other part of the market that we have in the India market really is the large public sectors, enterprises, which are actually replacing the large corporates that had gone into the market over the last year or so and those public sector enterprises are also coming into the market in good measure. So, all in all, I think we are reasonably okay with the way the India business is going. Of course, it is lower than it was, you know, a year and a half ago and so our view is that if the market opens up even a little bit more, then there is a fair bit of upside that we can get in the India business.

Mr. Sangam Iyer: Okay. Just for the sake, I mean, this quarter what was the fresh order that came in?

Mr. Sumant Sinha: For which?

Mr. Sangam Iyer: Suzlon's order book.

Mr. Sumant Sinha: For Suzlon, see we haven't talked about a quarter, we had given an order book as of 25th of June and then we had given an order book as of end of July and the addition from the end of June to the end of July is 160 megawatts.

Mr. Sangam Iyer: Okay. And could you give me some timeline by when do you expect these orders, I mean, 12 months, this 1500 crore…1500 megawatt of this thing to get executed, is there any timeline for such or is it all depending on…

Mr. Sumant Sinha: No, no, no.

Mr. Sangam Iyer: Yeah.

Mr. Sumant Sinha: The part of this is going to be, most of it, around 80-85% of it will get executed this year itself and the balance will get executed next year.

Mr. Sangam Iyer: Okay. Same is the case with REpower as well?

Mr. Sumant Sinha: With REpower, I could not tell you. I think that is the case, but please check on their website or talk to the REpower management.

Mr. Sangam Iyer: Okay, okay, okay. And with regards to the credit issues, I mean, that would be my last question…

Mr. Sumant Sinha: Yeah.

Mr. Sangam Iyer: …how is that situation improving globally as well as in India, I mean, do you see, you know, your investor or clients actually getting some benefits in terms of the better credit scenario or is it still a very tight crunch out there?

Mr. Sumant Sinha: No, I think it is very market specific. In the India market, we certainly see some return of credit coming back. So, that is a fairly important positive for us. In markets like China, there is ample liquidity and the Chinese government is deliberately pumping in a lot of funds to stimulate, you know, keep the economy growing at a reasonably rapid rate. In Australia, we are seeing some improvement, not a huge amount, but certainly the market seems to be getting better. The US market is a bit of a worry for us because the overall financial sector there is still, I think has started doing better, but we are still not seeing a huge amount of lending come back in the market, at least in the wind sector, but the expectation is that with the loan guarantee program, that will change quite substantially and we will start seeing again funds come back to the wind market in the US as well. In the European and the rest of the world market, I would say that by and large, there has been slight improvement. Some of the banks are beginning to look at this sector more keenly and are returning back to the market. So, I would say it is very early days yet in some of those markets, but at least it is not getting any worse and if anything, there is a slight improvement.

Mr. Sangam Iyer: Okay, okay. And the last question if you may allow me, I mean, what would be the receivable days currently in terms of…with the elongation in the collection cycle happening…

Mr. Sumant Sinha: Robin, could you give that number. Do you have that number readily?

Mr. Robin Banerjee: Yeah, it is around 60 days.

Mr. Sangam Iyer: 60 days is it?

Mr. Robin Banerjee: Between 45 to 60 days, some are 45, but if you are to ask me one figure, right, say around let's say 48 to 49 days.

Mr. Sangam Iyer: Okay. Thanks a lot for that.

Moderator: Thank you very much sir. Next in line, we have Mr. Amitabh from SKS Securities. Please go ahead with the questions.

Mr. Amitabh Sonthalia: Hi. I had a couple of questions related to the FCCBs. I know you explained some of it in your opening remarks, but I am still a bit unclear about it. So, as I understand, we had two issues earlier outstanding which was 300 and 200, total of 500 million which was, you know…one second…which was exchanged for new bonds in the ratio of 3:5. So, does that mean you have, in lieu of the old 500 million, you have now 300 million outstanding?

