



“Suzlon Energy Limited Results Conference Call”

October 24, 2011



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(Edited for factual errors)

Moderator: Ladies and gentleman good day and welcome to the Q2 FY12 results conference call of Suzlon Energy Limited. We have with us on the call today Mr. Tulsi R Tanti – CMD and the senior management team of Suzlon Energy Limited. As a reminder all participant 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. If you should need assistance during this conference call please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tulsi Tanti. Thank you and over to you sir.

Tulsi Tanti:

Thanks and very good evening to everyone. Thank you for making the time to join our H1 Financial Year 2012 investor conference call. I am joined today by Kirti Vagadia – our Group Corporate Finance Head , Robin Banerjee – our CFO and our IR Team.

I would like to share some thoughts on our result and then we will be happy to take any question you have. We have been progressing well in the past few quarters and we are extremely pleased to report that we have posted our third consecutive profitable quarters. As you know our business is seasonal by nature and the first half of the year historically has a lower volume. Typically about 35% of the overall annual business. Despite this we have made significant progress on the performance parameters. The order book is stable at more than one year of our sales coverage and our conversion from the order book to revenue is quite satisfactory. Now I would like to give you some of the highlights of our performance in the H1 compared to last year. Increased revenue by 52% over H1 FY11, delivering Rs. 9,397 crores compared to Rs. 6,170 crores. We have improved our gross profit margin to 35% among the best in the industry today compared to the 30% of the H1 FY11. Our EBIT is at Rs. 588 crores in H1 FY12 up from the loss of Rs. 662 crores in H1 FY11. Our EBIT margin for the period of the H1 stands at 6.3%. We have delivered the PAT of Rs. 108 crores compared with the loss of Rs. 1,281 crores in H1 FY11. Our order book is among the strongest in the industries at \$6.5 billion or approximately Rs. 32,000 crores. We have seen this strong order inflow with approximately \$1.1 billion in Q1 FY12 and \$1.8 billion dollar cumulative in H1 FY12. We are now at the half year mark for the FY12 and we are working towards achieving our full year guidance. Looking at our recent development, some of the key things are important. Our new products suits the Suzlon S9X platform and repower 3XM continue to sell very well. We already booked more than 700 megawatts in new orders for the S9X and six prototypes installed are already delivering over 97% up time. The 3XM has a very strong interest in Germany and other European markets. There has been been important development regarding our strategic investment Hansen and REpower.

On Hansen we are happy to report that we have successfully completed the sale of our remaining 26% stake in the company. This has generated \$187 million helping us to begin the deleveraging of our balance sheet. On the REpower the squeeze out process continues on the track. Looking at the markets, we see the strong outlook for the wind industries in a medium term and the long terms. The US, EU and China combined are expected to grow at

approximately 12 to 13% per annum. Emerging markets are expected to grow at approximately 30 to 35% per annum. Indian market also is expected to grow by 30% CAGR over the next five years and very strong growth potentiality is growing in Indian market. In Brazil, the latest round of the wind auction brought some of the most competitive pricing level for the wind. With the cost of energy on par with the hydro and natural gas. So in nutshell now wind is competing natural gas without any fiscal benefit. The South Africa remains the priority market for us with 10 gigawatt of the wind projects in the pipelines. Canada offers the strong potential in the North American market backed by the strong targets. In Europe the onshore market continue to hold ground with the Germany, France, UK, Italy as top contributors. The offshore market is projected to grow at over 30% in the year going forward. We see the enormous potential for the growth and are confident of our outlook in the mid to long term. We believe our performance over the past few quarters demonstrate that we are extremely well positioned to take advantage of this opportunity. Now we would be happy to take any questions from you. Thanks a lot.

Moderator: Ladies and gentleman we will now begin with Q&A session. The first question is from Rupesh Madani from Barclays Capital,, please go ahead.

