



“Suzlon Energy Limited Q4 FY11 Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Suzlon Energy Limited Q4 FY11 Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference to the Chairman and Managing Director, Mr. Tulsi R. Tanti. Thank you and over to you sir.

Tulsi Tanti: Thanks. Good afternoon and thank you for joining our Q4 Analyst Call. I am joined today by Kirti Vagadia – our Group Finance Head, Robin Banerjee – our Group CFO along with our IR and Finance team. I am sure you have all seen our Q4 press release and the investor presentation on our web site. I would like to flag some of the highlights of this quarter and then we will be happy to take any questions.

This quarter result is clear evidence that our business is in a much better position than one year ago. We have posted Q4 profit of Rs. 432 crores or \$96 million. The revenue for the quarter up by 20% YoY basis. EBITDA for the quarter stands at Rs. 1,024 crores or \$228 million, up by 91% YoY basis. EBIT for the quarter at Rs. 773 crores or \$172 million, up by 98% YoY basis. I am happy to report that our order books remains robust at Rs. 30,000 crores or \$6.7 billion, up by 60% YoY basis. Further, we have reduced our net debt equity ratio from 1.5 times to 1.36 times. For the year ahead, we have a clear business strategy, high focus on emerging markets like India and China, Brazil and South Africa, strongly positioning ourselves in the stable European market in the high growth offshore market through REpower profiting our gross margin with the cost leadership, finalizing the REpower squeeze out process to achieve the competitive market positioning in the global market, focusing on market requirement of the low wind sites with our new Suzlon S9X and REpower 3XM suite of products, and building a best-in-class strong OMS offering. Indeed, our global fleet of 17,000 MW in 32 countries is running with good availability performance as per the industry standards. Once again I am happy to put on the record that the worst is behind us. We believe the short-term remains challenging for the industry, however, our business strategy in the key markets allow us to think of the growth in financial year 2012. With this in mind, we have decided to issue the guidance for this financial year of revenue between Rs. 24,000 crores and Rs. 26,000 crores or \$5.3 billion to \$5.8 billion along with the EBIT margin of between 7% to 8%. We are happy to take any questions. Thanks a lot.

Moderator: Thank you very much sir. The first question is from the line of Manoj Bagesar from Brics Securities. Please go ahead.

Manoj Bagesar: I just wanted to know regarding the announced framework contract. What are the timelines for RWE contracts and EDF contracts?

Tulsi R. Tanti: Normally, it is three years frame agreement is there from now onwards. So the 2012 and 2013, the EDF point of view and RWE is three years. EDF is Canada order.

- Manoj Bagesar:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Atul Gharde from SJS Markets. Please go ahead.
- Atul Gharde:** Few questions from my side. I am just looking at your balance sheet actually the income statement and your raw material cost seems to have gone up significantly quarter-over-quarter. So can you comment on-, I guess most of your raw material would be steel, please correct me if I am wrong and do you mostly buy it on spot or do you enter into any hedging agreements, that is my first question? Second question is what exactly is included in other operating expenses? Because you seem to have done pretty well on that.
- Tulsi R. Tanti:** The first question the steel procurement, we are doing combination, one is spot, depend on the available good price and other things, and there is the cyclic effective there, based on our chief economist forecast in the company, based on that, certain quantity we do by the forward purchase depend on the cyclic benefit point of view. So we try to maintain as low as possible by this combination of the steel procurement. Regarding the raw material cost point of view....
- Kirti Vagadia:** On a gross profit, I think you need to do some recalculation, because last full year number also includes Hansen, if you see ex Hansen, then our gross profit is at about 32%. And secondly, if you adjust my current year number by 300 crores, which we are losing on account of REpower than current year is also exactly at 32%.So we are maintaining our gross profit number at 32%.
- Atul Gharde:** One more question from my side. I am not sure if I should be asking you this question because this is actually at the level of REpower but if you share any comments that will be great. I was listening to REpower's conference call and I think in first quarter of this year which is I think three quarters back the CFO commented that they had a EUR 600 million credit facility, most of which was undrawn. Now, that you are in the process of some minority squeeze out process. Do you think you will have to renegotiate for that facility or do you think that facility will still be available to you?
- Kirti Vagadia:** I think that should be principally available to us. Why we need to renegotiate?
- Atul Gharde:** Because that is what the CFO had said that probably they will have to renegotiate because these were two different separate companies despite you own 91% then, that was my sense. But as you are saying you probably will not have to renegotiate?
- Kirti Vagadia:** I do not think there is a need to renegotiate. His comment might be in a different context. Every facility falls due for renewal every two or three years.
- Atul Gharde:** Okay, great. That is it from my side. Thank you.