Mr. Sumant Sinha: No, no, let me explain that. We had done a buyback offer and an offer for issuance of new bonds at people who are tendering in at the existing bonds at a face value of 60 cents on the dollar and we effectively, in that manner, were able to buy back and retire about 110 million dollars out of the 500 million dollars. Out of that, so basically what happened is that the old bond of 500 had about 310 million dollars outstanding, okay. So, that is out of the old bonds outstanding, but in the…

Mr. Amitabh Sonthalia: Sorry, if I may interrupt…

Mr. Sumant Sinha: Yeah.

Mr. Amitabh Sonthalia: …you said out of 500 million, had anything been converted originally?

Mr. Sumant Sinha: No, nothing had been converted.

Mr. Amitabh Sonthalia: So, you are saying 500 million…

Mr. Sumant Sinha: So, 500 was outstanding.

Mr. Amitabh Sonthalia: 500 was outstanding of the old bonds.

Mr. Sumant Sinha: That's right.

Mr. Amitabh Sonthalia: Yeah.

Mr. Sumant Sinha: And that, based on post the restructuring offer, got sort of moved down to 310 million dollars.

Mr. Amitabh Sonthalia: Post restructuring…the first phase you said you bough back at 60 cents.

Mr. Sumant Sinha: No, just hear me out.

Mr. Amitabh Sonthalia: Okay.

Mr. Sumant Sinha: So, we did two things or three things rather. We let people stay in their old bonds. We asked people to tender their old bonds at 60 cents on the dollar face value for a new bond with a lower strike price. And three, we offered to buy back people at a price of 55 cents on the dollar. Now, 310 million dollars of the bond holders continued to stay in the old bonds, okay.

Mr. Amitabh Sonthalia: Okay.

Mr. Sumant Sinha: About 70 odd million dollars of bond holders chose to go into the new bonds and another 70 million dollars of the bond holders chose to go into the buyback, okay. As a result of this, we retired effectively 110 million dollars of total convertible outstanding. So, therefore, the new bonds that we have, between the old bonds that continue to be outstanding and the new bonds that we issued in lieu of those who wanted the new bonds, so totally about 390 million dollars is outstanding now.

Mr. Amitabh

Sonthalia: Okay. So, basically…yeah, I think I am slightly clear about it. I will just repeat what you said so that I am clear about it. So, the old bond holders had three options. One is to sell what they own to you at 55 cents to the dollar, right.

Mr. Sumant Sinha: Right.

Mr. Amitabh Sonthalia: Which you are saying about 70 million was bought back under that route.

Mr. Sumant Sinha: Right.

Mr. Amitabh Sonthalia: So, that transaction got closed out for the 70 million, is that correct?

Mr. Sumant Sinha: Right.

Mr. Amitabh Sonthalia: Now, the second option they had was to exchange, be given new bonds in lieu of the old ones that they were holding.

Mr. Sumant Sinha: May I suggest one thing…

Mr. Amitabh Sonthalia: Yeah.

Mr. Samir Shah: Can I give you a specific number, this is Samir here.

Mr. Sumant Sinha: Yeah, yeah.

Mr. Amitabh Sonthalia: Yeah, sure.

Mr. Samir Shah: The total outstanding FCCBs were 500 million dollars.

Mr. Amitabh Sonthalia: Yeah.

Mr. Samir Shah: The funds which were exchanged of face value of 94 million and cash buyback was 73.33, so the total original outstanding FCCBs were reduced to 322.67 and in view of the exchange, the new FCCBs issued at that point in time were 56.39, so the total outstanding FCCBs are 389.06, so 500 has been reduced to 389.06.

Mr. Amitabh Sonthalia: So, current outstanding is 390, approximately 390.

Mr. Samir Shah: Yes, correct.

Mr. Amitabh Sonthalia: And plus the new bonds that have been issued now.

Mr. Samir Shah: Yes.

Mr. Amitabh Sonthalia: The fresh 90 million of face.

Mr. Samir Shah: Yes.

Mr. Amitabh Sonthalia: So, the current total outstanding of FCCBs is about 480, is that correct?

