

Suzlon Energy Limited
Annual Results Conference Call - Financial Year 2009-2010
May 31, 2010

Moderator: Good evening ladies and gentlemen. I am Triveni, the moderator for this conference. Welcome to the Suzlon Energy Limited 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. Thank you and over to you sir.

Mr. Tulsi Tanti: Ladies and Gentlemen, welcome to the investor / analyst call for Suzlon Energy Limited's annual results for the financial year 2009-10.

I would like to thank you for joining, and I hope you have had a chance to look at our numbers.

I am joined here by Sumant Sinha, COO, Robin Banerjee, CFO, Kirti Vagadia – Group Corporate Finance Head and the IR team.

FY10 has been a challenging year for the global economy and the wind industry has been no exception.

While there have been green shoots around the world coming out of the recession, continuing shocks – such as the Greek crisis – have a continuing impact on the industry, particularly in the financing space.

At the Suzlon Group, we have been working hard in this challenging environment to improve our performance and find new opportunities for growth.

As you will have observed, we have steadily improved our performance from every quarter from Q1 to Q4 in FY10.

Now, I would like to go over some of the key numbers–

- At the Suzlon group level we have achieved revenues of Rs. 20,620 crores and our consolidated EBIDTA stood at Rs. 943 crores, while we have reported a loss after tax of Rs. 983 crores for the full year.

- In FY10, we achieved a volume of 1,460 MW at the Suzlon Wind level due to delays in orders and general push-back in projects.

– Our European subsidiary REpower has reported the best year in its history with Euro 1.3 billion in revenues, volume of 840 MW, and a 28 per cent growth at the EBIT level, going from Euro 76.9 million to Euro 98.3 million.

– Looking at our orderbook, our firm consolidated group order book stands at \$3.9 billion or Rupees 18,400 crores.

During the year we took various steps towards balance sheet consolidation through the following measures -

In debt reduction –

o We successfully monetized 35% of our stake in Hansen Transmissions realizing \$370 million which was used to repay part of acquisition loans.

o We completed the repayment of acquisition loans of approximately \$780 million and refinanced acquisition loan of \$465 million from the State Bank of India

o We also undertook strategic fund raising, issuing Global Depository Receipts (GDRs) of \$108 million, and secured \$90 million through Convertible Bonds.

o We completed the restructuring of our Foreign Currency Convertible Bonds aggregating \$480 million, removing financial covenants and reducing the conversion price in \$333 million of bonds

o With this, we reduced our net debt by 17% year-on-year, taking our debt down by over Rs. 2,000 crores from Rs. 11,800 crore to Rs. 9,765 crore, or from \$2.6 billion to \$2.1 billion.

o Net operating working capital reduced by Rs. 1,050 crores, year on year.

Refinancing -

We also secured a broad-based refinancing and consolidation of our debt facilities through new facilities from a syndicate of 22 banks, achieving a total quantum of Rs. 10,624 crore or \$2.4 bn.

This is an important step forward in solidifying a long-term sustainable capital structure for the company, providing a holiday of two years in principal repayments, removal of covenants across facilities and creating additional liquidity for the business.

Additionally, the Board approved a Rights Issue in its meeting on the 29th of May, and appointed a Committee of Directors to implement it.

Now that our balance sheet consolidation is behind us, we are looking to opportunities as they emerge.

In terms of outlook, our confidence in medium to long-term growth opportunities and fundamental demand drivers for wind power remains intact.

In the US, order pick up is slow due to lower gas prices and low electricity demand resulting in delays in securing firm PPAs. However, due to investment tax credits, markets will improve for 2011 and 2012.

In Europe, the financial crisis may result in potential slowdown in project financing and fiscal deficit tightening may result in reduction of subsidies.

Asia continues to grow, with China making strong progress towards targets and India accelerating on strong policy support at both State and Central government levels.

We are focusing heavily on gearing up our business to be more efficient and effective in the face of competition and challenges.

We are focusing on developing group synergies with our portfolio of onshore and offshore turbines and market strengths.

We have launched new products designed specially for low wind speeds, as a group creating the industry's most comprehensive product portfolio.

As the wind market develops worldwide, there is an increasing availability of sites with lower wind speeds in both mature and new markets.

With the introduction of new wind turbines specially designed to perform at low-wind speeds, we are as a group fully prepared to meet the diverse needs across all geographies, customer profiles and offshore & onshore markets. And we continue to develop the next generation of technology at the Renewable Energy Technology Center in Germany

The new Suzlon and REpower offerings are designed with larger rotor diameters, increased hub heights, improved aerodynamic efficiency, and grid-friendly characteristics to deliver higher project performance.

The Suzlon S97 – 2.1 MW platform, with a 97 meter rotor diameter, is specially designed for optimized aerodynamic efficiency to harness widely available lower wind speed sites classified as Class-III sites. While the REpower variants of its 3.XM platform – the 3.2 MW and the 3.4 MW are well suited to Class-III and Class-II wind sites respectively.

