

Auditors' Report

To
The Members of Suzlon Rotor Corporation

1. We have audited the attached balance sheet of Suzlon Rotor Corporation ('the Company') as at March 31, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, and to the best of our information and according to the explanations given to us, the attached financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co
Firm Registration No: 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No: 89802

Place: Pune
Date: May 24, 2010

SUZLON ROTOR CORPORATION
BALANCE SHEET AS AT MARCH 31, 2010
(All amounts in USD unless otherwise stated)

| Particulars | Schedule | As at March 31, 2010 | As at March 31, 2009 |
|---|----------|-------------------------|-------------------------|
| <u>SOURCES OF FUNDS</u> | | | |
| Shareholders' Funds | | | |
| Share capital | A | 1,000 | 1,000 |
| Reserves and surplus | B | 27,999,000 | 27,999,000 |
| | | 28,000,000 | 28,000,000 |
| Loan Funds | | | |
| Secured loans | C | 10,737,305 | 14,631,595 |
| Unsecured loans | D | 8,914,804 | 1,300,000 |
| | | 19,652,109 | 15,931,595 |
| TOTAL | | 47,652,109 | 43,931,595 |
| <u>APPLICATION OF FUNDS</u> | | | |
| Fixed Assets | | | |
| Gross block | E | 33,327,740 | 32,265,537 |
| Less :- Accumulated depreciation | | 14,697,539 | 10,869,663 |
| Net block | | 18,630,201 | 21,395,874 |
| Deferred Tax Assets, net | | | |
| | | - | - |
| Current Assets, Loans and Advances | | | |
| Inventories | F | 3,086,476 | 5,218,568 |
| Sundry debtors | | 300,290 | 9,002,431 |
| Cash and bank balances | | 622,059 | 318,118 |
| Loans and advances | | 1,192,677 | 508,090 |
| | | 5,201,502 | 15,047,207 |
| less : Current Liabilities and Provisions | | | |
| Current liabilities | G | 5,495,743 | 10,653,566 |
| Provisions | | - | 6,590 |
| | | 5,495,743 | 10,660,156 |
| Net Current Assets | | (294,241) | 4,387,051 |
| Profit and Loss Account | | | |
| | | 29,316,149 | 18,148,670 |
| TOTAL | | 47,652,109 | 43,931,595 |
| Significant accounting policies and notes to accounts | N | | |

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of
Suzlon Rotor Corporation

per Arvind Sethi
Partner
M. No. 89802

Vinod R. Tanti
Director

Place : Pune
Date : May 24, 2010

Place : Pune
Date : May 24, 2010

SUZLON ROTOR CORPORATION
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010
(All amounts in USD unless otherwise stated)

| Particulars | Schedule | Year Ended March 31, 2010 | Year Ended March 31, 2009 |
|---|----------|------------------------------|------------------------------|
| <u>INCOME</u> | | | |
| Sales | H | 16,042,849 | 63,147,610 |
| Other income | I | 165,451 | 177,773 |
| | | 16,208,300 | 63,325,383 |
| <u>EXPENDITURE</u> | | | |
| Cost of goods sold | J | 8,401,351 | 31,528,151 |
| Operating and other expenses | K | 4,883,939 | 8,840,175 |
| Employees' remuneration and benefits | L | 9,382,913 | 16,328,405 |
| Financial charges | M | 879,700 | 1,050,140 |
| Depreciation | E | 3,827,876 | 3,196,128 |
| | | 27,375,779 | 60,942,999 |
| PROFIT/(LOSS) BEFORE TAX | | (11,167,479) | 2,382,384 |
| Current tax | | - | (6,590) |
| Deferred tax | | - | (2,165,957) |
| | | - | (2,172,547) |
| NET PROFIT/(LOSS) | | (11,167,479) | 209,837 |
| Balance brought forward | | (18,148,670) | (18,358,507) |
| DEFICIT CARRIED TO BALANCE SHEET | | (29,316,149) | (18,148,670) |
| Basic and diluted earning per share (Par value of share USD 1) [See Schedule N, Note 3] | | (11,167) | 210 |
| Significant accounting policies and notes to accounts | N | | |