Rupesh Madlani: Good morning from London, three questions from me please first could you comment on how you see pricing for your new product launches against competition and your expectations over next year and second you have outlined some of the profitability that you have delivered over the last few quarters could you talk about the deleveraging that you expect to conduct next year, what that could do to your interest cost and what strategic options you are considering and third you outlined in the presentation the focus on offshore and could you comment when do you expect to see significant orders for offshore product and the timing and terms of both new orders thank you.

Tulsi Tanti: So first I would like to share with you the market, pricing point of view we have observed in a different, different geography the market is more or less stabilized. There is no downward is going too much on any of the market. Some of the market like in the US we have observed little bit improvement, also it's not going in a downward. Indian market pricing is stable. The biggest advantage in the new product is there we are getting two main positioning A) we are getting more opportunity to sell the volumes because of the technological features are more advanced and it is bringing the better IRR to the customers, but same time we are unlocking the margin and that's why if you can observe in the last six months also our gross profit margin is quite good compared to the industries, 35% is there. So the new product is giving two advantage A) to the customer is the better IRR and B) is to we are unlocking the margin for us and we are getting good positioning in the new product particularly in 9X and 3XM in the European market. The second question is regarding the finance and deleveraging, Kirti would you like to answer this?

- Kirti Vagadia:** Yes , hi, Rupesh basically you see deleveraging is something which we have already set as one of our key action item or agenda item in our presentation. See there are various options on which we are working, some of them we will be able to clearly put on table right now and some of the options where we will be opportunistic and may come at appropriate time. One is cash flow from operation which you can make out from our overall guidance what we have given, the second thing there will be working capital reduction overall and there are few large receivable which are expected to get cleared in short time then there are few non critical assets where we will be selling them and then there will be certain other opportunities to raise the funds. So these are the various options which we will be using for reducing our leverage.
- Rupesh Madlani:** And could you just on that point could you comment on what the exceptional item of 219 number in the second quarter and if you could also talk about the receivable in terms of I think you have got some large receivables, are you making significant progress on that and when should we expect resolution of that item I think you said if I remember?
- Robin Banerjee:** Okay, Hi, Rupesh on the exceptional item income which is arising during the quarter is due to Hansen sale accounting thereof there was in the past foreign currency accumulated profits arising there from which were lying as reserves for which we have passed accounting entry as Hansen has been fully sold. So that is the implication if you look at the annual total income which we have generated on Hansen sale it was in Indian Rs. about 800 crores, 600 crores was accounted for in the past in various years when we sold parts of our stake and now that we have sold the balance 26%, about 219 crores was credited in the books of accounts that is how this amount came into existence.
- Rupesh Madlani:** Very good.
- Tulsi Tanti:** Also your last question about the offshore as you see in our order book its approximately \$1.3 billion order on hands in the offshore market itself and top of that is nearly 1,500 megawatt framework agreement with the German utility that we have so that is there and some of the order pipeline is under negotiation and in discussion is there but in our observation it is a quite good positive interest is there quite good demand is there and irrespective of the Euro zone situation it is not affecting the onshore and offshore European market at all.
- Rupesh Madlani:** Okay, very good thank you.
- Moderator:** Thank you. The next question is from Bhargav Buddhadev from Ambit Capital, please go ahead.
- Bhargav Buddhadev:** Sir I have got three questions, one Suzlon Wind in this particular quarter has reported gross margins of 2.4 crores per megawatt just wanted to know how sustainable are these? Second I wanted an update on the additional receivable of \$202 million and third I was reading from where that in India for the 12th Five year plan about 13 gigawatts of projects have been planned so far which already imply a per annum with a run rate of about 2.6 gigawatts versus about

0.95 gigawatts commissioned so far in the 11th Five year plan just wanted to know if this information is correct thank you.

Robin Banerjee: Okay, hi, this is Robin here, okay, your question on gross margin of 2.4 crores it has increased during the quarter primarily because of some project income which got credited during this quarter or some international project which got concluded, our gross margin does go up or can slightly come down due to such project being completed or getting carry forward from quarter to quarter. It so happens some international projects got completed during the quarter and therefore we have got this better and healthy margin.