- Moderator:** Thank you. The next question is from the line of Nainesh Rajani from Tata Mutual Fund. Please go ahead.
- Nainesh Rajani:** First of all, over the next couple of years just wanted to understand how much of scope of margin improvement there as far as REpower is concerned and how much that could benefit a total profitability of the company
- Tulsi R. Tanti:** It is a very clear action plan behind that is. As you know, the REpower is the last financial year is 25% gross profit margin is there. Suzlon is somewhere at 33, 34% and average somewhere 30% is there. There is a great opportunity in the REpower is there and that is why they are moving the lot of supply chains to Europe to the Asian market and today, I can say already they have started the 2 MW production Mangalore production facility, and they are rapidly developing the supply chain from China and India. So there is a good scope of reduction is possible. It is very difficult to quantify. But it is a great opportunity to the improvement of the gross profit margin, and reduction of the COGS is possible.
- Nainesh Rajani:** Just continuing with REpower at this point of time, the facilities that are still undrawn as far as the REpower is concerned. At what interest rates are they currently at and in case you have to renegotiate those contracts in terms of either having new bankers for those kind of facilities, what could be the probable increase in interest rate vis-à-vis currently that REpower is enjoying?
- Tulsi R. Tanti:** First of all, you have to understand the REpower there is not a single Euro debt and there is a fund based and non-fund based facilities are there and they are not using, almost nil we can say, almost they are using the fund based facility because they are already sitting in more than EUR 300 million the cash liquidity and other things. So they do not require debt. There is no need of the renewal time also; because they have sufficient cash. Only the non-fund based facility which is when we are getting the orders advance payment we have to give performance guaranty we have to give once, that is the only facility REpower is used.
- Nainesh Rajani:** Okay. What I wanted to understand in case once the complete consolidation happens actually and you would want to utilize your cash at REpower to repay certain long-term debt at that point of time you might have to utilize the facility and as far as what I understand is the banker had some issues and they would probably want to renegotiate the contract so just wanted to get some clarity as far as that part is concerned.
- Kirti Vagadia:** First of all, as I answered in a previous question that there is no need for renegotiation of the facility. The question of increasing cost does not arise. Secondly, you know that these are non-fund based facility where the cost is very, very negligible.
- Nainesh Rajani:** Fair enough, Okay, sir. Just coming to the consolidated basis. Wanted to understand debtors are still high at this point of time. I believe there is one huge debt that has been in our books last couple of years at least. So, what is the status of that 1000 of the crores of huge debtor ?

- Tulsi R. Tanti:** There is the one single debtor's amount is pending 900 crores to somewhere 1000 crores. And as you know that project we already completed and commissioned in Q4, that project is running extremely very good and performance is good and also the energy output and revenue is quite satisfactory to the customer. So our obligation is to complete it by March. Now, the customer has to arrange the finance and other activities which we have taken action on that ground. So they are working on that. As soon as they will get the finance on the first project and second project both, then they have to deliver the payment to us and that is our understanding with them. We are expecting they will achieve financial closure in this financial year. As soon as it will be over we will get the money.
- Nainesh Rajani:** Okay. But you are sure that in this financial year you would be able to recover that particular money, it would not be a major write-off or our balance sheet, and can that be a safe statement to make?
- Robin Banerjee:** There is no possibility of a write-off. This is Robin here. But to reassure you that against this debtor we have a parent guarantee and question of the write-off does not arise, question of timing, when shall we get the money. And to answer your other question that debtors are going up, actually, debtors have gone down by last one year because on 31st March 2010, our debtors were 4,700 crores, now it is Rs. 4,100 crores because the way to look at it is due to the seasonality of our business, if you look at from 31st March context because of high shipment on a year-end when business goes up but in spite of higher shipment in March, our debtors were lower even as compared to 31st December. The quality of debtors is good and this particular debtor which Mr. Tanti was talking about is also secured against asset as well as the parent guarantee.
- Nainesh Rajani:** Okay, fair enough. Just a couple of more questions from my end. By when do we expect 100% consolidation of Repower and the minority shareholder settlement that is still pending, by when it is expected to get done with?
- Tulsi R. Tanti:** You have to understand because there is a current legal and regulatory framework process is going in Germany. So we are not able to answer this question and it is very difficult from our end to predict certain timeline and other things. But you have to understand what is the normal process first, the court has to appoint the auditor and that already they have appointed, then we have to call the shareholders meeting and everything and then we have to conclude on that and that will be we have already planned in Q2, so that will be there. And after that some period takes- it depends on some legal process and other things. There is a good regulation in 2009 has come in Germany, it is called the fast track, irrespective of any litigation between the minority shareholders and the principal shareholders, the process can be continued separately but still our process and litigation part of the actions can be continued simultaneously, there is no restriction on that. So that is the thing. So we are expecting this process will be completed in time. So then we are able to do that. But it is not possible to define the timeline.
- Nainesh Rajani:** My last question would be on a broader market, a) first on the US part of it, historically, US has been one of the biggest wind energy market but since 2008 they did not work out, by when do