We have also introduced our 2.1 MW turbine in China at competitive prices using local supply chain and REpower has successfully introduced the world's largest commercial offshore turbine - the 6M, 6.15 MW turbine, offering greater cost efficiency. Additionally, Germany's first offshore windfarm 'Alpha Ventus' featuring six units of the REpower 5M turbine has also become operational.

Suzlon and REpower are working aggressively in order to further leverage our complementary strengths. We have entered into an agency agreement where Suzlon will support REpower as sales agent in the U.S. and Australian/New Zealand markets providing both companies with a major competitive advantage.

With this we are strongly poised to push into promising new geographies, and build on our position in key markets like North America, Australia, Europe, India and China – further taking our experience from India to emerging markets like South Africa and Latin America.

In closing, I would like to give you a snapshot of the road ahead –
– Policy and regulatory support is strong and getting stronger the world over and more specifically we see India accelerating

– The short term market scenario continues to be challenging, but we are very confident of our mid-to-long term performance, as Suzlon Group and for the industry as a whole

– To compete in this market environment we are focusing aggressively on many fronts, from capital structure and operating efficiencies, to technology and market presence, and cost reduction through competitive supply chain

– We have strong relationships with the world's biggest wind turbine customers and continue to work hard to develop new customers, segments and geographies.

– Our emphasis remains taking maximum benefit from Suzlon and REpower's competitive strengths and providing solid, robust wind power solutions to customers worldwide.

– We have strong reliable offshore technology optimally geared to put us on high growth path

– We are in a very strong position in high growth Asian markets, particularly in India where we are comfortably positioned to take advantage of the development pipeline we have.

Now we will be happy to take any questions you have. Thank you.

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 WebEx International Moderator.

International
Moderator:

At this time, if you would like to ask a question, press *, then the #1 on your telephone keypad. First question comes from the line of Roger.

Mr. Tulsi Tanti:

Hello. Go ahead with your question please.

Mr. Robin Banerjee:

Hi, Suzlon team here, could you kindly go ahead with the question?

International
Moderator:

Roger, your line is open.

Mr. Robin Banerjee:

Maybe, he is not able to hear you, maybe you can shift to the second one.

International
Moderator:

Again, if you would like to ask a question, please press *, then your #1 on your telephone keypad. At this time, there are no audio questions. Ms. Triveni, I will turn the call over to you.

Moderator:

Thank you WebEx International Moderator. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on the telephone keypad. On pressing *1, participants will get a chance to present their questions on the first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. The first question comes from Mr. Venkatesh from Citigroup. Over to you sir.

Mr. Venkatesh:

Yes sir, good evening. I have quite a few questions. Now, firstly, you have an international order backlog of 896 MW, how much of this do you think you can deliver in the current year, FY' 11?

Mr. Robin Banerjee:

Venkatesh, you want to ask all the questions, or you want me to answer one by one?

Mr. Venkatesh:

You can answer one by one.

Mr. Robin Banerjee:

Okay, most of the orders which we believe which we have are deliverable this year unless the customer decides to postpone. As it stands, these are deliverable this year.

Mr. Venkatesh:

The entire 896 MW?

Mr. Robin Banerjee:

That is the situation as of now, Venkatesh.

Mr. Venkatesh: Okay, the second question is you also have a 225-MW framework contract. Now, this is not a part of this 896 MW right?

Mr. Robin Banerjee: That is correct. It is not part of it.

Mr. Venkatesh: Now, in Spain, there has been quite a lot of problems in the country, and there are talks about retroactive cut in renewable energy subsidies. Now, this 225-MW framework contract, what are the milestones that need to be achieved for this to become to a firm contract, and how much of this, in that case if it converts into a firm order, how much of this is deliverable this year, and how much of it is deliverable next year?

Mr. Robin Banerjee: Venkatesh, the order conversion will depend upon the customer's ability to financially close his project. Currently, there is no cut per se just for information throughout Europe in any subsidy whatsoever. There are reports which have been coming in the press, actually it is not there. Yes, there is a general belief that because of this Greek crisis, there may be a cut, but there is no such cuts as of now. How much will be delivered this year is difficult to say if the order is signed near at the end of the year, of course deliveries would be lesser and if it is signed now, the deliveries would be higher, but as of now, we do not have an exact number as to how much we could deliver this year.

Mr. Venkatesh: Okay, I can appreciate it, but can you just explain what needs to be done at the client and why is this still a framework contract, and what needs to be done to convert it into a firm contract, I mean, is it the financing issue or what exactly is it?

Mr. Sumant Sinha: This is the frame contract. See, the issue is that this project has to be given a PPA by the government and we expect that in the next lot of projects will be getting PPAs, this will also be included in that list.

Mr. Venkatesh: Okay sir.

Mr. Sumant Sinha: Once that happens, then the project will be ready to go ahead.

