

"Suzlon Energy Limited Q2FY'16 Earnings Conference Call"

November 2, 2015



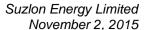


MANAGEMENT: MR. TULSI TANTI – CHAIRMAN & MANAGING DIRECTOR,

SUZLON ENERGY LIMITED

MR. KIRTI VAGADIA - GROUP CHIEF FINANCIAL OFFICER,

SUZLON ENERGY LIMITED





Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Suzlon Energy Limited Q2FY'16 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tulsi Tanti -- Chairman and Managing Director. Thank you and over to you, sir.

Tulsi Tanti:

A Very Good Morning, Good Afternoon, Good Evening. Thank you for joining us. I have with me Kirti Vagadia -- our Group CFO and our Investor Relations Team. I hope you had a chance to go through our 'Investor Presentation' on our website.

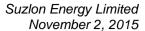
First, I would like to share some details on our overall performance and then Kirti will walk us through our financial performance in detail post which we are happy to take your questions:

First and foremost I would like to thank you for your continuous faith and confidence in us. Q2FY16 reaffirms our path of the turnaround. In Q2, at 227 MW our volumes grew 64% year-on-year basis, while in H1, at 431 MW our half year's volume almost equals what we have achieved in the full year in FY15. With normalized Q2 EBITDA margin at 18% it is encouraging to note that this robust growth has not come at the cost of profitability.

Our strategic steps aimed at the deleveraging, improving the profitability and reducing the fixed costs and interest costs have already started to show results. Reinstatement of our investment grade credit rating reaffirms that we are on the right track to the resurgence. It is a big credibility booster for our stakeholders.

The Government thrust on the clean energy is very clear. The renewable energy is positioned to set new heights in the terms of the annual capacity addition. These are likely to exceed even that of conventional power in the mid-term. Several encouraging initiatives have taken by the governments toward this end, such as reinstatement of the key initiatives like accelerated depreciation and GBI; green corridor initiatives, stricter RPO compliance; introducing RGO; classifying clean energy as the priority sector lending; the cabinet approval on the national offshore policy etc. Our strategic vision incorporates the government renewable energy target of 250 GW by 2030. It is a very ambitious target for our country. Suzlon is uniquely positioned to benefit from the favorable opportunity the sector offers.

Our Competitive Advantage are: 1) our two decades of operational history that give us the proven execution track record and the proven product reliability based on the actual on-field performance for the last 20-years. 2) Our Pan India presence that enable us to better deal with the statewise policy challenge. We are present across the eight states and are not reliant on one or two states for our business. 3) Our satisfied customer base are more than 1700 customers diversified across all the segments giving us the competitive edge to gain the market share. 4) Our best-in-class service is a huge source of the competitive advantage in the domestic market.





We operate across the India to manage 9,000 MW of the wind assets in India and today 15,000 MW we are operating globally. Every turbine sold by us in India is serviced by us. 5) Our inhouse R&D efforts that have continuously brought down the cost of wind energy, which is now competitive with the conventional source. Our new product S97 120-meter tower and S111, with larger rotors for the low wind sites, have received a very good response from the market. Till date we have received over 350 MW new order for S97 120-meter towers model and over 150 MW new orders for our new Turbine S111 which we are starting delivery in current financial year.

We have also successfully commissioned the first commercial project for S97 120-meter Hybrid Tower Model in Rajasthan. Both the products are designed keeping in mind, wind sites, types and resource available in India. These products optimize the energy output specifically in the low wind site. The response and feedbacks from the customer on these new products are truly encouraging.

With our technology pedigree, the comprehensive product portfolio and experience we are well positioned to seize the market opportunity in India and other core markets.

I would like to invite Kirti to address the detail aspect of our Financial Performance of the Q2.

Kirti Vagadia:

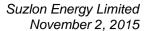
Thank you, Tulsibhai and Good Evening, everyone. In Q2FY16 continuing with our performance momentum at 227 MW, we manage to grow our volume 64% on year-on-year basis and 11% on quarter-on-quarter basis. Benefited by operating leverage our normalized EBITDA at Rs.318 crores clocked 18% margin -- one of the highest in last five years.

On the balance sheet side, we have further reduced our gross debt by another Rs.963 crores in this quarter. Our consolidated net debt excluding FCCB now stands at Rs.7,573 crores, down by almost Rs.7,600 crores as compared to last year. Resultantly, our interest cost in Q2 at Rs.233 crores, is down by more than 20% on Q-o-Q basis and is almost halved on Y-o-Y basis.