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

For S.R.Batliloi & Co.
Firm Registration No: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of
Suzlon Rotor Corporation

per **Arvind Sethi**
Partner
M. No. 89802

Vinod R. Tanti
Director

Place : Pune
Date : May 24, 2010

Place : Pune
Date : May 24, 2010

SUZLON ROTOR CORPORATION
SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010
(All amounts in USD unless otherwise stated)

| Particulars | As at March 31, 2010 | As at March 31, 2009 |
|---|-------------------------|-------------------------|
| <u>SCHEDULE- A : SHARE CAPITAL</u> | | |
| Authorised 10,000 shares of par value USD 1, each | 10,000 | 10,000 |
| | 10,000 | 10,000 |
| Issued, Subscribed and Paid Up 1,000 shares of par value USD 1, each | 1,000 | 1,000 |
| | 1,000 | 1,000 |
| Of the above: 1,000 (1,000)shares are held by Suzlon Energy Limited, India, the Holding Company. | | |
| <u>SCHEDULE- B : RESERVES AND SURPLUS</u> | | |
| Securities Premium Account (Additional paid-in capital) | 27,999,000 | 27,999,000 |
| | 27,999,000 | 27,999,000 |
| <u>SCHEDULE - C : SECURED LOANS</u> | | |
| Term Loans from Bank [Secured against first ranking charge on land, building and equipments ;first ranking charge on inventory, receivables and other current assets of the company; and Corporate guarantee of parent company Suzlon Energy Limited, India.] | 7,834,371 | 11,634,371 |
| Working Capital Loans [Secured against first ranking charge on land and building and other fixed assets; first ranking charge on equipment/machines already purchased and proposed to be purchased, inventory, receivables and other current assets of the company; and Corporate guarantee of parent company Suzlon Energy Limited, India.] | 2,902,934 | 2,997,224 |
| | 10,737,305 | 14,631,595 |
| <u>SCHEDULE- D : UNSECURED LOANS</u> | | |
| From others Due within one year USD Nil (previous year USD Nil) | 8,914,804 | 1,300,000 |
| | 8,914,804 | 1,300,000 |

SUZLON ROTOR CORPORATION
SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010
(All amounts in USD unless otherwise stated)

| Particulars | As at March 31, 2010 | As at March 31, 2009 |
|--|-------------------------|-------------------------|
| <u>SCHEDULE- F : CURRENT ASSETS, LOANS AND ADVANCES</u> | | |
| Current Assets | | |
| Inventories (at lower of cost and net realisable value) | | |
| Raw materials | 2,087,356 | 2,732,070 |
| Stores and consumables | 325,295 | 491,328 |
| Semi-finished goods | 673,825 | 1,762,726 |
| | 3,086,476 | 4,986,124 |
| Sundry Debtors (Unsecured, considered good) | | |
| Outstanding for a period exceeding six months | 270,673 | 654,748 |
| Other debts | 29,617 | 8,347,683 |
| | 300,290 | 9,002,431 |
| Cash and Bank Balance | | |
| Cash on hand | 499 | 170 |
| Balances with banks | | |
| - On current accounts | 299,872 | 21,058 |
| - On deposit accounts | 321,688 | 296,890 |
| | 622,059 | 318,118 |
| Loans and Advances (Unsecured and considered good, except otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received (considered good) | 1,189,927 | 504,940 |
| Deposits - others | 2,750 | 3,150 |
| | 1,192,677 | 508,090 |
| <u>SCHEDULE- G : CURRENT LIABILITIES AND PROVISIONS</u> | | |
| Current Liabilities | | |
| Sundry creditors | 2,084,449 | 7,469,457 |
| Other current liabilities | 3,238,615 | 2,860,186 |
| Interest accrued but not due on loans | 172,679 | 91,479 |
| | 5,495,743 | 10,421,122 |
| Provisions | | |
| Provision for tax | - | 6,590 |
| | - | 6,590 |