Bhargav Buddhadev: Yes, how sustainable are these can you throw some light on that for the full year FY12 what could we work as an assumption?

Robin Banerjee: See I presume you are asking what how much Rs. crores we can expect.

Bhargav Buddhadev: Yes.

Robin Banerjee: Historically our numbers have been between 2 to 2.1 crore it's a historical number, it can go up and down slightly but that is what we do expect to be as a sustainable model, however, however because India will be a majority portion of our sales in the near future there is an upswing in the so called historical number which we have been earning and enjoying.

Bhargav Buddhadev: Okay.

Robin Banerjee: Tulsi bhai on Edison you would like to take

Kirti Vagadia: Yes, Hi, Bhargav this is Kirti on Edison specific, I would prefer not to comment on a specific customer related things but so far as our discussion with customer is concerned it is moving in the right direction and we expect that we should be able to collect the receivable as we told earlier to the market.

Bhargav Buddhadev: So which is around Q4 FY12 is it?

Kirri Vagadia: Yes that's correct, we are working towards that direction and we have discussion with the customer.

Bhargav Buddhadev: So have they entered into any PPA arrangements because I believe that, that is critical to they are getting banking finance and then in turn transferring the money to Suzlon?

Kirti Vagadia: No, I think there are various steps and various options and right now we are discussing those various steps and options with the concerned customer but since both are listed entities I would refrain from making any comment on specific item.

- Bhargav Buddhadev:** No, in terms of that wind farm has been registered and the PTC, can you comment on that have any progress happened?
- Tulsi Tanti:** I need to check and come back to you.
- Bhargav Buddhadev:** Okay, because we believe that there has been some steps in which they have already registered for production tax credits so I think that is the first step in the direction to finalizing our PPA so I thought I will just check it from you.
- Tulsi Tanti:** First of all just would like to comment on this is, A) our vendor finance whatever we have given it's a conscious decision and it is a fully secured by the all types of the securities and other thing number one, number two, there is more some linkage is there for the their activity what they have to do. So based on certain milestone achievement, they have to release the payment it's more on a financial transaction rather than any operational linkage.
- Bhargav Buddhadev:** Yes, I just wanted to get some clarification on the visibility which I was reading for the 12th Five year plan so I believe there are approximately 13 gigawatt worth of projects which have already been planned so is this information correct have you heard something on these grounds?
- Tulsi Tanti:** About wind.
- Bhargav Buddhadev:** Yes, about wind and the 12th Five year plan in India?
- Tulsi Tanti:** No, that is normally you have to understand the planning commission and other thing and everything they will go with that there is a minimum plan is there so there is some confusion in the market because of that so this is the minimum plan they have targeted there is no restriction of the upward plan. Second thing the prime minister has said the target by 2020 15% of the renewable has to come and by 2010 it's a 5% and then every years 1% increase is required. So based on that number also and by the prime minister target point of view it's a required big installation and as you know based on the policy frame work in India today, it's a demand in market is quite continuously growing and the only just first half of the current financial year the 1,400 megawatt India has installed which is approximately 40% growth compared to the last year.
- Bhargav Buddhadev:** And sir last one question given the kind of bloodbath, which we are witnessing in China do you see any serious threats from Chinese wind turbine manufacturers in India or across other geographies?
- Tulsi Tanti:** First of all we have to understand within the China is a different market is there and different technology standards and the project requirements is there. Once we are going to the global market we have to follow the global technology standards and the certain financial institutes' requirement and everything. I think the Chinese supplier has to gear up for that and they have

to come up to that level it's a long process is required so we don't see in the international market Chinese company competition much more even India or other part of the market. But yes within the China there is a competitive market is there and there is a quite difficult market in China is this but as you know Suzlon perspectives we are going more aggressively because we see China is the most strategic market for us and we have developed the product which is a quite suitable and profitable for the Chinese market to achieve the price structure and everything and we have already offered the same price what Chinese companies are selling in the China market, we are bringing the German technology with the proven track record performance of the turbine with the Chinese price we are offering and now we see the some good order flow will start because we have introduced this 9X product in the China market in just last month with the same Chinese price kilowatt hour basis and kilowatt basis also so it's going very well and lot of good interest has developed in the market and we see the good order inflow will come.