On the liquidity front, the company is well capitalized to cater the growth opportunities in India. Our closing cash and cash equivalents is more than Rs.1,600 crores as on 30th September in addition to the sufficient working capital lines to support the growth volumes.

Our strong new order selection process, focused on margin, cash flow and balanced commercial terms, coupled with our internally robust risk management practices have enabled us to become more predictable organization now.

While certain non-operational special items such as foreign currency losses impacted our otherwise strong financial performance, it may be worthwhile to note that such FX loss of Rs.209 crores in Q2 and Rs.276 crores in H1 is primarily non-operational and non-cash in nature. It is primarily on account of intercompany balances within the group and dollar-





denominated external debt and part of the debt is FCCB which is getting converted which is practically notional loss. Adjusting for special items in the quarter, we reported normalized PAT at Rs.7 crores as detailed in Slide #7 of our Investor Presentation uploaded on our website

In H2 FY16 our key priorities will be to ramp up the volume with focused on India market. Thank you.

Tulsi Tanti: Now, I request if you have any questions for us.

Moderator: Thank you very much, members of the management. Ladies and Gentlemen, we will now

begin the question and answer session. The first question is from the line of Balachandra

Shinde from Centrum Broking. Please go ahead.

Balachandra Shinde: Sir, regarding your commissioning, would like to know in first half how much was

commissioned in megawatt terms?

Tulsi Tanti: We have commissioned approximately 300 plus MW.

Balachandra Shinde: In one of the slides, you have mentioned about the provisioning for liquidated damages. One of

your peers said that they do not do the provisioning because most of the components are having a back-to-back guarantee. Does Suzlon do not have those kind of back-to-back

guarantees and if it does have, then why we are needed to do those kind of provisioning?

Kirti Vagadia: First of all, we have back-to-back guarantee from suppliers; however, it is prudent to have

provisions and that is why for years we are following the standard accounting practices and we do make provision on conservative basis irrespective of the fact that we have back-to-back guarantee from our suppliers, and this provisioning relating to two things -- warranty

obligations as well as pre-OMS which we provide along with our sales of Turbine.

Tulsi Tanti: And also just to add when we have a back-to-back guarantee is normally product or equipment

is there, but whenever it has come replacement cost it will be borne by the company. No supplier can give the replacement cost, means screen requirement or logistic or other thing. They can replace the component. Keeping in mind we have to do the certain provision as the

best practice in the industry. Every turbine company globally do these provisions.

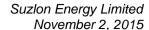
Balachandra Shinde: Current order book has a mix of around I think largely related to IPP, there is no AD. What

kind of AD potential you see in the current order book?

Kirti Vagadia: There are certain orders from non-IPP segments as well first of all. Entire order backlog is not

from IPP segment. There is a non-IPP segment order backlog which is currently about I would

say roughly somewhere close to about 15%.





Balachandra Shinde: How much you expect it to grow in second half in non-IPP?

Tulsi Tanti: Second half non-IPP AD related business would be lower because that project has to be

commissioned by March, but for the next financial year some order can come, but it remain

with almost 15% to 20% on a yearly basis non-IPP.

Balachandra Shinde: In one of the slides you have mentioned in FCCBs that there is a mandatory conversion

covenant. Can you elaborate on that if you can see anything about the share price because there you have specified that can be exercised post 16th June 2016, any share performance criteria? You have also mentioned that there is option two that if bonds outstanding is less than \$54.7M, then also you will be able to redeem at par value? So if you can elaborate on those factors in

FCCBs covenant?

Kirti Vagadia: First of all, you are right that there are period-related restrictions that we cannot force

mandatory conversion up to middle of July 2016. That is the first period related criteria, then coming to a share price performance related criteria where on the basis of agreed formula if I remember correctly we agreed with FCCB holder a conversion price of Rs.15.46 and it need to be performing at 75% premium to hit for consistently certain number of days. If those conditions are satisfied, we can mandatorily convert the FCCB, and there is another provision that if bonds are outstanding less than 10% of original issuance. As you remember, our original issuance of these series was 547 million. So, if the outstanding bond is 54.7 million, we are in a position to prepay it mandatorily also at par subject to RBI approval. These are the broad

conditions of FCCB.

Balachandra Shinde: About the customer advances, if we compare it with your peer, your customer advances per

MW is comparatively higher than peer. If you can elaborate on that factor, why Suzlon is

getting more advances than your peer?