Mr. Venkatesh: Okay, now, I think Suzlon Wind Turbine has a debt of roughly around 2 billion dollars, refinancing has gone through, what do you expect the interest cost to be next year, somewhere around 10 billion rupees, would that be right with that number.

Mr. Robin Banerjee: Yes, more or less you are right. The cost may go up by about 100 crores, that is correct.

Mr. Venkatesh: Now, just two more questions. Very small questions. Now, first of all, would it be right judge that the reason Suzlon is not winning enough international orders, it is not a technical problem with the

turbines but it is more of a problem because the debt is too high on the company, which is around 2 billion dollars. Now, this could be one reason why initially people who want to give orders to Suzlon might be scared to give orders. Now, where do you believe you need to bring down your debt levels to, for these orders to restart probably because it is not like other people are not winning orders. So, can you throw some light on this, I mean, is it like, you know, you need to take it down to a billion dollars before these orders come through?

Mr. Sumant Sinha: No, Venkatesh. I don't think there is any specific linkage as such. I think that in general customers are certainly looking at the credit quality of their vendors. As are we, when we look at our vendors on the other side, and in that respect, I think they would be looking at our credit quality as well, but I don't think that has been a factor that has prevented us from getting any orders till now. I think that we are able to address the concerns. I think people were looking for us to refinance and give ourselves a moratorium on principle repayment that we have given ourselves, and I think once that has happened and the restructuring has happened, I think the primary concerns that people might have had in the past, I don't think that is there any longer, and in fact, that has not been there for the last several months because everybody has known that the refinancing process is very much underway, so I don't think that has really been an issue so far. I think it has just been to some extent that there is dearth of orders in the market place in general. So, I think that really has been the primary thing that has impacted us, but I think another thing I should also stress is that technical issues are also not impacting us, so I don't think it is either of those factors. I think it is just that the orders that we happen to be working on for whatever reasons are either getting postponed because of delays in PPA signing by the customer or delays in getting financing or some legislation getting passed in various jurisdictions, so it is really a whole bunch of such different kinds of factors that has delayed the whole thing.

Mr. Venkatesh: Okay.

Mr. Sumant Sinha: In terms of the number that we need to come down to, I think we have always stated that, we have always believe that we wanted to manage our debt level downwards, and as you can see through the course of last year, we actually have reduced our absolute debt level by about 2,000 crores, and the intention is to continue to work it down as we go forward.

Mr. Robin Banerjee: Venkatesh, one more information, just to give you a number.

Mr. Venkatesh: Yeah.

Mr. Sumant Sinha: In 2009, for which official figures are available, of the total orders which have come to the wind industry, Suzlon Group has captured

20% of that order. In 2008, it was about 10% to 12%, so the fact that the order intake itself has gone down, has affected the industry as a whole. However, our intensity of order intake is higher than that of the industry.

Mr. Venkatesh: Okay sir. Sir, this other question which I had is one of the critical elements of you turning around is bringing down your fixed costs on the Suzlon Wind Turbine side. Now, as I see it, you had a manpower cost of roughly around Rs.9.1 billion, and you had another expenditure of around Rs.23.5 billion. Now, where do you think these numbers can be brought down next year, and if at all how will they be brought down, I mean, because it is critical that see at around 1,460 MW, you have almost broken even at the EBITDA level, in the current year, where you just have a small loss of say around 16 crores or so. So, if you could bring this down further, I mean, what is the likely way to bring it down, and how much can be brought down. That would be my last question sir.

Mr. Robin Banerjee: Venkatesh, our objective as you rightly pointed out is to bring down fixed cost to the extent as much as possible. We do understand that it is the only way by which in case there are bad days, any organization can stand in good stead. Now, there are two aspects of fixed costs as you rightly mentioned, manpower cost and non-manpower cost. Manpower cost in an industry like ours is very critical, that is where the expertise lies, that is where the salesmanship lies, that is where the technology lies. So, it is very easy to say, but it will also take away the expertise and the core competencies which we have over the time grew or have been able to take advantage of through training, development, and experience. We are of course tackling, trying to focus on manpower wherever it is possible, but it is the non-manpower cost where our focus will continue to be to save as much as possible. It is difficult to give you a number but as we progress quarter by quarter, we will be able to tell you as to how we are progressing, but we are surely progressing at a massive, as much as a possible, at large chunk of cost cut as much as possible, but it is very difficult to give you a number, Venkatesh, at this point of time.

Mr. Venkatesh: Thank you very much sir, and my genuine best wishes to you.

Mr. Robin Banerjee: Thanks Venkatesh. Lovely questions you asked.

Moderator: Thank you very much sir. Next in line, we have Mr. Abhishek Bhandari from Macquarie. Over to you sir.

Mr. Inderjeet: Thanks for taking my questions. I am Inderjeet. Few questions from my side. One is any stance in terms of what kind of order inflows you are looking at in this year, especially from the overseas business, that is one. The second question would be are there any provisions which have been taken in the total fixed

expenses this year and management earlier talked about a provision rate of 3.5% of sales. Have you already started booking that kind of provisions?