SUZLON ROTOR CORPORATION
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

| Particulars | April 1, 2009 to March 31, 2010 | April 1, 2008 to March 31, 2009 |
|--|------------------------------------|------------------------------------|
| SCHEDULE - H : SALES | | |
| Sale of goods | 16,042,849 | 63,147,610 |
| | 16,042,849 | 63,147,610 |
| SCHEDULE - I : OTHER INCOME | | |
| Interest received | 11,163 | - |
| Rent received | 141,626 | 141,626 |
| Miscellaneous income | 12,662 | 36,147 |
| | 165,451 | 177,773 |
| SCHEDULE - J : COST OF GOODS SOLD | | |
| Consumption of Raw Material | | |
| Opening stock | 2,964,514 | 3,958,915 |
| Add :- purchases | 6,667,735 | 28,264,043 |
| | 9,632,249 | 32,222,958 |
| Less : - closing stock | 2,319,800 | 2,964,514 |
| | (A) 7,312,449 | 29,258,444 |
| (Increase)/Decrease in Stocks | | |
| Opening Balance: | | |
| Semi-finished goods | 1,762,727 | 4,032,434 |
| | (B) 1,762,727 | 4,032,434 |
| Closing Balance: | | |
| Semi-finished goods | 673,825 | 1,762,727 |
| | (C) 673,825 | 1,762,727 |
| (Increase)/Decrease in Stocks | (D) = (B)-(C) 1,088,902 | 2,269,707 |
| | (A) + (D) 8,401,351 | 31,528,151 |

SUZLON ROTOR CORPORATION

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(All amounts in USD unless otherwise stated)

| Particulars | April 1, 2009 to March 31, 2010 | April 1, 2008 to March 31, 2009 |
|---|--|--|
| <u>SCHEDULE - K : OPERATING AND OTHER EXPENSES</u> | | |
| Stores and spares | 1,276,870 | 4,193,901 |
| Plant supplies | 97,317 | 431,516 |
| Power and fuel | 302,003 | 425,336 |
| Factory expenses | 17,161 | 38,187 |
| Repairs and maintenance: | | |
| - Plant and machinery | 107,075 | 466,311 |
| - Building | 89,883 | 83,806 |
| - Others | 232,562 | 438,548 |
| Other manufacturing and operating expenses | 158,108 | 426,914 |
| Insurance | 655,383 | 640,801 |
| Rent | 9,727 | 15,966 |
| Rates and taxes | 132,424 | 94,660 |
| Travelling, conveyance and vehicle expenses | 376,935 | 603,037 |
| Warranty expenses | 201,932 | - |
| Communication expenses | 48,769 | 47,283 |
| Auditors' remuneration and expenses | 47,313 | 106,954 |
| Consultancy charges | 564,695 | 159,810 |
| Loss on sale of assets | - | 5,169 |
| Royalty charges and membership fees | 251,508 | 150,171 |
| Other selling and administrative expenses | 300,080 | 600,346 |
| Exchange differences, net | 14,194 | (88,541) |
| | 4,883,939 | 8,840,175 |
| <u>SCHEDULE - L : EMPLOYEES' REMUNERATION AND BENEFITS</u> | | |
| Salaries, wages, allowances and bonus | 7,028,744 | 13,367,347 |
| Contribution to employee funds | 1,657,031 | 1,810,995 |
| Staff welfare expenses | 697,138 | 1,150,063 |
| | 9,382,913 | 16,328,405 |
| <u>SCHEDULE - M : FINANCIAL CHARGES</u> | | |
| Interest on | | |
| Fixed loans | 517,137 | 765,758 |
| Other loans | 273,940 | 195,076 |
| Bank charges and other charges | 88,623 | 89,306 |
| | 879,700 | 1,050,140 |

SUZLON ROTOR CORPORATION
SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010
 (All amounts in USD unless otherwise stated)