Kirti Vagadia: I will not comment about any of our competitors, but I can speak about Suzlon that what are

the practices we follow about the order backlog. So generally in order backlog any orders comes into my order book once there is advance payment received. So we do not include any LoI or MoU in our order backlog. So that is the first criteria we follow. The second criteria is generally our commercial terms as I mention in my initial speech also that we select our orders very-very carefully and we try to have a commercially balanced terms and conditions with our customers. So by the time we get the NTP for any order, we ensure that we have received

+25% advances from customers.

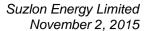
Balachandra Shinde: So if you can tell about the MoUs, how much are MoUs or LoIs currently we have apart from

the order book which we have?

Kirti Vagadia: We generally do not guide about whatever MoU or LoI is there. Once the MoU or LoI is

converted into order backlog, we announce to the market because till that time if there is a

possibility of some changes, then probably we do not want to misguide the market.





Moderator: Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund.

Please go ahead.

Madan Gopal: My question is on the Wind market outlook itself. Post the new government took the initiative

of pushing the Renewable Energy, we expected a lot of momentum to pick up in terms of ordering, but over the last two quarters we are not seeing enough orders coming in, that is reflecting even in our order booking. What sort of outlook you have now on the Wind sector

right now?

Tulsi Tanti: I think overall the shorter period or longer period, the wind industry's outlook is very positive

and very encouraging is there. So it will remain very strong growth and momentum in the marketplace. When we are talking about order inflow point of view, momentum we will increase more and more going forward, like in H2, we see compared to whatever H1 order inflow is there compared to almost the 1.5x or 2x level order inflow will come in the H2 because each state wise visibility of the policy is required to come out with the right timing. If I see today the four states is in the pipeline like Rajasthan, Gujarat, Maharashtra and Madhya Pradesh, they have to come out with the policy clarity by December, January, and February. So once the visibility is there, then people will close the order. But, a lot of orders are under discussions, the finalization stage, but once the visibility of the policy of the government will come, they will close. I see the H2 more volume order closing will happen based on the visibility increase from the state government. These all policy are normally expired by 31st March and again for the next financial year, the new frame work is coming mainly the clarity

in the tariff because mostly every year the government will announce the new tariff.

Madan Gopal: There are attempts in some of the states to reduce the tariff. What is your take on that?

Tulsi Tanti: I think it has to go down because the consumer cannot afford the higher price of electricity,

cost of energy has to also go down from our side and same time tariff will also go down, every year some paisa reductions are happening, which is a win-win situation because the pricing goes down of the tariff, the volume will increase. That is the biggest opportunity because from the utility perspectives, the requirement from the wind energy will increase which is good for the industry and with the help of the next-generation of the product and technology, we are very equipped if pricing goes down, we can able to continue our growth in our business and

our margin will remain sustainable going forward.

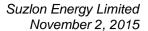
Madan Gopal: Gross margins have been very high. This is to do with a lot of turbine sales that we do. So, for

the full year how do you see this panning out?

Kirti Vagadia: On a gross margin front, let me explain the perspective first of all that last two to three years

have been exceptional and hence I would encourage you not to compare with the last three years gross margin. Increase in margin in H1 is primarily a result of few things -- one is business normalization, second factor is primarily the COGS control, project efficiency, and

increase in volume, favorable product mix, and execution of orders with better margin in H1.





So these all have supported gross margin in H1. And you are aware that in our business, there are four streams of revenue -- one is WTG, another is project, third one is SE Forge revenue and fourth is maintenance or service revenue. SE Forge and OMS are high gross profit whereas the project is a low gross profit business. When there is a quarter with a low volume or moderate volume, margin in a percentage terms will look better in that particular quarter because SE Forge and OMS which are stable in the nature will have a major impact on that margin. So these are the major factors. In H2 one can estimate on a gross margin that we will be somewhere between 37% to 39% each.

Madan Gopal: SE Forge sales and EBITDA for the first half?

Kirti Vagadia: Roughly about Rs.175 crores in H1.

Madan Gopal: You are bidding for 37-39% sort of EBITDA margin on an overall basis?

Tulsi Tanti: Yes.

Moderator: Thank you. The next question is from the line of Mayur Gathani from OHM Group. Please go

ahead.

Mayur Gathani: Continuing with previous gentleman's question, so we will see a drop in EBITDA margins

going forward because you have been outperforming continuously in the last 2-quarters or so on the EBITDA margin of 17-18%. So we should bring it down to a normalized scale of 12-

13%?

Kirti Vagadia: First of all, probably not 12-13% but on an annual basis, one can see something closer to 15%.

Mayur Gathani: So with higher volumes coming in FY17, we should see more improvement in margins

considering FY16 15% will be the base?