Mr. Robin Banerjee: Yeah, hi. As regards you have asked the questions, I will answer the first one and then the second. Order inflow from international markets are flowing in albeit slowly. As I explained little earlier that our intensity of order intake is still high. The fact of the matter is order intake per se in the industry has been slow in the recent past. It is picking up because the financial market has shown improvements barring of course a recent happenings in Europe. So, that is #1. #2, as regards provisions are concerned, we have not made any extraordinary provisions; however, our intention is to go to 3 to 3.5% of warranty provisions of our product. We are currently at around 2.5% level, and I have brought it up from 2 to 2.5 and we will slowly bring it up to 3.5% level, and of course, we will keep you informed from time to time as to how we are improving it, but we do believe as of now our provisions which we have are adequate to take care of any warranty related cost if at all we have.

Mr. Inderjeet: Okay. Another question which I had was on realizations, if you look at Suzlon Wind business, there are certain geographies where we have shown very high realizations, especially markets like Australia and others where the realization have gone closer to 100 million rupees or even higher, what is the sense why the realizations are so different in different geographies and what is the sustainable blended realization that you are looking at, that is one. Second is the REpower unit's con-call said that globally the wind turbine prices are certainly moving down, so what is your take on that, and how much do you think that turbine prices can come down and especially with geographies.

Mr. Robin Banerjee: As regards realizations are concerned, it does vary from country to country, geography to geography, based on the quantum of work which we do. Now, as you know, we do not only our work on supplying our wind turbine, but we also do project work, which is called EPC work.

Mr. Inderjeet: Okay.

Mr. Robin Banerjee: So, countries where we have a larger quantum of project work, revenue per turbine of course goes up, so that is what has happened in Australia which you have rightly pointed out, so that is the primary reason for which realizations can vary from country to country, geography to geography. As regards price pressures are concerned, yes there is likely to be a price pressure, but we are also, as the prices are coming down, it is coming down in end product, also raw material. Like for instance European supplies or imports which we do for a manufacture are also going down. So,

there is change in both sides, so we do not expect any significant contraction in our margin, if that perhaps is your question.

Mr. Inderjeet: Okay.

Mr. Robin Banerjee: We believe that we should be able to hold.

Mr. Inderjeet: Okay. So, the order book that you are carrying at this point of time or the kind of order inflow that you are witnessing at this point of time especially into markets like Europe and Australia, would they continue to have the same quantum of the EPC work, and the question basically I am asking is can you sustain these kind of realizations in those markets and also on a blended basis?

Mr. Robin Banerjee: As I said, as new orders will come, or as the new orders come in, there may be a pricing pressure, but the costs are also going down. Therefore, the margin per se, we do not expect any shrinkage?

Mr. Inderjeet: No, I got that, but I am asking about this realization because of higher EPC content.

Mr. Robin Banerjee: It will remain same.

Mr. Inderjeet: It will remain same, so we can assume that say the European which was around....Australia which was around 93 million or Europe which was much higher at 200 million, that would remain, more or less remain constant.

Mr. Sumant Sinha: That is correct, our scope of work in these geographies would remain same.

Mr. Inderjeet: Thanks a lot. Best of luck for the future.

Mr. Sumant Sinha: Thank you.

Mr. Inderjeet: Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Ankush Mahajan from KC Securities. Over to you sir.

Mr. Ankush Mahajan: Hello?

Mr. Robin Banerjee: Yeah, hi, Ankush, go ahead.

Mr. Ankush Mahajan: Sir, can you give me your breakup of other operating expenses for Suzlon Wind Turbine business.

Mr. Robin Banerjee: It is a long list, we can either send it over, but if you want to know the large, you want quarter four or annual year, how do you want?

Mr. Ankush Mahajan: Sir, quarter four.

Mr. Robin Banerjee: Quarter four, okay. Our operating expenses would include of course freight, which is about 118 crores.

Mr. Ankush Mahajan: Okay.

Mr. Robin Banerjee: Large ones. Let me give you the large ones. There is warranty cost of 191. Well, consultancy charges about 80. We have paid other selling and administrative expenses 56. There are bank charges of 62, and perhaps that, but in case you need a detailed breakup, we can send it across to you separately.

Mr. Ankush Mahajan: Thank you sir. Sir, it is okay from my side. Thanks sir.

Mr. Robin Banerjee: Thanks Ankush.

Moderator: Thank you very much sir. The next question comes from Mr. Kashish Tandon from JM Financial. Over to you sir.

Mr. Kashish Tandon: Hello sir?

Mr. Robin Banerjee: Hi Kashish.

Mr. Kashish Tandon: Hi sir, how are you?

Mr. Robin Banerjee: Good.

Mr. Kashish Tandon: Operationally, decent set of numbers from your side. Hello?

Mr. Robin Banerjee: Yes, Kashish, thank you so much.

Mr. Kashish Tandon: Yeah, first question, what reason would you attribute for the high tax rates that we have seen in the fourth quarter?