Mr. Samir Shah: Correct.

Mr. Amitabh Sonthalia: Okay. And which comprises of the two old series and the one new series?

Mr. Sumant Sinha: No, the two…

Mr. Samir Shah: Two old series, two revised new exchange series, and one new series, total five.

Mr. Amitabh Sonthalia: So, there are five series outstanding.

Mr. Samir Shah: Yeah. So, four are listed, fifth is also getting listed today or tomorrow.

Mr. Amitabh Sonthalia: Okay. And the ones, just, while as the new conversion prices are clear, for the new bonds the conversion price is 76, right, for the exchange bonds.

Mr. Samir Shah: Correct.

Mr. Amitabh Sonthalia: 76.68 as per you press release and for the fresh issue, it is about 90.

Mr. Samir Shah: Yes.

Mr. Amitabh Sonthalia: What about the original bonds, what would be the conversion price?

Mr. Samir Shah: 359 and 371.

Mr. Amitabh Sonthalia: Okay. So, terms of the old bonds, the 310 million which continues which where the FCCB holders continue to hold those, the terms remain unchanged then?

Mr. Samir Shah: They were revised.

Mr. Sumant Sinha: Yes, yes.

Mr. Samir Shah: Yeah, the conversion prices remain same, yeah.

Mr. Amitabh Sonthalia: Conversion price remains the same, right.

Mr. Samir Shah: Right, okay.

Mr. Amitabh Sonthalia: Okay. Alright, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Arun Jain from Subhkam Capital. Please go ahead with the question.

Arun Jain: Hello…hello…

Sumant Sinha: Yeah, please go ahead.

Mr. Arun Jain: Yeah, hi sir. Just want to know one thing that you have already decided that you want to sell Hansen, okay, so can you give me some numbers or something in subjective way that what would be the extra cost or benefit you will have?

Mr. Sumant Sinha: Of what?

Mr. Arun Jain: By selling Hansen.

Mr. Sumant Sinha: Extra cost?

Mr. Arun Jain: Yeah.

Mr. Sumant Sinha: What would be the extra cost? There is no extra cost.

Mr. Arun Jain: Okay. And benefit will come in terms of reduction in debt?

Mr. Sumant Sinha: Benefit will come through in terms of cash infusion into the company.

Mr. Arun Jain: Okay.

Mr. Sumant Sinha: How we choose to use it is a function of a number of different factors which also depends on the proceeds that we get.

Mr. Arun Jain: Okay, okay. And sir, just listening to one of REpower conference call, what management was saying that there was some postponement, but people are receiving queries from their clients. So, is there any queries from those sides where you have some blade crack issue?

Mr. Sumant Sinha: No, not really.

Mr. Arun Jain: Okay, okay. And what kind of CAPEX you are looking for this year sir?

Mr. Sumant Sinha: Our CAPEX is I think to the order of about 300 crores or thereabout. So, it is not very significant.

Mr. Arun Jain: Okay, okay, okay. Thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Veeral from Catamaran Corporation. Please go ahead with the questions.

Mr. Veeral: Yeah, I think my questions have been answered. Thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Anupam Tiwari from Reliance Mutual Fund. Please go ahead sir.

Mr. Anupam Tiwari: Good evening everybody.

Mr. Sumant Sinha: Good evening.

Mr. Anupam Tiwari: Sir, just wanted to know three things. One is that there is availability provision, I am assuming that, excluding the blades which were under the retrofit program, am I correct in my assumption?

Mr. Sumant Sinha: Robin…

Mr. Robin Banerjee: Actually, this whole area has to be broken in two parts.

Mr. Anupam Tiwari: Yeah.

Mr. Robin Banerjee: One is retrofitting cost. In Q1, there has been no retrofitting cost provision because whatever cost was required to be incurred, although the retrofitting job is continuing even now and we are likely to end all the retrofitting during the current month which is August 09, we had provided for all the cost in 08-09 itself because of accountancy…accounting prudency norms. However, availability will be provided for based on market to market conditions and as and when there are requirements, that is getting provided for, which is between 40 to 50 crores on a quarterly basis, not a significant amount.