you expect or whether you expect the same kind of traction in US within the next couple of years or US will continue to be a stagnant market and it will not grow at the same pace or would not reach those levels that we have seen in 2008.

Tulsi R. Tanti: So first of all let us see the different milestone situation. The current incentive schemes are available there which is expiring on December 2012 but we are expecting in January 2012 to December 2012, a lot of projects will be commissioned. And in H2, of the current financial year, lot of order will come, those are low hanging orders. Today, it is not flying because of the lower PPA is there, because of the lower gas price, but now there is a some improvement in the gas price this year...

Nainesh Rajani: But that incremental increase in order will only be because there has been expiry of that particular incentive that USA based developers will be receiving and that expires by the date that you mentioned. What beyond that? I mean what is it that you foresee from the US market?

Tulsi R. Tanti: That is what I am telling. The short-term situation in 2012 looks good, but 2013, we do not have a good visibility because there is no incentive and at the same time, if there is a gas price and PPA is not improving or there is no federal legislation coming on board, up to that it is uncertainty of 2013 onward will remain. But what we believe is that government will come forward after December 2012, which is a normal nature of the framework of the US government. A lot of commitment and obligation point of view, the reduction of the carbon footprint point of view, they have to give a momentum for the renewable and other things so there must be some moment which will come in 2012, we have to wait for that. If there is a some positive direction and everything, we strongly believe the resources which is available in the US is very large there and it is directly/indirectly energy security and green job creation opportunity point of view government have to think differently on this direction but currently it is not available. So we are not foreseeing very strong at this moment. We have to just wait and watch how the government taking the initiatives.

Nainesh Rajani: Just last question from my end. As far as India is concerned, even at this point of time, the major Indian market is contributed by HNIs and individuals rather than actually the corporates who are willing to put in renewable energy base power plants. Are you seeing a shift in trend or are you getting a sense that IPPs or power plants by developers would increase in India, because of the incentive regime that has come into play.

Tulsi R. Tanti: The market is moving from a small and retail segment to the medium and large segment point of view and it is moving in a two direction. One is the lot of captive requirement is increasing also rapidly. So those are industries captive consumptions there, they are continuously investment, and we continuously see the good demand on that side. And the second is the domestic corporate and companies those have a good liquidity and other thing, they are strategically going in an investments like Hindustan Zinc investment is coming in this direction. So they are planning to put more investment renewal. Then, third segment is the large IPP which is driven by the more private equity investors, so they are also coming forward to invest on that. Top of that the

domestic utilities, those are private utilities are there in our country, based on the obligation of the RE certificate and other things, either they will have to purchase, either they will have to invest, like Tata Power, Reliance and Torrent and other utility and the CLP which is an Asian utility, so they are going in that direction so that market is also coming on our large power product concept requirement. Above that new segment has emerged very well in Indian market. State PSU and the Central PSU are coming forward for some captive requirements or some investment opportunity point of view, so they are going. But the good part is that our policy framework is well established at the state level and the central level and that will drive this growth momentum continuously at least for the next ten years.

Nainesh Rajani:

But even at this point of time the total contribution of the utilities and State PSUs of the total Indian wind market would not be significant. By when can we see actual movement on grounds which would indicate to us that policies that have been formed by the government are utilized by utilities and State PSUs and we will see increased contribution of wind and other sources of power from the state PSUs and utility going forward?

Tulsi R. Tanti:

PSU and utility somewhere 15% is currently there but we have to understand India's 90% power sector is driven by the government and the state-owned utilities companies are there, they are not doing any investment and they will not do any investment. So the private utility will jump in that and PSU is putting investment. So it will remain. Now, in India, the major investment will come under private sector part 80%. So we cannot expect more than 20% will come on that segment. But majority will be in the private sector and there are two segments. One is a captive requirement is there and one is the IPP is there. The trend is very rapidly moving on IPP direction and a lot of IPP customers are interested to go 100 MW, 1000 MW scale of the projects and other things and a lot of customers currently we are discussing and negotiating with them on a different, different scale and size of the projects. So IPP demand is quite very good emerging because of the REC mechanism has come more clarity and everything and that is giving a good comfort and confidence on a long-term point of view and it will continue to grow, IPP segment more and more.