Bhargav Buddhadev: Okay sir thank you and all the best.

Moderator: Thank you. The next question is from Venkatesh B from Citi please go ahead

Venkatesh B: Sir couple of questions on some of the cost on the Suzlon Wind Turbine P&L now what I have been observing is you have been controlling manpower cost very nicely over the last five quarters and in this quarter there has been an increase of roughly around 25 to 30 crores any particular reason why the staff cost has gone up this quarter the second part is on the other expenditure once again you have done a great job in the past year in terms of controlling this but in the second quarter it looks like if you see the first quarter YoY operating costs are down but in the second quarter once again this has gone up by 30 crores so is there anything exceptional or any particular reason why the manpower cost and other expenditure has gone up?

Robin Banerjee: Yes , hi, the primary reason for increase of staff cost for this quarter is we have some international as you know we have I think your question was in Suzlon Wind.

Venkatesh B: Yes .

Tulsi Tanti: And we have our major portion of international staff and the Dollar and Euro both costs depreciated during the quarter and implication of this rise is primarily due to the weakening of Indian Rupee against these currencies. Otherwise there was not much yet India business is doing quite well as you know, so there has been some marginal deployment there, implication of that is also in this quarter and more importantly it was the Dollar and Euro appreciation against Indian rupee.

Venkatesh B: Sir what about other expenditure?

- Kirti Vagadia:** In case of other costs if you see actually quarter on quarter has gone down. Sorry gone up but if you see from last year level when you will see that we had 360 megawatt sales our quarter and quarterly other costs of 500 crores this year at 420 megawatts the quarterly expenditure of other costs were 532 primarily due to many of it is variable in nature one of which was freight and operational maintenance cost which you know this varies with regard to the volume which we incur during the quarter.
- Venkatesh B:** Sir my next and final question is on the consolidated sundry debtors it looks like the sundry debtors on a consolidated basis has gone up from roughly around 4,200 crores an year back to almost 7,200 crores now it doesn't look like Suzlon has had a particularly big increase in sundry debtors is there a receivable problem which you are facing on REpower?
- Robin Banerjee:** No actually I think the numbers are that on 30th September sundry debtors I am not too sure which figures are you seeing but we will be happy to clarify later on the figures which we have got is 6,300 crores last quarter the same figure was 6,100 crores and 30th December figure was 5,000 crores now this is all the debtors is percentage of sales and if you look at LTM sale the debtors is more or less same on a percentage of sales method plus our working capital has been all along around 23% over the last few quarters as opposed to about 26% which used to be about a year back. Maybe the figures which you are mentioning does not simply matching but we can be will be happy to clarify this figures off the line in case there are any differences in the figure, to answer your question no, there are no difficulties in any of the REpower debtors recovery.
- Venkatesh B:** Okay, thank you very much sir and all the very best for the future.
- Tulsi Tanti:** Thank you sir.
- Moderator:** Thank you. The next question is from Charanjit Singh from HSBC, please go ahead
- Charanjit Singh:** In the presentation you talked about the deleveraging has been initiated so if you could throw some more light on it is there a likelihood of gross debt going down over the next two quarters or are you planning to hold these free cash until you complete your discussion with the bond holders?
- Kirti Vagadia:** No, I think definitely cash as on particular date which you are referring to is always moving number but so far as overall strategy is concerned on a deleveraging that include FCCB holders as well. So what I explained to you that cash coming from operations, cash coming from working capital release plus sale of some non-critical assets all those kind of things will be utilized judiciously at appropriate time.
- Charanjit Singh:** Okay, so we can't get any visibility on whether any debt reduction during this particular quarter or six months' time?