Mr. Robin Banerjee: Yeah, Kashish, the tax actually has been, the rates have not been high. What has happened during the quarter, there has been a deferred tax debit in our books of accounts, deferred tax is as you know, is a non-cash item. It depends upon the difference between financial accounts and tax accounts and it is a timing issue that tax debit which we have taken, the charge which we have taken this quarter on account of deferred tax, we will get credit in the future as and when we start earning profits or incurring those costs. You know, sometimes you make provisions but these are disallowed on the tax laws in various countries, and therefore, as and when the cash outflow will take place, the benefits will flow in. So, it is a timing issue between one quarter and another. The right way to look at our books of accounts is on the PBT level, it is a PAT. The PAT does not look too good, but the moment you see PBT, it looks quite satisfactory. The difference the PBT and PAT

as I said is because of deferred tax calculation. It is an accounting matter, and it is non-cash in nature.

Mr. Kashish Tandon: Okay, fair enough sir. Any guidance on the volume front for next year.

Mr. Robin Banerjee: Kashish, our intention is to do the best all the time.

Mr. Kashish Tandon: But we expect to whatever order book is there, that is primarily for next year.

Mr. Robin Banerjee: That is correct.

Mr. Kashish Tandon: Okay, and sir, just to carry on from the realizations discussion that we had, what will be the project income for fourth quarter and full year?

Mr. Sumant Sinha: Project income for fourth quarter full year. Can we give it now? Kashish, can we just part the question, we will let you know.

Mr. Kashish Tandon: Yeah sure, not a problem.

Mr. Robin Banerjee: I will just let you know.

Mr. Kashish Tandon: Okay, and can you give me quantum of project contracts which are there in the order book?

Mr. Robin Banerjee: That you know is difficult to say, but if we go by country by country.

Mr. Samir Shah: Basically, if you look at it, India, USA, China is only turbine, and NZ is also project, and then Europe which is project, so only China is turbine only, that is 400 MW.

Mr. Robin Banerjee: So, about 2/3rd project and China 1/3rd no project.

Mr. Kashish Tandon: Okay, and sir...

Mr. Robin Banerjee: Kashish, does it answer your question?

Mr. Kashish Tandon: Yes, very much.

Mr. Robin Banerjee: Kashish, your quarter four project cost we will send it to you over in email.

Mr. Kashish Tandon: Okay, not a problem, thanks a lot for that. Sir, interest costs have been high. I mean, there is the incentive that has been provided to the bond holders, has that been routed through the interest cost?

Mr. Robin Banerjee: It has not. The interest cost, as you know, there has been some bank charges which we paid. We had prepaid some bank debts as you know earlier that we had to pay or charge off the unamortized portions of those interest costs, and that is why it has been higher.

Mr. Kashish Tandon: Okay, but you mentioned that bank charges worth 62 crores were there in other operating expenses for the fourth quarter?

Mr. Robin Banerjee: That is correct.

Mr. Kashish Tandon: So, what are these bank charges. Are these different ones from the ones that we are talking about that has been routed through the interest cost?

Mr. Robin Banerjee: Yeah, it has not gone to the interest cost, it has gone to the other operating cost. Bank charges are the charges which we had paid towards, you know, we had done a massive refinancing this year, and this is perhaps one of the largest ever made in India, so charges incurred for that it included therein.

Mr. Kashish Tandon: In the other operating expenses.

Mr. Robin Banerjee: That is correct.

Mr. Kashish Tandon: Okay, and sir, RM cost is lower, I mean, quite lower, is that a sustainable trend, I mean, EBITDA margins are back to normalized levels of 5.8, 6 million per MW, so this a sustainable trend that we can say?

Mr. Robin Banerjee: Well, our intention of course is to reduce our cost of goods sourced as a percentage of sales and as you rightly said our margins have been improving, so as our volumes grow, these ratios should improve, and our objective is to retain it as much as possible for sure.

Mr. Kashish Tandon: The balance sheet says that Suzlon has close to 1500 crores of cash, but there is no other income, any specific reason for that?

Mr. Robin Banerjee: Yeah, one of the reasons for high cash balance was we had a large disbursement of bank's debt on the last few days of the accounts closing, and also debtors payments because what happens as we are pushing sales, we are also pushing collections in the last few days of the month, so it is good collections, better disbursements from the banks, have both added to the...fairly good cash balance at the end of the year.

Mr. Kashish Tandon: Okay, but primarily towards the end of the year.

Mr. Robin Banerjee: Yes, because, that is how you know, as you know, the wind business is back-ended and therein one of the reasons is it all

happens to this last part of the month, and the collections were also very good during this part. In fact, we had one of the highest collections in the month of March as compared to history.

Mr. Kashish Tandon: Have the additional debtors being cleared?

Mr. Robin Banerjee: No, not as yet, it is still there, and our expectations are that it should get cleared this year.