Nainesh Rajani:

All right, that is all from my end. Thanks a lot and all the very best sir.

Moderator:

Thank you. The next question is from the line of Ankush Mahajan from K R Choksey. Please go ahead.

Ankush Mahajan:

My question is repayment of the FCCBs that is going to convert in the next year. Could you throw some light on it? And the second one is minority squeeze out process what are the synergy that we will get after the full stake on REpower?

Kirti Vagadia:

Ankush, this is Kirti Vagadia. So far as repayment of FCCB is concerned, they are falling due in next financial year. This year, as you have seen our guidance that we are going to generate free cash flow of our operations, that is one, secondly, as you know that conversion of FCCB is also a possibility. You cannot rule out that possibility as well. But we as a company are gearing up

ourselves for a potential repayment if any required and for that purpose, one is the free cash flow, second is our working capital requirement is not going to increase and we are going to generate, recover this once sticky receivable which Mr. Tanti has already explained in a previous question. Secondly, we have opportunity to generate cash out of sale of some of our non-core assets. All put together, we are sufficiently geared up to take care of any repayment obligation; we can come after about 15 months.

Ankush Mahajan: Sir, what about synergy that we will get by taking the whole stake in REpower?

Kirti Vagadia: I think on synergies, we have talked about synergies for many times in our previous conference calls. So you can check our previous communication and I do not see the need to repeat that. So far as quantification of the synergy benefit is concerned, I would not prefer to quantify that at this stage.

Ankush Mahajan: Sir, for wind turbine business, can you give us a guidance for FY12, the execution in terms of MW like 2200 MW?

Tulsi R. Tanti: We have given a top line guidance of the group. So that is very clear. And as you know the Suzlon, the wind order book is there, and out of that, nearly, 1,400 MW order book is for the current year and within that nearly 800 MW order book is for the India is there and as you know part of our guidance in India is our plan is 1,800 MW, so 1,000 MW additional order book will come from India so we are very comfortable to achieve our target of the guidance.

Ankush Mahajan: Thank you sir.

Moderator: Thank you. The next question is from the line of Lawrence Brader from Green Dragon Fund. Please go ahead.

Lawrence Brader: I have a question about how many sales you are expecting in China. We have been watching average selling prices of turbines there fall very quickly and we were just wondering how would you expect to compete with this, what orders you are expecting and at what pricing?

Tulsi R. Tanti: Yeah, China is a very competitive market and also they are following the different standards of the product and other things. And because of the price structure is different, there is a whole world is following GL standards of the product and technology, and also the world is following Kwh price basis where the China is falling the China standards and also kW prices, so the difference is there basically. Current pricing structure in China is ranged between 3,800 RMB 4,000 RMB levels are there and within that range the business is quite possible there. So we are very comfortable and we are very competitive because we have developed our full supply chain, almost 80% within China, with so many local vendors which is more of the European vendors established in the China. So that is why we are comfortable. Same time, we have recently introduced the 2.25 MW very specially designed and developed for the China kW market so that we are able to remain competitive and we are offering this product in the market, 4,000 RMB is

available, 2.25 MW machines with the 88 meter rotors and it is a quite competitive product and we are expecting because recently we have launched this product with the DFIG and variable speed concept and everything. It is a state-of-the-art product and also with the German design with the Chinese price, concept is very clear. So we are expecting good orders will flows in this financial year. But as far as the current year revenue part point of view somewhere is 200 to 300 MW we will deliver in the current financial year.

- Lawrence Brader:** Okay, thank you very much.
- Moderator:** Thank you. The next question is from the line of Srinivas Rao from HDFC Mutual Funds. Please go ahead.
- Srinivas Rao:** Yes, sir, my first question is what is your outlook for the Indian market in terms of likely market size in FY12?
- Tulsi R. Tanti:** First of all, after two, three years, a lot of continuous supports of the government and the right policy framework is very strongly established in the market and all the states of India where the seven states are more active, they have adopted, and they have implemented the right framework and other things and because of that a very uniform development is happening in all the states and that is why the market will continue to grow for at least the next five years very well and we are expecting that last year India has done 2,300 MW, for the current financial year it will be somewhere between 3,000 MW to 3,500 MW size market will grow and that is the outlook of India.
- Srinivas Rao:** Okay. And sir, in FY11, this total number, how much was the share of IPP and what do you expect this to be in FY12 and 13?
- Tulsi R. Tanti:** In the last financial year IPP overall the market point of view, grows nearly 25% and the current year it will grow some percentage but majority growth will come in the next financial year because current year again the depreciation is continued for this financial year so the priority can be given to those customers because there are opportunities for the current year so they will go more aggressively on that. And most of the IPP order will be closed in the current financial year and most of the delivery will be in the next financial year but still this year also we are expecting 25-30% will remain in IPP.
- Srinivas Rao:** And sir, on REpower, were there any exceptional items in Q4?
- Kirti Vagadia:** Yeah, there was one exceptional item in depreciation; about 51 crores impact is coming in depreciation line item for impairment of certain assets in China.
- Srinivas Rao:** Okay. And what are the targets for REpower in terms of revenues and EBIT for the current year?