SCHEDULE- E : FIXED ASSETS

| Assets | Gross Block | | Depreciation / amortisation | | Net Block | | |
|---------------------------|---------------------|--------------------------------------|-----------------------------|---------------------|--------------------------------------|----------------------|----------------------|
| | As at April 1, 2009 | Additions / Deductions / Adjustments | As at March 31, 2010 | As at April 1, 2009 | Additions / Deductions / Adjustments | As at March 31, 2010 | As at March 31, 2009 |
| Land | 1 | - | 1 | - | - | 1 | 1 |
| Building and improvements | 15,234,246 | 151,253 | 15,385,499 | 1,625,799 | 694,717 | 13,064,983 | 13,608,447 |
| Vehicles | 84,210 | - | 84,210 | 41,441 | 19,165 | 23,604 | 42,769 |
| Plant and machinery | 6,551,260 | 397,199 | 6,948,459 | 1,512,656 | 898,886 | 4,536,917 | 5,038,604 |
| Office equipments | 231,886 | - | 231,886 | 112,147 | 46,377 | 73,362 | 119,739 |
| Laboratory equipments | 28,593 | 22,372 | 50,965 | 12,216 | 12,324 | 26,425 | 16,377 |
| Moulds | 9,810,549 | 484,271 | 10,294,820 | 7,329,453 | 2,080,777 | 884,590 | 2,481,096 |
| Computer and peripherals | 324,792 | 7,108 | 331,900 | 235,951 | 75,630 | 20,319 | 88,841 |
| | 32,265,537 | 1,062,203 | 33,327,740 | 10,869,663 | 3,827,876 | 18,630,201 | 21,395,874 |
| Previous year | 30,987,180 | 1,292,306 | 32,265,537 | 7,679,115 | 3,196,128 | 21,395,874 | |
| | | 13,949 | | 5,580 | 10,869,663 | | |

SUZLON ROTOR CORPORATION
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010
 (All amounts in USD unless otherwise stated)

| Particulars | Year ended March 31, 2010 | Year ended March 31, 2009 |
|--|------------------------------|------------------------------|
| A. Cash flow from operating activities | | |
| Net Profit/(loss) before tax | (11,167,479) | 2,382,384 |
| Adjustments for: | | |
| Depreciation/amortisation | 3,827,876 | 3,196,128 |
| Interest Income | (11,163) | - |
| Interest expense | 791,077 | 960,834 |
| Loss on sale of assets | - | 5,169 |
| Operating profit/(loss) before working capital changes | (6,559,689) | 6,544,515 |
| Movement in working capital changes: | | |
| (Increase)/Decrease in Inventories | 2,132,092 | 3,461,496 |
| (Increase)/Decrease in sundry debtors | 8,702,141 | (7,684,744) |
| (Increase)/Decrease in loans and advances | (684,587) | 108,239 |
| Increase/(Decrease) in current liabilities and provisions | (5,157,823) | 1,012,585 |
| | (1,567,866) | 3,442,091 |
| Direct taxes paid | (6,590) | - |
| Net cash generated/ (used) in operating activities | (1,574,456) | 3,442,091 |
| B. Cash flow from investing activities | | |
| Payment for fixed assets | (1,062,203) | (1,292,306) |
| Interest received | 11,163 | - |
| Proceeds from sale of assets | - | 3,200 |
| Net cash used in investing activities | (1,051,040) | (1,289,106) |
| C. Cash flow from financing activities | | |
| Proceeds from issue of equity share capital including premium | - | - |
| Loan from SEL | - | 1,300,000 |
| Loan from SWECO | 7,614,804 | - |
| Proceeds from long term borrowings | - | - |
| Repayment of long term borrowings | (3,800,000) | (3,800,000) |
| Proceeds from short-term borrowings, net | (94,290) | 87,961 |
| Interest paid | (791,077) | (960,834) |
| Net cash (used in)/ generated from financing activities | 2,929,437 | (3,372,873) |
| Net increase in cash and cash equivalents(A+B+C) | 303,941 | (1,219,888) |
| Cash and cash equivalent at the beginning of the year | 318,118 | 1,538,006 |
| Cash and cash equivalent at the end of the year | 622,059 | 318,118 |
| Components of cash and cash equivalents | As at | As at |
| | March 31, 2010 | March 31, 2009 |
| Cash on hand | 499 | 170 |
| Balances with scheduled banks: | | |
| - in current accounts | 299,872 | 21,058 |
| - in term deposit accounts | 321,688 | 296,890 |
| Total | 622,059 | 318,118 |

Notes:

1. The figures in brackets represents outflows.
2. Previous year's figures have been regrouped/reclassified, wherever necessary.

The schedules referred to above and the notes to accounts form an integral part of the Cash Flow Statement

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No: 301003E
Chartered Accountants

For and on behalf of the Board of Directors o
Suzlon Rotor Corporation

per Arvind Sethi
 Partner
 M. No. 89802

Vinod R. Tanti
 Director

Place : Pune
Date : May 24, 2010

Place : Pune
Date : May 24, 2010