Mr. Kashish Tandon: Later this year or you know first half can we expect...?

Mr. Robin Banerjee: I would guess towards the later part of the year. The project is starting in June-July, we should be able to complete in September, and therefore, we have a brighter chance of project closure but from conservative principles of, I would guess, you can take it backended for your calculation purposes, but of course, our objective is to do it as early as possible. So, we are working on it, let us see what happens?

Mr. Kashish Tandon: Sir, updates on the Caparo and the Australian orders, any progress on that front?

Mr. Sumant Sinha: On the Caparo order, we have not really made any public statement so far. So, I think we will be doing so in a short while, so please do wait for that. On the Australian order, basically, there is a legislation that is being currently introduced in the Australian parliament. The order really is waiting that legislation going through. In fact, a lot of the wind farms are really waiting for that legislation to pass before they proceed. So, that should happen in the next couple of months at some point.

Mr. Kashish Tandon: So, much quantum can be expected from the Australian markets.

Mr. Sumant Sinha: Yeah, that is right.

Mr. Kashish Tandon: Okay sir, that is all from my side for now. I will come if I have more questions.

Mr. Sumant Sinha: Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Anuj from Wallfort. Over to you sir.

Mr. Anuj: Hello?

Mr. Robin Banerjee: Hi Anuj.

Mr. Anuj: Yeah, thanks for the opportunity sir. Sir, my first question begins on your order book position sir, and it says the company currently has an order book of 1126 MW, of which the domestic comprises 230 MW. Sir, if I am not wrong, then the company has catered

that the breakeven point actually is by selling 2,000 odd MW, so which market the company is exactly looking out in bridging this gap sir from 1126 to 2000 MW, you know, taking into the current downturn in US, and slowdown in the Europe market.

Mr. Robin Banerjee: Anuj, per order book, actually India business is a retail business, and that order book is always either not there or very small. So, large portion of this gap will be bridged from the India business because India business last year we saw was 700 MW. We see a huge traction in that market, so obviously we are going to sell much more and most of it are retail in nature. So, what you don't see today in the order book is that India's order book position which incidentally is a retail in nature, so that is where the major difference will come from, plus of course we are working with various markets including China, and so we are quite confident that these gaps are bridged.

Mr. Anuj: Okay. Sir, you mentioned about China, sir there was some recent article that the supply for the renewable energy equipments in China has grown significantly which has led to the Chinese domestic player to a lower import from in case of this equipment supplier, so on what front does Suzlon stands over here?

Mr. Tulsi Tanti: What is the specific question?

Mr. Anuj: No, no, the supply side for the renewable sources has far exceeded the demand, I mean in line with the demand. This has resulted in the lower import by the Chinese developers, and also there is some kind of you know quota system in China where they have to procure the raw materials from the domestic player only.

Mr. Robin Banerjee: Anuj, just for information. We have our own China factory, so whatever we sell in China, it is manufactured and sold in China, so we are not affected by any lower import per se, so that does not affect us, and therefore we are as competitive as anyone else situated inside China.

Mr. Anuj: Okay sir, and sir, REpower has major presence, in fact much of its presence in the EU market, so looking EU in the current downturn, where do you see the company sort of book order flow coming in?

Mr. Tulsi Tanti: So, REpower, the majority market is, one is the home market is Germany.

Mr. Anuj: Right.

Mr. Tulsi Tanti: Second is they are very strong in France market, which is quite mature and the local relationships are very strong, and the third market is the British market. These are the three markets they are strong, and that business is coming from those markets. On top of that, another 2 to 3 markets, where the growth is coming better,

one is the Turkey market and one is the Italian market, so they are getting good business from those markets, and they have a right required turbine is available, like 3 MW machines, which is very good demand market is there in some of the markets, so they are getting good business on that front.

Mr. Kirti Vagadia: Just to add on what Tulsi Bhai said, basically whatever guidance REpower has given, it is fully covered by their order backlog.

Mr. Anuj: Okay, and sir, any update, I mean, as you said, the company has almost restructured 80% of its existing debt, so if still the company looking out to hive off its 26% stake in Hansen, or the company can manage it by holding the same?

Mr. Robin Banerjee: Anuj, just for information, we have completed debt refinancing, so that is done. It is not 80%, it is done.

Mr. Anuj: 100%?

Mr. Robin Banerjee: Of course, and as regards, Hansen, we are still working on it, and if there is a good price, we would sell it.

Mr. Anuj: Okay, okay. Can we assume that the company can achieve the breakeven this year?

Mr. Robin Banerjee: Anuj, our intention is always to make more money.

Mr. Anuj: Sure sir, because....

Mr. Robin Banerjee: So that you can come back and say we have done a good job.

Mr. Anuj: Sure sir, I will definitely love to...because the domestic market, you know, the industry data said that India in domestic, we are planning to add more than 2000 MW this fiscal, and you know, having history record of more than 50% market share, we do believe that Suzlon add up to around, to be on a conservative side at least 900 to 1000 MW, so am I right in this front, if you can assume the same.