- Kirti Dalvi:** Yes, there is immediate target internally but I would not prefer to put it right now on table as a target.
- Charanjit Singh:** Okay, fair enough, the second question is if you could give some insights on the new order flow in the current quarter what is your expectation from the order flow in October, December quarter based on the discussions what you are having with your customers?
- Tulsi Tanti:** I think Q2 order intake is approximately \$1.13 billion is there and when you are asking about again quarter 3 inflow point of view overall average we can maintain in the range of \$1 billion range will be remain on that level.
- Charanjit Singh:** Sir this is at the group level or Suzlon standalone?
- Tulsi Tanti:** No, this whole number and statistics now it will be on the group level only.
- Charanjit Singh:** Okay, so any insights on new order flow from India during this current quarter?
- Tulsi Tanti:** Yes, the last quarter I think how many megawatt is there.
- Charanjit Singh:** Sir I am talking of October, December quarter sir?
- Tulsi Tanti:** Yes, it is ongoing business and lot of order discussion and negotiation is there and some of the orders are in the pipeline is there once we get the advance on the particular order we convert into the firm order and we are announcing is there so it's a good pipeline is there and we will continue to get the lot of good orders in the coming two quarters in India also.
- Charanjit Singh:** Probably my last question is on the Caparo order of 500 megawatt which is to be delivered during this year, is that delivery expected to happen before March? Is that on time or you see some delays on that?
- Tulsi Tanti:** No our clear plan between us and customer is there, total we have to deliver the 1000 megawatt in a two financial year and current financial year up to 31st March we have to deliver the 500. We don't see the delay on this part it will go as per the plan and the next financial year again, we have to deliver another 500 megawatt which we are offering the some of the sites for the next year and then accordingly it will go for the next year. So total we will like to complete in a two financial year the total is 1000 megawatts.
- Charanjit Singh:** Okay, thank you very much.
- Moderator:** Thank you. The next question is from Rosita D'souza from Ellara Capital please go ahead
- Rosita D'souza:** Hello, thanks a lot for taking my question. If I understand correctly since the Hansen deal was actually completed in the month of October the proceeds would not reflect in your balance

sheet as of the quarter end I would like to know where does the company actually plan to deploy the proceeds the \$187 million that has actually come in October my second question is you know, you mentioned that you would be selling off some non-critical assets to deleverage your balance sheet could you throw some light on what these non-critical items could be, non-critical assets and my last question would be on REpower if I look at the EBITDA margin for REpower in QonQ, quarter on quarter I see that there is a marginal dip in margins and if I look further I see that the raw material cost have increased as a proportion of sales, if you could throw some more light on that thank you very much.

Kirti Vagadia: Yes , Hi, Ms D'souza this is Kirti your first question is on Hansen sales proceeds. You are right that it is not received in September it is received in October and the planned utilization is part one will go for repayment of certain loans and balance will be in cash. So it will be deleveraging partly mostly half of the money will go for deleveraging so that's part one. Question two is non-critical asset on non critical asset we have few units on component segment, we will not prefer to name the things and secondly there are certain wind farm assets also so both of those things will be used for deleveraging. Then on REpower margin dip it is purely on account of movement in foreign exchange rates during different quarters otherwise if you compare it in terms of Euro then probably it is quite stable or slightly increasing.

Rosetta D'souza: If I remember correctly you have raised about \$175 million of FCCBs you know towards the beginning of this year where is that going to be deployed?

Kirti Vagadia: No, see money is fungible so basically you can see that we have also utilized part of that proceeds for reaching up to 95% as well.

Rosita D'souza: Okay, could you tell me how much has already been utilized of the FCCB proceeds?

Kirti Vagadia: Yes, see entire money is utilized basically but how much utilized for REpower purpose I will just come back on exact number.

Rosita D'souza: Okay, no worries. Thank you very much. One last question could you give me some numbers on what your capital expenditure for this quarter was consolidated entity?

Kirti Vagadia: We have half yearly number right now available for CapEx it is roughly about 400 crores of which Suzlon Wind is about 160 and 160 is for REpower.