Mr. Anupam Tiwari: That is what I wanted to understand that except those 1251 blades which were subject to crack or retrofit program, all other blades are performing satisfactorily…

Mr. Sumant Sinha: Yes.

Mr. Anupam Tiwari: …so that we are not supposed to pay any availability charges on that for this quarter?

Mr. Sumant Sinha: That is correct.

Mr. Nishit Dave: No, no, it is…this is Nishit here. It is not that there are no availability charges. There are routine instances where turbines may underperform during the given quarter against what the expected level of performance is, for which we will need to provide on an event basis. In the current quarter, for the Suzlon Wind business, we have provided a total of 48 crore rupees towards performance guarantee.

Mr. Robin Banerjee: Maybe just to reemphasize the point, retrofitting cost means there was defects in the blade which had to be rectified. Availability is when a machine does not perform to our guaranteed norms, if it does not, then we have to compensate. So, these two are issues which are different. Retrofitting cost, no provision for the year, for the quarter. Availability, we have provided, as Nishit has just confirmed, 48 crores or 50 crores during the quarter.

Mr. Anupam Tiwari: Thanks a lot sir. Second quarter relates to SE Forge, if you can little bit elaborate how has been the progress over there out of the core capacity utilization?

Mr. Sumant Sinha: Nishit, could you comment or Robin…

Mr. Nishit Dave: Yeah, actually Anupam, we have provided the breakup in terms of the operational performance in the presentation. It is on slide 18.

Mr. Anupam Tiwari: If you can just share something more on that, how things are moving as a future business prospect in that?

Mr. Nishit Dave: Yeah, actually, see there are two parts. One is, of course, the volume that Suzlon needs to take from both the units and what is the external part. In case of the external part, we have orders from bearing manufacturers like SKF and certain other manufacturers. I will just give you what sort of order backlog externally it has if you give me a moment.

Mr. Anupam Tiwari: Sure.

Mr. Nishit Dave: It is nearly 400 crores of order backlog for SE Forge from external parties right now.

Mr. Anupam Tiwari: And this is say 2 years or 18 months kind of thing?

Mr. Nishit Dave: Yeah, it is actually a developing business right now, so there will be some further order additions in the future for that.

Mr. Anupam Tiwari: Okay. And sir, third and final question is how is the pricing scenario moving in different markets, if you can give me some insight on that, are we facing some kind of pricing pressure or say the whole industry is facing some kind of pricing pressure which goes beyond the commodity price decreases or still there is sanity in the pricing?

Mr. Sumant Sinha: No, to be honest with you, we have not come across big sort of price compression yet. You know, whatever there is, you can even just put down to commodity price reductions, but we are seeing that in the India market, for example, there has not really been any impact as such. In the overseas markets, the new orders that we are bidding for, you know, which will be serviced in a year, six months, a year from now, there, there is some price reduction, but that is mostly driven by our view on commodity price reduction and we are not really witnessing yet any margin erosion.

Mr. Anupam Tiwari: Thank you sir, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Ms. Aparna Shankar from SBI Mutual Fund. Please go ahead with the question.

Ms. Aparna Shankar: Yeah, good evening everybody. I have a few questions. You have mentioned in your presentation sales in India and US. Will you be able to give us a breakup for project and product for this?

Mr. Sumant Sinha: We can try to do that, but I don't think we have the numbers right now to give you.

Ms. Aparna Shankar: Okay.

Mr. Sumant Sinha: Nishit, could you just sort of see if you can pull those numbers out if they are possible.

Mr. Nishit Dave: Yeah, certainly. I will provide them later on.

Ms. Aparna Shankar: Okay. So, in that case, would you be able to give us realization per megawatt for this India and US?