Mr. Robin Banerjee: Yeah, absolutely right. India is booming Anuj, and therefore, it is a fair assumption on your part.

Mr. Anuj: Okay sir, thanks a lot. Thanks for the opportunity and best of luck sir.

Mr. Robin Banerjee: Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Bhavin from Enam Securities. Over to you sir.

Mr. Bhavin: Good evening.

Mr. Robin Banerjee: Yeah, hi.

Mr. Bhavin: My question is more on the SE Forge like we see revenues significantly lower at around 100 crores where in some of the quarters earlier it was mentioned that on 1000 odd crores is the order book from the component systems, so could you highlight on why the revenues have not come in and what we expect for the next year?

Mr. Kirti Vagadia: Bhavin, this is Kirti.

Mr. Bhavin: Yes, Kirti Bhai.

Mr. Kirti Vagadia: See, there are two reasons, mainly in case of SE Forge order backlog which has not resulted into sales. One of the major customers who was going to set up manufacturing facility in India could not complete that facility, that is one reason, and component segment was passing through a bad day during last financial year, and this was the first year of operation for SE Forge, so both combined has resulted into lower business volume for SE Forge, but for current year, I would say that we as a SE Forge are having lot many orders from non-Suzlon wind turbine manufacturer as well as non-wind manufacturers, so this year we are comfortable on what we are planning in SE Forge.

Mr. Bhavin: So, what is the outstanding order book deliverable for fiscal year 11 as on March 2010?

Mr. Kirti Vagadia: I think those details Samir will provide you separately.

Mr. Bhavin: Sure, but what is the internal target of SE Forge for fiscal year 11?

Mr. Kirti Vagadia: I don't think we are giving internal target for even parent company or any of our subsidiary companies.

Mr. Bhavin: Sure, fair enough, and lastly, could you help us with the details between the large items of large fixed cost items from the other expenditure?

Mr. Robin Banerjee: I think I had just given to you the number, but I can tell the number again. You are interested in annual figure, am I right Bhavin.

Mr. Bhavin: Yeah, annual figure, which is 2400 crores.

Mr. Robin Banerjee: Yeah, sure. Out of that, freight is about 336, maintenance and warranty is about 300, operating cost of our turbines is about 150, traveling is about 100, then we have some delays in delivery penalties we had to give towards the beginning of the year about 150, then we have administration selling cost of 190, bank

charges of about 200. These are main ones, but we can send you the breakdown Bhavin if you want.

Mr. Bhavin: It shows roughly around 2400 crores as other operating expenses.

Mr. Robin Banerjee: Yeah.

Mr. Bhavin: Breakup given is much lower than this, so which is the very large item because I am unable to reconcile.

Mr. Robin Banerjee: The largest item is freight which is 336 to be precise.

Mr. Bhavin: Okay.

Mr. Robin Banerjee: I can give you more details if you want.

Mr. Bhavin: Or if you can help me out in an easy way. Fixed cost of this 2400 crores, what is the fixed cost?

Mr. Robin Banerjee: Fixed cost is about 1400, and variable cost is about 800.

Mr. Bhavin: Okay, thank you so much.

Moderator: Thank you very much sir. The next question comes from Mr. Laxminarayana from BNP. Over to you sir.

Mr. Laxminarayana: Hi everyone. Can you help me out with one breakup which is of the backlog that you have, can you provide a split of utilities versus developers very rough numbers?

Mr. Tulsi Tanti: India is local, so there is no utility or developer breakdown

Mr. Laxminarayana: Okay.

Mr. Tulsi Tanti: The US number is mainly the utility. Then, the China is maybe 60% to 70% you can say utility and the rest of is the other investor or developer.

Mr. Laxminarayana: Okay, and the second question if you will take this one. We are actually worried about pricing, and forgive me for belaboring on this point, someone else asked this question, but if you see the top 10 wind turbine manufacturers, there are 2 Chinese, and given the fact that some of the growth hotspots like US where you are actually seeing PPA prices go down as a result of this slowdown. How shall we think about pricing and what could be the major impact this year?

Mr. Robin Banerjee: Laxminarayana, as we just explained a little earlier that there is a possibility of prices going down, there is a pricing pressure, but as the prices are going down, costs are also looking to be going down, not only from the supply source, also from the way our manufacturing and technology are behaving, and therefore, our

intent is yet to protect our margin, but yes there is a downward pressure on price.

Mr. Laxminarayana: And the last question from my side is yesterday on the REpower conference call, I think the CEO or the CFO said that they would be looking to source more components from Asia, mainly China and India. If you could highlight what has been the progress on that front, that will be helpful. Thank you.

Mr. Kirti Vagadia: See, basically, you know the component vendor development in wind industry is not that easy. Every component development has certainly timeline, so REpower has already started for development of various component suppliers in Asia, but since they have stringent quality process for vendor development, it is right now in the process. Rotor blade is already developed with Suzlon which you are aware. There are couple of other components which Suzlon has already developed. They are in casting, forging, and generator. Similarly, Hansen has also developed one product for REpower in gearbox, and the larger gearbox is at the development stage in Hansen.