Rosita D'souza: Okay that's all thank you very much.

Moderator: Thank you. The next question is from Sandeep Tulsyan from JM Financial please go ahead

Sandeep Tulsian: Yes , good evening sir. Sir my first question is regarding the REpower squeeze out which we had accrued in last month's AGM and as per my understanding the minority shareholders have about a month to file an objection against the agreed upon pricing it was €42.7 per share so

has been there been any filing of such an objection, if yes then at what price are the minority shareholders demanding the squeeze out to happen and secondly on the ordering front from Brazil what we have been reading is that in recent rounds there have been very aggressive bidding by the other players and the likely margins on those kind of orders are going to be very low and secondly Suzlon has not been able to get orders in the second round of auctioning so what are your comments on the same?

Kirti Vagadia: On the REpower litigation your knowledge is absolutely correct that they have one month to file the litigation and as you are waiting we are also eagerly waiting for confirmation on that aspect. There is some legal process by which we need to get information from legal system within Germany so we are waiting for that information and it may take a day or two to get final information on whether we have any litigation or not.

Sandeep Tulsian: Sir basically the second round of auctioning of orders which has happened in Brazil what we have been reading is that there is very aggressive bidding from the other players and the margins in this are likely to be very low and Suzlon has not won any order in that front so just want to know your comments on the same?

Tulsi Tanti: No that's not true. We got the order also, but its not large order its may not be highlighted, but we got the order. Second thing whatever the second round auction is, who have won and those customers has got the PPA our team is already working with those things. We have to understand during the auction and after the auction also the different is there. So the final order conversion will be the now we have a very clear clarity who has the PPA, now we are working with those customers and we will convert some of the orders in firm order. So that is a normal process in the Brazil is there. But our customer get the order and one order we have get that thing but once we get the advance after that we are announcing those orders.

Sandeep Tulsian: Okay and sir regarding the pricing on the same, how would you say is the pricing in this round of bidding?

Tulsi Tanti: Yes, the pricing in the last round was very, very competitive is there but based on our new product which is 9X platform S95 and S97 with the 100 meter tower height is we are able to compete very efficiently with the reasonable margin for us also. So we don't see the constraint on that front but it's quite aggressive pricing but it is now stabilized we can say like that.

Sandeep Tulsian: Okay sir thank you very much.

Moderator: Thank you. The next question is from Ankush Mahajan from KR Choksey please go ahead

Ankush Mahajan: Good evening sir. Sir there are some couple of questions sir what is the market share for the order intake in the last quarter for Suzlon?

- Tulsi Tanti:** It's particularly very difficult on a quarterly basis but on a H1 basis whatever the announced order of the market is there. We have to understand some of the announced orders in China is not there. But all global market whatever the announcement is there approximately in H1 we have achieved the as a group Suzlon and REpower 14% we have achieved on H1 basis based on the announced orders so if some of the orders is not announced and maybe that proportionate market share can be reduced.
- Ankush Mahajan:** And sir market share in domestic market sir?
- Tulsi Tanti:** Market share in domestic means.
- Ankush Mahajan:** Say in the Indian market?
- Tulsi Tanti:** Yes , Indian market is mainly the order book is going to be anyway we have a quite large order book is there so there is percentage point of view its quite high but on a full year basis we have a clear plan and target to achieve the minimum 50% market share in Indian market and its achievable and we will deliver that.
- Ankush Mahajan:** Okay sir if you see the other operating expenses in the first quarter that was we are quite confident that other operating expenses are in a comfortable zone. Now in this quarter they have increased once again how could we take it that sir things will be stable in the near future it will increase further or will it remain in the same way?
- Robin Banerjee:** Yes , other operating expenses if you see.
- Ankush Mahajan:** Sir I am talking of Suzlon Wind Turbine business and it would be better if you give us a break up sir?
- Samir shah :** Yes , basically Ankush the OpEx is split into two parts one is the variable and another is the fixed. On an average basis you can count for your modeling purposes about 375 to 400 crores as fixed and variable of course is vary with the volume if you look at the quarter two number of this year the variable was about 120 crores out of the 532 so that's where we are and three of the large items if you want to know in terms of fixed, is like other selling expenses which were about 62 bank charges were about 50 and consultancy charges were about 40 and operations maintenance and other charges were about 47 so these are a few large items so on an average you can count about 400 crores as the fixed cost.
- Ankush Mahajan** Yes sir.
- Tulsi Tanti:** Third quarter.
- Ankush Mahajan:** Sir we can assume that things will be sustained in the near future?