- Kirti Vagadia:** We would prefer not to bifurcate our guidance into two companies. Because now, we move towards group.
- Srinivas Rao:** Okay, fine sir, thank you.
- Moderator:** Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Funds. Please go ahead.
- Madan Gopal:** Sir, my first question is on what are the total orders that happened in the Indian market last year and what was our share and what is our expectation for the next year?
- Tulsi R. Tanti:** I think your question is the total Indian inflow of the whole country, am I right?
- Madan Gopal:** Yeah.
- Tulsi R. Tanti:** I think it is very difficult to get because so many companies are not announcing or anything, Suzlon like public companies are there, rest of the company's information is not available. Moreover, the nature of the retail market segment is there much more. So when we are talking about Suzlon, as you know, we have achieved in the last financial year ~2600 MW orders for all geographies put together. The total we have delivered which is compared to earlier year is more than double, we can say. We have received in the earlier year was ~1100 MW and last year was ~2600 MW.
- Madan Gopal:** Okay. Sir, for next year, to achieve our guidance of roughly around 2400 MW kind of delivery, we probably need 1,000 MW of new orders to come and we, **continuously keep** hearing new players entering into Indian market, even Chinese entering into Indian market and we saw some numbers of very low CAPEX per MW rates being quoted by Chinese as well for some Indian IPP order. How confident is Suzlon management that we will be able to get this 1,000 MW of incremental orders to meet next year sales?
- Tulsi R. Tanti:** I think last year we have achieved 2,600 MW order inflow and current year order book point of view already the opening order book is 800 MW is there, so I do not see the difficult to achieve current financial year 1,000 MW order, it must be higher for the further year also, so order part is not a constraint in Indian market.
- Madan Gopal:** So you think Chinese would not be a threat to you in the Indian market as well as the other European players who have entered into India?
- Tulsi R. Tanti:** First of all, you have to understand, Suzlon China is already competing the Chinese companies within China. So if Chinese company is able to come in India, why not Suzlon China will also come to the India? So I do not see that is the threat for the Suzlon at least. Second thing, we have done the complete analysis and study. If Suzlon China will export product from China to India, and compared to India, what we are producing, whether we remain competitive, answer is no. So

any Chinese companies are bringing any products from China to India I think it is very difficult for them to compete with Suzlon India and Suzlon China. So it is not competitive, maybe it will be affecting other two company's market share, but not Suzlon. Second thing, their product is not designed for the German GL standards and also in Indian market it is mandatory to register the product and technology and everything to follow the CWET registration and everything, that is mandatory if anybody wants to sell, Chinese company or any company in India, for them, it will be extremely difficult to achieve that because they are not following that product standards and everything. The product is mainly for the China market and China standard is there. If they want to follow the standard then their cost of products will go up. I do not see any threat for at least over the next five years from China. And if that threat will start Suzlon China will be the first in Indian market.

Madan Gopal: The next question is on the margin. Assuming that we will be able to say touch around 80% capacity utilization, our margins can be as high as what we did in the period 2009, 2010, 20% kind of numbers.

Kirti Vagadia: I think let us stay focused on FY13 right now. Definitely, there is always an intention to improve the margin. Certainly, you are right, that we do have better operating leverage because my fixed costs are not going to increase in proportion with increase in the volume. So volume is a key driver. If we are seeing better visibility for volume in FY13 and onwards, and the number what you are talking should not be far.

Madan Gopal: Okay, thank you sir.

Moderator: Thank you. The next question is from the line of Abhinit Anand from Antique Stock Broking. Please go ahead.

Abhinit Anand: I just have a small question. One is on the fact that we missed that 160 MW which we are going to deliver in 1Q, so do we expect the stronger 1Q compared to 1Q FY11 because this 160 has come up. And given that, will we see a lesser variability in the Suzlon sale for the year? Because if you look into the current year we had sales say from 200 to 500.