Kirti Vagadia: I would not prefer to give guidance for FY17 at this juncture. As Mr. Tanti mention that let us

wait for some clarity on policy and volume because volume will be the key driver for the

margin.

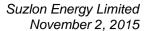
Mayur Gathani: On consolidated and Suzlon Wind as per the PBT, the difference is only the O&M globally or

anything else... Rs.1709 crores versus Rs.1768 crores?

Kirti Vagadia: Difference is SE Forge, otherwise Suzlon Wind include maintenance service.

Mayur Gathani: That is global maintenance service also comes in there only?

Kirti Vagadia: Correct.





Moderator: Thank you. The next question is from the line of Dipen Seth from HDFC Securities. Please go

ahead.

Parag: Parag from HDFC Securities. My question is a broader outlook on the wind mill sector and

your initiatives around wind plus solar hybrid and offshore wind also. So first of all, recently government is talking about excise duty waiver for wind, then some transmission charges waiver for wind. So when do you feel that this will result in momentum in the order book and

what kind of momentum you expect due to this kind of initiatives?

Tulsi Tanti: Overall, I already mention the industry's growth momentum is very good and it will continue

because a very strong drive from the central government and now each state wise government is taking very positively to development and for to attract the investments. So we see the good momentum will be continued. It is administrative matters how fast they can bring the state wise policy so that will help to create the more momentum in volume for the execution part. The second is whatever the central exercise, the duty and other thing, it is quite exempted is there in the renewable sector. The government has brought the more clarity so that some of the confusing situation was there it has removed. So now it is a clear clarity for each and every component which is used for the renewable is exempted from the customs duty part. All other initiatives by the central government is taking slowly steps in the state government level. So based on that we see the momentum of the growth will continue in the domestic market.

Parag: What kind of overall market size you expect in FY16 & '17?

Tulsi Tanti: Current financial year our own estimate is somewhere is the 3000 MW market will happen

because first half is somewhere 1000 MW and second half we are expecting 2000 MW will happen, so total will be 3000 MW in a current financial year. These are the numbers based on the commissioning number, may be higher, but it is on installed and generating machines.

Parag: In FY'17 where will the market go?

Tulsi Tanti: In FY17 we are expecting at least the 20% growth will continue.

Parag: FY'17 what kind of market share we are targeting?

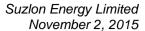
Tulsi Tanti: It is too early to say but we will increase our market share from current level whatever current

year we will achieve compared to that at least 5% market share we will increase in the next

financial year.

Parag: Around 35% market share is a correct figure to estimate for the next year or more?

Tulsi Tanti: Current year we are expecting 35%.





Parag: Going ahead from FY18 onwards, as the policy environment becomes more and more clear, so

do you feel that 5,000 MW per year which is actually a target to reach 60,000 MW by 2022...?

Tulsi Tanti: It can be possible in the next financial year also subject to four states visibility of the policy,

how much that positive tariff and everything is coming out, because currently it is the four states policies in the pipeline -- Rajasthan, Gujarat, Maharashtra and Madhya Pradesh -- these four states how they are coming out in December, January and February, if four has come out very-very strong way, then it can exceed more than 3500 and it can go higher also. But in a third year I am expecting the more and more stability will come in the policy and regulatory

side. So it can go 4000 plus or maybe it can touch in a third year 5000.

Parag: How is the competition? Because now you have got total 6 very serious players – Suzlon, Inox,

Gamesa, Vesta and Regen Powertech.

Tulsi Tanti: My competition is the coal only.

Parag: What about wind plus solar hybrid?

Tulsi Tanti: We are building the next financial year, our first project will come, because there is some

policy and regulatory systems are required to support the hybrid structure, so that we are working so next year can be possible one project but solar standalone we will do 210 MW in next year commissioning in Telangana based on the bid what we received so that will happen

as a standalone solar. So we go standalone wind, standalone solar and plus hybrid.

Parag: Standalone solar means this will be your owned asset or it will be EPC for somebody else?

Tulsi Tanti: We build and sell.

Moderator: Thank you. The next question is from the line of Ruchit Mehta from SBI Mutual Fund. Please

go ahead.

Ruchit Mehta: If you can just small perspective about this quarter in terms of the order wins that you had and

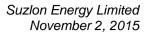
what sort of market share it represents, what is your outstanding order book in terms of commissioning vis-à-vis what you shown? The second question is that we have seen quite a few sort of solar projects can bid out at about Rs.5.50-6 FIT tariff. So do you think that adjusted for heightened efficiency, there could be pressures on improving realization as the

market recovers going forward?