- Tulsi Tanti:** Yes.
- Ankush Mahajan:** Sir another thing is that our consolidated debt has increased in the last quarter in spite of that our working capital has come down that is stable do where we have utilized this money and what is the average interest rate that we are paying on it?
- Robin Banerjee:** Consolidated debt which has gone up per se it has a foreign currency implication we have some debt which is in foreign currency and its long term debt and as you know, Dollar also has actually appreciated against Indian rupee and due to the translation loss one of the implication of this is about 500 crores increase is purely due to a notional foreign currency depreciation so that is the main reason of the increase, increase perhaps you would see about 650 of which 500 crores is due to foreign currency. The balance is due to it goes up and comes down from quarter to quarter because of based on volume.
- Ankush Mahajan:** Okay sir what is the average interest rate we are paying now?
- Tulsi Tanti:** See average interest rate we our average cost of interest if you want to know about for a year should be between 1000 to 1100 crores per annum if that helps because interest rate is a function of interest divided by total loan taken.
- Ankush Mahajan:** Okay sir. Sir another thing is market in the Europe as there is slowdown in the European market how we do see the market there. The banks are funding projects in the European market at this time or they are facing some problem?
- Tulsi Tanti:** First of all let's understand because it's a general perception is that European market and European economy and Euro Zone has some strategic issues. But that is restricted to the economy part. Renewable industries and particular wind that observation is no more there not only that compared to last year current year market in European market is growing and within that Germany France and UK market is growing quite efficiently, even recently we got last order in Netherland also. So the demand in market is quite good there is number one. Number two is there is no problem of financing these projects in those markets so because most of our customers are large utility of the European market and they have the financial means and other things are very strong and these are the long term CapEx plan of the investment in the utility sectors. So because of the economic environment and other things they cannot able to change so frequently in such types of the plan so we don't see any difficulty and don't see the slowdown first of all not only that the next two to three years this market will deliver the best performance going forward in the wind industry market. If you see the REpower order book positions our \$4 billion is there, they are heavily concentrating only in European market that is a very good approximately three years of the business security is there. The source indicators are good market situations of this. Third we are not facing any difficulty for recovery of the our money in time and other thing in the European market because the large utility is very long term financial planning for them is there and that is giving good visibility of the business and top of that those market business is also reasonably good profitability is there and particularly

the offshore markets are giving good amount of the growth and volume is there where competition is very less is there. And Suzlon through REpower is extremely well positioned in offshore market and the offshore project is always the long term project plans and others in this required so we are getting quite good opportunity to grow in the offshore segment and that's why very strong order book REpower has in the offshore market also.

Ankush Mahajan: Thank you sir, thank you very much.

Moderator: Thank you. The next question is from Indrajit Bhatia from Macquarie. Please go ahead

Indrajit Bhatia: Thanks a lot for taking my question. It is two parts one what do you think what percentage of your India order inflows or India order backlog is or I would say let it put it India business as a such is typically comes from the investors were looking at tax saving incentives in India and do you remain comfortable with those targets in India given that general corporate profitability would be under strain this year?

Tulsi Tanti: I think approximately 50% business is non-depreciation segment market since 50% is they are dependent on accelerated depreciation benefit. Second thing we have to understand when we are going on that 50% is there its more than 100 or 150 customer is there. It's not a large corporate house is investing in this segment much more. It's moreover the lot of captive companies they have own captive performance for power requirement is there and some of is some annuity long term income point of view is there. So it's a number of companies are so many is there and they are doing investment in this segment. So we don't see the large corporates profitability and other thing can affect on that that segment.