Tulsi R. Tanti: First of all, when we are talking of quarter-on-quarter point of view, I think we will not go in a much detail on a quarter guidance requirement. The second is Q1 160 MW which we have originally planned in the last quarter but because of non availability of the huge requirement of the trailers so we were not able to deliver but that will be delivered in the Q1, naturally, because of that reason also, and also the normal plan because we have a quite good order book in the beginning of the year. Because of that, most of the quarter we are trying to bring as much as closer and closer in Indian market point of view. So that Q1 will be quite better than the last year naturally.

Abhinit Anand: Okay. And sir, last year, we started with the guidance of closer to 1700-odd and for the full year for Suzlon and Suzlon India and other parts, FY12, we are guiding somewhere around 1800 from

Indian front and maybe 400, 500 from external orders. So how confident are we in attaining maybe 2200 to 2300 on.....

Kirti Vagadia: We would not prefer to differentiate a number first of all, whether it is 2200 or 2400 for Suzlon because as we mentioned that we do not want to differentiate between Suzlon and REpower so far as guidance is concerned. So far our confidence on our guidance is concerned we are fully confident on our guidance and we stand behind it. We have taken into account all kinds of potential risks which can come into our way and we have tried to mitigate all the risks.

Tulsi R. Tanti: Just to add the opening order book of the Suzlon is also very clear at 1,400 MW. Out of that 800 MW in India is there. And as per our target to achieve 1800 MW in India, so we need additional 1,000 MW, which we strongly believe, comfortable is there, so if you can add like this, so we are able to deliver this performance and particularly on the Suzlon front, we do not see any difficulty.

Abhinit Anand: Okay, thanks sir, that is all from my end.

Moderator: Thank you. The next question is from the line of Jayesh Mehta from D.E. Shaw. Please go ahead.

Jayesh Mehta: I wanted to ask two questions on realization for Indian market. So would it be possible for you to breakup the Suzlon wind revenue in terms of India versus international revenue in value term?

Robin Banerjee: We do not give that breakup.

Jayesh Mehta: Okay. No problem. I will just ask you the other way around. Are the realizations in the Indian markets constant or going down, for the fourth quarter, how has been the realization per MW in Indian markets?

Tulsi R. Tanti: I think Indian market one is you have to understand we have dual approach. If you want to maintain the same volume I can get the better pricing and other thing but we are going in a good jump and big jump from the last year to current year. So the realization point of view marginal improvement will come based on the products mix and other things. As you know presently, we have introduced 2 MW new series of the turbine which is 9X which has nearly 15% to 20% higher energy output, so naturally per MW price will increase on that but that effect will come in the last quarter of the current financial year. So some improvement will come on a realization on a per MW basis.

Jayesh Mehta: Currently, our realization per MW in Indian market is around 5.4 crores per MW, right?

Tulsi R. Tanti: No, it is more than that. I told earlier it is a product mix; some product is say 5.5 crores, some product is 6 crores, some product is....

Jayesh Mehta: I am saying average realization? Maybe that would be a better way to put it. Average realization is somewhere around 5.5 crores?

- Tulsi R. Tanti:** No, average will be better than that. It will be somewhere between 5.7 to 5.8 crores.
- Jayesh Mehta:** Okay. And we can see upside in this because of the better product mix in the last year, right?
- Tulsi R. Tanti:** Yeah, in the last quarter, this average will improve.
- Jayesh Mehta:** Got that, and how about CapEx in FY11, what kind of CapEx we had, if you can break out between REpower and Suzlon Wind business?
- Kirti Vagadia:** CapEx I think you are seeing about 1400 crores increase in the CapEx during this year. The major portion of that is 450 crores is goodwill on REpower shares which we have acquired during this year. The second biggest increase is goodwill accounted by REpower on acquiring Portugal joint venture shares. That is about 70 crores and REpower previously was not accounting for this Portugal as a full consolidation. Now, Portugal assets are consolidated so those assets are about 210 crores and REpower own CapEx is roughly about 350 crores, balance is Suzlon's R&D, then certain wind farm assets of 50 crores we have installed in certain subsidiaries of Suzlon. Does that answer your question broadly?
- Jayesh Mehta:** Yeah, basically, approximately, more than 1,000 crores is in REpower itself, right?
- Kirti Vagadia:** That is correct.
- Jayesh Mehta:** So sir 350 crores in REpower apart from your acquisition of Portugal JV as well as acquisition of goodwill and all. 350 crores number, what was the last year number? Is it a maintenance CapEx kind of a thing at REpower or we are actually creating some capacity?
- Kirti Vagadia:** There are some certain capacity additions in offshore segment and 3 MW segment.
- Jayesh Mehta:** Okay. And that is why perhaps depreciation for REpower, one reason you said is 51 crores impairment, but still if you factor in that also, REpower's depreciation has gone up by almost 50%. So I was just thinking is it because of this CapEx and all?
- Kirti Vagadia:** Yeah, partly because of CapEx, partly because of foreign currency rate also, the minor impact is because of foreign currency rate also.
- Jayesh Mehta:** Okay. Can we assume going forward REpower's depreciation of 75 crores?
- Kirti Vagadia:** I think you can contact our IR department separately.
- Jayesh Mehta:** No problem. Sir, also about FX loss, I am just trying to understand why do we have FX loss before EBITDA, I mean, usually these kinds of losses are below EBITDA. So any reason, is it like an accounting policy kind of a thing or just wanted to understand?