Mr. Sumant Sinha: As I said, we don't have those numbers right now, so we can't give that to you immediately, but, you know, again I would hasten to add that please don't draw any inferences from 122 megawatts of sales because it is too small a base to generalize from. So, as I said earlier, in general, we are operating on a gross profit margin of between 32% and 35% and that is that what we expect to continue going forward.

Ms. Aparna Shankar: Yeah, that is okay sir. I just was wondering what could have been the realization during this quarter?

Mr. Nishit Dave: I will just explain Aparnaji, see in the India business, you see on slide number 23 of our analyst presentation, there is a breakup of the revenues during the quarter.

Ms. Aparna Shankar: Okay.

Mr. Nishit Dave: In case of the India business, we have done 58 megawatts against which the total income is 436 megawatts.

Ms. Aparna Shankar: Yeah, that's what…

Mr. Nishit Dave: …436 crores, so now it is not in keeping with our trend of realizations from year to year. The reason is that there are instances where the project work related to the orders that we receive in India might be done in the subsequent quarter where that revenue is recognized, so the megawatt numbers are not reflected. The megawatt numbers have already been reflected in the previous quarter.

Ms. Aparna Shankar: Okay, okay.

Mr. Nishit Dave: So, there is that difference. In case of the US, again, we only do equipment sales and balance of plant, so there is not much project revenue for the US, but there may be sale of extended warranties to the customers which would be added to the sales revenues.

Ms. Aparna Shankar: Okay, okay. My next question is about this raw material cost, we have seen a huge jump from 57% last year to 70%, I am talking only about raw material. So, when the raw material prices or commodity prices are trending downwards, I mean, what reason could this be attributed to?

Mr. Robin Banerjee: This is Robin here. Let me try to answer that. You see, the raw material…during this quarter, there has been lot of projects which got commissioned. We have more and more machines which are getting commissioned. So, sales and commissioning of the machines need not necessarily match on a quarter to quarter basis. So, therefore, during the quarter, the project cost has gone into cost of goods sold while the sales have happened perhaps in the earlier quarters. Because of the commissioning taking place during this quarter, the cost of goods sold has gone up to 71%. That is the reason we are seeing a higher cost of goods sold during the quarter and also primarily because the sales being lower, the percentage of project commissioning continuing to be same, the figure looks little awry.

Ms. Aparna Shankar: Okay, thanks. That is highly relieving, thanks a lot. My next question, if you are allowed to do that, what is the delivery timeline for this current order book and how much will be commissioned during FY10 and how much is to be delivered in FY11?

Mr. Sumant Sinha: Yeah, what we said is that out of this 1500 megawatt order book, about 80% will be delivered this year.

Ms. Aparna Shankar: Okay.

Mr. Sumant Sinha: And the balance is meant for next year.

Ms. Aparna Shankar: Okay. And a last question from me, we had mentioned during some of the calls that you would be moving towards normal provisioning towards, you know, from 3% to 5% sort of thing.

Mr. Sumant Sinha: Yeah, that's right.

Ms. Aparna Shankar: Yeah. Have we done any kind of provisioning during this quarter?

Mr. Sumant Sinha: No, no, we always do provisioning. That is the standard part of our business and has been, but what I had mentioned earlier was that we would like to take into account all the cost that we are incurring…

Ms. Aparna Shankar: Okay.

Mr. Sumant Sinha: …and we were incurring last year the number of items that were coming also below the line and just make a slightly higher provision going forward. Now, that is something that we have discussed internally and we need to do a little bit more work before we come to a conclusion as to what the right number should be and how we should manage that going forward. So, that is something that Robin, our CFO is working on and we will come out with a policy on that at the appropriate timeframe.

Ms. Aparna Shankar: Okay. At any point of time, is the policy to have the, I mean, to do the provisioning only in the last quarter or you would like to, you know, rationalize it?

Mr. Sumant Sinha: No, no, no, the provisions has to be recognized when it occurs and clearly since we have done an accrual based accounting system, it has to be recognized along with the time when either the sale happens, so there is some provision that goes along with that or at the instant that we become aware that any further work needs to be done.