Mr. Laxminarayana: Okay, thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Harish from India Bulls Equities. Over to you sir.

Mr. Harish: Good evening sir. Thank you for taking my question.

Mr. Robin Banerjee: Hi, good evening.

Mr. Harish: Sir, to persist on this other expenses part, but this 800 crores if you could give a broad breakup of, what is the non-recurring items in the total other expenses. Basically, the number is 800 crores. If you could give a broad breakup of this 800 crores, that would be great?

Mr. Robin Banerjee: Yeah, sure. Freight is 300.

Mr. Harish: This is the recurring part.

Mr. Robin Banerjee: Yeah, I will give you the breakdown of 800 crores. Freight is about 300, actually 336 to be precise, stores 60, and performance guarantee provisions 125, and maintenance and warranty provisions 292. So if you add up all this I think you will get about 815. I must have rounded to one figure, freight is 336, stores 62, performance guarantee 125, maintenance and warranty provision 292. Total is 815.

Mr. Harish: What we wanted to understand was of the total other expenditure, since the other expenditure is being pretty high in the fourth quarter, what is the recurring part and what is the nonrecurring

part which is there in the fourth quarter and the full year numbers, so that we can find out the sustainable numbers going ahead.

Mr. Robin Banerjee: What is recurring part and nonrecurring part.

Mr. Harish: Like the bank charges which you talked about, probably that would be nonrecurring, similar to that some other items which would be nonrecurring in nature.

Mr. Robin Banerjee: Well, if you see last year's Q4, the same cost was 589, this year it is 467, so while this year it is fixed, but we obviously try to lower or higher that based on our business volumes, but if you see there is a small portion of nonrecurring I would say rent, which is a very small portion would be nonrecurring, repair and maintenance where it is recurring and nonrecurring both. Insurance to some extent is nonrecurring, so it is difficult to say if the business goes up, this might go up slightly. It is semi-variable in nature if you may say so because as you had seen last year, it was 600, this year 450. So, it is varying, it is not that it is completely fixed all the way term it as fixed. I am not too sure whether I have answered your question.

Mr. Harish: It is okay sir. I will just get back to you on this later.

Mr. Robin Banerjee: Oh sure, sure, of course.

Mr. Harish: My second question is has there been any goodwill write-off in fiscal year 10?

Mr. Robin Banerjee: No such write-off Harish.

Mr. Harish: Okay sir. Coming to my third question is overall unexecuted order backlog which is currently with the company. If we look at the last 8-quarter trend, China has roughly been around 500 to 600 MW and other overseas regions have been in the region of 200 to 300 MW, and India has been helping with regard to sales and volume, so going ahead what kind of sales number could come from India given the number of incentives which is being provided by the government, CERC has come out with new regulations, and also on the overseas front, is there a problem in the US market if I can say that, and also with some market like Europe has slowdown considerably, and US, we have not been getting many orders. What is the overall outlook on those markets?

Mr. Robin Banerjee: Well, from India, we still, I think we did answer a little earlier, we still expect around 1000. India has a good traction. We also see good traction from China and some developing countries like South America. South America for instance Brazil in South America is giving good traction, so we do expect good volumes from therein. Yes, USA is looking up, it is not as bad as Europe. Europe is static to say the least so what will happen for us, the

orders would perhaps be more inclined towards the developing nations, and developed nations might remain flat. The advantage Suzlon has because we are in 24 countries, we are geographically spread, so we should be able to take advantage of this vast spread which we have.

Mr. Harish: Okay sir. Sir, my final question would be on the consolidated capex for FY'11, if you could share the number?

Mr. Robin Banerjee: I think our numbers for FY' 11, that means the projected cash flow will be very small...sorry projected capex for 10-11 will be very, very small. We do not expect any significant capex whatsoever. We might have some balancing facility to be put up in our factories, that is all. We do not have any capex plans whatsoever, the major ones.

Mr. Harish: Okay sir, I will just have one last question that is on the REpower timeline to acquire the remaining stake in REpower, what kind of facilities are we looking at in terms of financing that particular...which you want to acquire in REpower.

Mr. Kirti Vagadia: I wish I could have given this detail to you, but unfortunately these companies are listed, and I am restricted to make any comment on this.

Mr. Harish: Fair enough sir, thank you so much for answering my questions.

Mr. Robin Banerjee: Thanks Harish.

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

Mr. Tulsi Tanti: Currently, the industry's environment is quite volatile and we see 2010 will remain difficult year, but going forward, 2011 to 2015, will be the good momentum is there, and most of the markets, the order flow momentum is improving, and now the customer is also targeting more and more business going forward, so we are looking better and bright future going forward. Thanks a lot. Thanks for everybody's time to support our business. Thanks a lot.

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 and have a nice evening.