- Robin Banerjee:** EBITDA is always a matter of discussion. But as you rightly mentioned, it will be below or above. We believe that FX loss or gain is due to the operating reasons and because we operate throughout the globe and then we convert some of the part of the global balance sheet in Indian rupees, it does affect to our mind an EBITDA level profit or loss. So yes, you can also take it below because there is no hard and fast rule for Forex.
- Jayesh Mehta:** Okay. So in other words, if I just want to understand more granularly what kind of FX losses these are? So these are basically losses incurred due to the foreign currency translation kind of thing?
- Kirti Vagadia:** Yes. We have two types of assets abroad. One is an investment asset, we have investments in REpower plus we have opening stocks in those countries, especially REpower because they are holding stocks. At any quarter end, both these assets have to be valued at Euro to Rupee conversion and this conversion changes from time to time. For instance, Rs. 60.5 in this quarter, the figure was different in the last quarter. Rs. 67 to a Euro one year back. So by conversion of this from 67 to 60-odd vice versa, there could be ups and downs. That is why we show this figure separately.
- Jayesh Mehta:** Sure, thank you. Sir, also on the interest on acquisition loan in REpower? Again, that has gone up. So is it pertaining to your acquisition of balance REpower sell, is it like that? What is this interest on acquisition?
- Robin Banerjee:** Yeah, it is debt, which we are holding or acquiring the REpower shares plus as you know interest rates internationally has gone up and the reason behind this increase is primarily because of increased interest rates.
- Jayesh Mehta:** Okay. So this debt is related to acquisition of Portugal JV and all and as well as in the balance sheet?
- Robin Banerjee:** No, this is pertaining to Suzlon's acquisition of REpower only.
- Jayesh Mehta:** Okay. Thanks, sir. I will get back to you if I have any further questions.
- Moderator:** Thank you. The next question is from the line of Mahesh Rao from Credit Agricole. Please go ahead.
- Mahesh Rao:** My first question is what is the reason for the change in the accounting for revenues from the German subsidiary in the last quarter of the year? And the second question is what is the impact of the change on the whole year's revenues and profits?
- Kirti Vagadia:** Let me clarify first of all that there is no change in the revenue recognition policy of the group. It is nothing but a change in the process of consolidation of both the companies. What used to happen that previously REpower was following a different accounting policy and Suzlon was

following different accounting policy. While consolidating our account, we were adjusting the REpower policy aligning with Suzlon's policy and that is why there was a change in every quarter. What we did as a process that now we have a common auditor for both the companies and for both the companies auditors have sit together and we realize that REpower business model is slightly different as compared to Suzlon and there is no need for us to do the realignment according to Suzlon policy. So right now, what you are seeing is a one-time impact of going in a new consolidation process. From Q1 onwards, there would not be any amendment process for revenue recognition, REpower will continue to follow their policy, Suzlon will continue to follow its own policy. Basically, REpower has some PoC revenue and Suzlon is following the completed supply of turbine method. And both are going to continue in the same method. Does that answer your question?

Mahesh Rao: Yes, that will be fine. What is the impact on the revenues and profits for the whole year? Is this restatement for the quarter?

Kirti Vagadia: Yeah, that is already given by way of note that is annual impact.

Mahesh Rao: Sir, this 974 crores and 109 crores increase, is the restatement of profits and revenues only for Q4 or for the whole year?

Robin Banerjee: It is cumulative.

Mahesh Rao: It is for the whole year?

Tulsi R. Tanti: Yes. Cumulatively position.

Mahesh Rao: Okay. I have two questions. Why is the tax effect so low? If you see the level of tax charge, about 85%....