Ms. Aparna Shankar: Okay.

Mr. Sumant Sinha: At either of those two points, we have to recognize provision against that and clearly the auditors who are familiar with the business…

Ms. Aparna Shankar: Okay.

Mr. Sumant Sinha: …are making sure that we are doing that even if, you know, we had a different point of view.

Ms. Aparna Shankar: Yeah, thanks a lot sir.

Mr. Sumant Sinha: Thank you, thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Abhishek Gupta from BCP Advisors. Please go ahead with the question.

Mr. Abhishek Gupta: Hello sir. I have got two sets of questions. The first one goes with the India's outstanding order book as of now, it is approximately 400 crores now. If I extrapolate this, this can be equivalent to one quarter's revenue only. In that situation, how do we foresee the Indian operation and the India sales going forward? That would be the first one.

Mr. Sumant Sinha: Yeah.

Mr. Abhishek Gupta: So, if you can answer on that.

Mr. Sumant Sinha: See, the India business as we have maintained consistently that is a spot business. So, typically we don't have an order book that carries on for more than the next let's say one month or say at most.

Mr. Abhishek Gupta: Okay.

Mr. Sumant Sinha: So, therefore, you can't say that, you know, that we have to extrapolate from where we are right now. It is something that just keeps churning over and keeps getting serviced very quickly.

Mr. Abhishek Gupta: But how is the outlook going forward, given I know the Union Budget was recently announced, but how do you foresee this whole India business shaping up?

Mr. Sumant Sinha: No, as we have said earlier in the call, our view is that the India business will be similar to the volumes that we saw last year and that was close to 800 megawatts. So, we expect this to do numbers that are very similar to that number, which is by the way 20% lower than the year before that.

Mr. Abhishek Gupta: Okay.

Mr. Sumant Sinha: So, we are not forecasting very aggressive numbers for this year for India at this point in time. Having said that, I should tell you that we are seeing an improvement in the Indian market in general, we are seeing some credit come back to the market, so there is some improvement that certainly is taking place.

Mr. Abhishek Gupta: Okay. And second question has got to do with the overall debt which is standing in our book. We have seen a quarter on quarter increase in debt when the focus is to reduce the leverage on that book. So, can you just explain the irony in the whole landscape of our thought and how things are looking up?

Mr. Sumant Sinha: Yeah, sure. See, the reason our debt has gone up from last quarter to this quarter is primarily because of the REpower acquisition funding that we had to do and that was basically about 1300 crores. Net of that, we have not increased out debt level. In fact, if anything, it has come down by a bit. I think the important think to look at is what is happening to our overall operating health and in that count, I should tell you that our working capital is being better managed. Our current assets have gone down from last quarter to this quarter by almost 1800 crores, which is almost 16-17% reduction in one quarter. So, we are doing a lot of things which are positive, which are meant to control the overall financial…the overall operational issues. Our product performance is improving. Our provisioning is becoming much less as you can see. All the one-off costs are going out of the system. Availability numbers for all of our products in different geographies have gone up. So, by and large, the health of the business is improving and it is now only a matter of time before the debt levels also start decreasing. If you recall, literally a year ago, I mean, a few months ago, there was a big concern about how we would make the REpower payment to Martifer and so on. So, that has now all been addressed, it is behind us. So, as we go forward, as the health of the business picks up with respect to the wind industry as a whole globally, you know, naturally we will start performing at better levels and then profitability will come back and then we will start paying down the debt more aggressively.

Mr. Abhishek Gupta: So…

Mr. Sumant Sinha: But in the meantime, we have also talked about the fact that the current leverage levels are higher than what we would like them to be and so, therefore, we would like to reduce leverage and obviously, we would like to do it from operations to the extent that our operations are able to support that and give free cash to do that and to the extent that it is not, we have also talked about asset sales to help that happen.

Mr. Abhishek Gupta: No sir, that is where I am coming from...

Mr. Sumant Sinha: Yeah.