Indrajit Bhatia: Okay but given that this year you want to do something around or I would say 2GW say being a tough kind of target and you have done of sales of around it and then megawatt so 800 being in India to get share of around remaining 1.2 gigawatt you really need large quarters large quarter four so is there kind of pipeline or kind of projects that you are seeing in the pipeline that's one. We have already seen in two quarters your India order backlog declined though marginally. So is there any kind of large framework agreement that you are likely to sign going into next year or this year which will give visibility for FY13?

Tulsi Tanti: Yes I think the three, four large IPP customers discussions and negotiations is there. We are going the way not as a long term long order book commitment because Indian market is quite promising and it is giving the good opportunity in price also. So we are going with the what is the next 12 months we required that much order we are taking and giving commitment on the price and other thing but as a frame agreement which is not backed by the advance so we are not announcing that we have some good order pipelines on that area and the second is based on the our executions visibility, based on that we are continuously blocking the orders. So we have a good visibility of current year we don't see difficulty to achieve and deliver and also we have a good pipelines for the next year but its not backed by the advance payment so that's why we are not disclosing in the market.

- Indrajit Bhatia:** Okay, just one last question. May be you have answered that earlier, Hansen transaction has been completed but this \$187 million is not reflected in the cash or the debt I am I right?
- Kirti Vagadia:** Yes , that's correct.
- Indrajit Bhatia:** Thanks a lot, thank you.
- Moderator:** Thank you. Ladies and gentleman due to time constraints we will take one last question from Prashant Sawan from KNG Securities please go ahead
- Prashant Sawan:** Good afternoon all. I just got few questions first is could you give us an idea about the entire debt profile and are there any covenants attached to this FCCB if you wish to raise further loan and secondly with your existing banks have you utilized all the credit facilities which is available or is there any unutilized credit facility?
- Tulsi Tanti:** Kirti?
- Kirti Vagadia:** Yes , the first question on FCCB I think there are no financial covenant as of now.
- Tulsi Tanti:** Robin second question.
- Robin Banerjee:** Yes as regards Indian banking facilities are concerned yes we still have room to borrow in case it is required.
- Prashant Sawan:** How much is that facility?
- Robin Banerjee:** We would not like to disclose that.
- Prashant Sawan:** Okay and could you give us an idea about the entire debt profile of the company including the short term / long term debt?
- Robin Banerjee:** I think if you go to Slide 45 of our investors presentation it has a complete breakup how much is acquisition loan, FCCB working capital, how much the gross debt then how much cash we are holding and what is the net debt, if you require any information after that our investor relations team will be happy to work with you on this.
- Prashant Sawan:** Okay, thank you so much, wish you all happy Diwali.
- Robin Banerjee:** Thank you same to you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the conference back to Mr. Tulsi Tanti for closing comments.

Tulsi Tanti:

Yes I would like to reiterate that I set out at the start of this call compared to our result one year ago we have demonstrated significant progress on all the parameters. We have achieved the major turnaround going from the significant loss in H1 last year to a PAT of Rs. 108 crores in this year. The EBITDA and EBIT margin are significantly better. The gross margin per megawatt has improved despite very competitive market environment. The solid order book of \$6.5 billion we have limited exposure to the countries impacted by the Euro Zone crisis with the customer base of the financially strong large utility and IPPs. We believe this gives us the robust visibility into the mid term and we are looking hard to achieve our full year guidance. We remain highly confident of our performance in a long term potential of our sector. And believe we are back on track to sustainable growth and profitable growth. Thank you for joining us today and also I would like to wish all of you the Happy Diwali and Happy New Prosperous Year to you and all the family members of your family. Thank you very much. Thanks a lot.

Moderator:

Thank you. On behalf of Suzlon Energy Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.