Robin Banerjee: The matter is quite simple. In the past two years as you know Suzlon did not do well. They have accumulated losses in the books. So the profits accruing in the current quarter or year can be fitted against accumulated losses under Income Tax Law. And therefore, the effective tax rate is lower than the marginal tax rate. That is what is happening.

Mahesh Rao: In the notes to accounts, sir, there is something you have mentioned and the auditors have expressed reservation on some matter respect to recognition of deferred tax assets. Is that something linked to your tax impact?

Robin Banerjee: Yes, I will explain to you. During the current year, we are reorganizing the way we do business in India. In India, we have 11 subsidiaries. We are reorganizing ourselves to make 9 subsidiaries to make the business simpler. For doing that, it requires some demerger and merger of the two companies. It needs High Court permission. This is primarily been done to reduce complexity in our business. Soon, however we do that it will also be incidentally help us saving some taxes.

Unless the High Court order comes, we cannot pass a final entry in our accounts of the tax benefit which might accrue. So therefore in the accounts, there is a tax charge taken which is the normal tax to be paid and then a deferred tax asset has been created which is the impact of the High Court order should it come in the future. So there is a charge which is minus, there is a plus which is a gain because of deferred tax assets, the net utilization is zero. We believe that is the right way to make the accounting adjustment because there is actually no cash outflow due to the tax. However, auditors have taken a different view and therefore made the comment in the notes of the accounting. We have made a normal comment in the notes of accounting.

Mahesh Rao: Sir, I have last two questions. One is on utilization of your FCCB and rights issue. Can you give us a roadmap on how the funds have been utilized?

Kirti Vagadia: So far as rights issue is concerned major portion has been utilized for funding our REpower share acquisition. Because that was practically used previously and right issue was just converting promoter's loan into equity.

Mahesh Rao: But then there was no cash infusion for this?

Kirti Vagadia: The cash was infused earlier. And so far as FCCB is concerned, once it is utilized, we will let you know.

Mahesh Rao: Right now, it is in cash?

Kirti Vagadia: Yeah, right now it is in cash.

Mahesh Rao: Okay sir. What is your gross debt-to-equity as of now?

Robin Banerjee: Gross debt to equity is not important. In our view it is always net debt to equity. Because cash is sitting in the balance sheet, so it is a theoretical number.

Mahesh Rao: Sure, but the cash will be still utilized for something? Just wanted to know what is the total debt which needs to be serviced at some point of time?

Robin Banerjee: In this current year, there is hardly any debt which needs to be serviced because of the moratorium as you know in our refinancing, and in this financial, the amount outflow is not more than 100 crores. Even next year, the amount is very small. It is only from '14, '15, the significant debt repayment will start. So still there are two years left for any debt repayment to kick in on that front.

Mahesh Rao: Okay. Thank you very much.

Moderator: Thank you. The next question is a follow-up from the line of Abhinit Anand from Antique Stock Broking. Please go ahead.

Abhinit Anand: Hi, just wanted to know on the turbines that we are providing, how are they functioning in terms of warranty in India and other parts of the world?

Tulsi R. Tanti: As you know, the total 17,000 MW globally of both the companies, in nearly 32 countries, our operations are there. The best focus we have done in the last two years is the best-in-class our service and OMS performance and that has given a very good performance in the last financial year. Most of the turbines have exceeded the 97% availability where our obligation and commitment normally with the customer is 95%. This is more at par or beyond the industry standards we are exceeding, so that is very good. The guarantee/warranty cost point of view, last year versus the current financial year because in the last two years we have optimized and rectified all our turbines requirements and everything and because of that performance is there and now no cost on that part is coming. The current financial year as per our current planning point of view, our guarantee/warranty cost will remain below 3%. So it is a normally industry standard. It will grow below 3%, so it is extremely good performance we will deliver in current year also.

Abhinit Anand: Okay sir, thanks a lot, which was from my side.

Moderator: Thank you. due to time constraints, I would now like to hand the floor over to Mr. Tulsi R. Tanti for closing comments.

Tulsi R. Tanti: Thank you. I would just like to say a few words by way of the conclusion. I believe today's results are a clear evidence that almost every measures company is in a better place, the short-term remain competitive and not without the challenges. But mid-to-long-term, outlook of the sectors remain extremely positive because of the continuous challenging power sector environment mainly on the oil price. The finalizing of REpower squeeze out process will help us to achieve the competitive market positioning. As a management team, we are confident about the sector and our group position within it. Thank you very much. Thanks a lot and thanks for your cooperation.

Moderator: Thank you. On behalf of Suzlon Energy Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.