Mr. Abhishek Gupta: …given the fact that we have seen around 1800 odd crores, as you mentioned the money which has been redeemed on the working capital side.

Mr. Sumant Sinha: Yeah.

Mr. Abhishek Gupta: We had to pay amount lesser than that for the REpower acquisition, right?

Mr. Sumant Sinha: Right.

Mr. Abhishek Gupta: In spite of that, we had to raise money, when we are saying that the CAPEX is also not significant for the whole year.

Mr. Sumant Sinha: Right.

Mr. Abhishek Gupta: So, where is the money actually getting deployed or what was the money that was actually released from the working capital side, want to more about that.

Mr. Sumant Sinha: No, if you see…if you see, actually our trade creditors have gone down quite substantially, so we have tried to improve the health of the business in that respect also by managing down our other creditors. So, it is not just debtors, but also other, I mean, not just lenders but also our other creditors that we have to look out for and to some extent, you know, our customers have also not been able to pay us at the speed at which they should have been because of their own issues. So, as a result of that, the business is and, of course, we did not, you know, some of them asked for postponement and so that led to cash flow implications in this quarter. So, there are some of those issues that we have to deal with because of what is happening in the external environment, you know, much as we would like to we can't wish it away. You know we operate in a global sector which is driven by a number of different factors and all that we can, you know, what we are doing that is within our control is we are improving the health of the operation and the business and we are positioning ourselves for the time when the market becomes healthier.

Mr. Abhishek Gupta: Okay, okay. Can you give me some ballpark number where do you see the overall debt level let's say end of this year, financial year?

Mr. Sumant Sinha: You know, I can't give you specific number…

Mr. Abhishek Gupta: Okay.

Mr. Sumant Sinha: …simply because, you know, what happens on the asset sale side is still something that we have not got to the end of the process of. So, we have to see to some extent what happens in some of those areas before I can give you a number for the end of the year.

Mr. Abhishek Gupta: Okay. Thank you sir, that's it from my side.

Mr. Sumant Sinha: Okay.

Moderator: Thank you very much sir. The last question comes from Mr. Ashish Chhabra from Deutsche Bank. Please go ahead with the question.

Mr. Ashish Chhabra: Hello…

Mr. Sumant Sinha: Hi.

Mr. Ashish Chhabra: Yeah, hi. I have a couple of questions. Actually my first question relates to the…if you can shed some light on the working capital management of the company because, you know, Suzlon have been targeting to release funds through efficient working capital management, are we seeing inventory buildup because of these pushback of orders, supplies from the customers?

Mr. Sumant Sinha: Yeah, see the thing is if you look at our overall working capital over the last several months, you know, over the last three-four months, we have gone from a number of NWC divided by sales over the last 12 months of about 38% down to about 34-35%. So, there is an overall improvement and this number is, by the way, down from the mid 40s last year. So, all in all, by and large, the business is doing better. Now, the issue is, if you look at the different items of working capital, inventory which used to be over 5,000 crores has now gone down to about 3,800 or 3,900 or thereabouts, so that has fundamentally got a different level. Having said that, we believe that it can improve further. There are a number of structural things that we need to still work on, that we are working on, that will allow us to hopefully take that down further. So, inventory which is within sort of our control, we are managing downwards quite aggressively and that is visible. Then, on the receivables front, we were…while receivables have also gone down quarter on quarter by almost 1,500 crores…1,800 crores, sorry, we were actually expecting the reduction should have been sharper, that would have been our attempt, but as I said, because of some of these customer issues, those have got a little bit pushed back and, of course, if we had sold more, there would have been a higher replenishment into debtors as well for this quarter which has not happened. So, that has, to some extent, offset that, but fundamentally the current assets have gone down by 1800 crores over the last quarter. We have tried to use that cash, you know, with respect to improving the health of our business as I said earlier and to that extent, a lot of that has gone to pay creditors. So, really that's what has happened to our working capital over the last several months. Robin, is there anything that you would like add?

Ashish Chhabra: Hello…

Mr. Sumant Sinha: Yeah. Okay, please go ahead.

Ashish Chhabra: Yeah. So, that means there is no inventory pileup happening because of the order pushback by customers?

Mr. Sumant Sinha: Well, I would say there is some amount that is happening, but not anything which is very high, you know, maybe a few hundred crores, but it is not…it is certainly not more than 200-300 crores because now, you know, we are only ordering inventory when the order sort of, delivery dates are becoming very concretely visible.

Ashish Chhabra: A related question to that, because last year we saw, you know, negative operating cash flows for the company.

Mr. Sumant Sinha: Right.

Ashish Chhabra: What are the expectations this year and, you know, how are you looking to improve that?

Mr. Sumant Sinha: Well, you know, we have talked about the fact that our working capital this year, we expect to extract at least 1,000 crores out of it and not withstanding the fact that we have paid off about 1,400 crores of creditors, we still have been able to reduce working capital by 500 crores in one quarter. So, we are making going good progress against the 1000 crore target. So, really that is what we expect to happen from a working capital standpoint and, of course, you know, if we end up achieving the sales targets that we have talked about, then that will itself throw off some cash from the business, simply because lot of the one-off cost that we had last year will not be occurring again.

Ashish Chhabra: Right.

Mr. Sumant Sinha: So, there will be some cash coming in from there. So, that should be fundamentally enough to cover our debt repayments as well as our CAPEX.

Ashish Chhabra: Okay. Can you give me your consolidated debt figure and cash in hand?

Mr. Sumant Sinha: Yeah, it is actually there in the presentation. If somebody can just guide him to right page number in the presentation…if you go to our website, it is there.

Mr. Samir Shah: Page 22. Yeah, it is on slide 22.

Mr. Ashish Chhabra: Alright. Thank you so much.

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. Sumant Sinha for final remarks. Please go ahead sir.

Mr. Sumant Sinha: Okay, thank you everybody. I don't know if all of you are still there on the call or not, but certainly thanks a lot for dialing in and asking…and being so interactive on the Q&A. I think the only point I would like to sign off with is that as I said earlier, the operating health of the business is improving quite substantially. A lot of the product performance issues are now behind us. A lot of the product rectification and retrofit issues are behind us. A lot of the FX hedges that we had taken, we are no longer exposed to those, so those will no longer will be hitting our P&L. So, lot of the one-off costs that we had last year will not be there this year and those that are normally below the EBITDA line that you saw as exceptional items of almost 800 crores last year, that also to some extent are over the EBITDA line. So, none of those have been recurring, but what I would also like to say is that apart from that, we are very conscious of the external environment. It is putting pressure on us in terms of deliveries of orders, in terms of timeliness, as well as in terms of some of the working capital issues. So, we are working on those very diligently and as effectively as we can. At the same time, our order booking has come to the levels that it was at last year before you might argue that the product perception issues hit us. We are signing orders at about a 10% market share of the global wind industry orders that are being signed and have been doing for the last several months now. So, we expect that to, of course, continue. In addition, we are focused very strongly on our cost reduction program right now because obviously to the extent that there is any variability around our top line expectations, if we can manage our cost downwards, to that extent, you know, we will still maintain our profitability. So, we are very conscious of the fact that ultimately it is the PAT line that is important and even if our top line does not manifest itself as we expect, then we would make sure that we do whatever has to be done to make sure that our bottom line is at least protected. So, we are very conscious of those issues. Of course, our preference is and our view is still that the top line will come through. We still have several months on this to work on that and at the same time, we are also conscious that we need to build the order book for next year and the overall market environment is looking like it is improving slowly and our expectation is that by the end of this year to early next year, certainly the market would have come back quite strongly again and everytime that there has been a crisis of a similar nature in the global wind industry, it has always bounced back even stronger and so our view is that once the bounce-back happens, it will be sharp and we hope it will be soon.

So, with those words, I would like sign off. Thank you all for dialing in.

Moderator: Thank you very much sir. 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.