Kirti Vagadia: On order backlog, in first half we have had new orders of about 401 MW in H1. Regarding

market share, I think there are no published data about who won, how much orders. So on order backlog percentage will not give us any correct picture or it will not guide somebody,

because everybody has a different practice for booking the orders.





Ruchit Mehta: Maybe looking at it differently, what was the amount of MW you commissioned and what

percentage of the market would that have been?

Kirti Vagadia: We commissioned roughly 300 MW and that should be roughly about one-third of the market.

Ruchit Mehta: 300 MW in the first half, so you will have about 100 MW yet to be commissioned in the

subsequent six months?

Kirti Vagadia: I think you are comparing wrong numbers.

Tulsi Tanti: I think first half is the 900 MW and something on all India basis out of that 300, so it is 32%

market share we have commissioned in H1.

Ruchit Mehta: On the aspect that Solar is getting cheaper, do you think that pressurizes potential pricing

power going forward?

Tulsi Tanti: First of all, misconception is there. Solar is no more cheaper than the wind. Because, I am

doing both the projects, so we know the cost of energy between wind and the solar. So still

wind is quite competitive compared to the solar.

Moderator: Thank you. The next question is from the line of Utkarsh Maheshwari from Reliance General

Insurance. Please go ahead.

Utkarsh Maheshwari: This debt reduction what you have hinted is entirely coming off of the conversion what has

happened or something else?

Kirti Vagadia: No, conversion has given debt reduction of roughly about Rs.185 crores, rest is by way of

repayment only.

Utkarsh Maheshwari: You said 75% of price performance, what is the duration from when this will be computed for

this compulsory conversion? Date if you can just elaborate...?

Kirti Vagadia: Middle of July 2016

Utkarsh Maheshwari: Any certain period which has to be there for this criteria to be met for something... number of

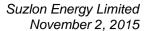
days?

Kirti Vagadia: Yes, basically after certain period only mandatory conversion kick in. So that period expires or

that period starts from middle of July 2016.

Utkarsh Maheshwari: No, I want to understand what is the number of days which has to be there?

Kirti Vagadia: Number of days is 30-days there. It needs to be performing above the threshold price.





Utkarsh Maheshwari: Basically, the conversion can start happening from August onwards?

Kirti Vagadia: Correct.

Moderator: Thank you. The next question is from the line of Ashutosh Narkar from HSBC. Please go

ahead.

Ashutosh Narkar: Two questions; the first one is on your balance sheet. If you can explain us this Rs.200 crores

of notional FOREX loss which we have gained, as to how much of that portion has come in from the liability or this is 100% purely based on liability. If the FCCB bonds get converted sometime early next year then what is the potential write-back we will have? Adjoining to the same question is that, I understand that whatever FOREX loss which happens during the particular quarter you tend to kind of amortize it over the life of the bond which means that if could help us what was the incremental loss which you incurred during this quarter? Second question was on your Annual Report. If you can guide us, there is around Rs.170 crores which we have paid towards related party transaction to a logistics company related to the promoters, how much of that logistics cost is moved to the promoter entity, if you can give us a very broad guidance, and is that something which could be a regular practice or this could be a one-off

thing?

Kirti Vagadia: First of all let us focus on balance sheet or P&L part. As you rightly mentioned that there is

amortization of foreign currency losses over a period of remaining life of a particular loan or instrument. In case of FCCB as well as covered bond, both put together I would say that roughly the amount is somewhere close to about 950 million to 1 billion, and the delta between June period versus September is roughly slightly over Rs.2. So I would say that Rs.200 crores odd is coming out of this into balance sheet and then it is spread over a remaining life of the instruments. That is the point one. Point two is basically out of Rs.209 crores I would say that roughly 40-50% is purely on account of intercompany balances which is purely a book entry. If one of my entities has funded the subsidiary company by way of equity then there will not be any losses of this nature. But if we have funded the same entity by way of loan, then

probably we need to take into account the translation losses in that particular quarter. So that is the half of the portion and balance portion is practically FCCB and SBLC-related amortized

forex loss.

Ashutosh Narkar: Let us assume that you had \$650 million of the bonds and another close to \$300 million of

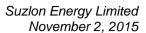
FCCB. Now, what you refer to is that something which you would have paid or given as liability to your subsidiary entity as loan, that gets accounted as overall debt itself, right, not

separately?

Kirti Vagadia: No, it is not part of this 950 or something, is part of intercompany balance sheet. In

consolidated balance sheet it is knocked off in a balance sheet item. But in case of P&L I need

to take care of the losses.





Ashutosh Narkar: Out of this Rs.200 crores, you must have had something which has been coming on the

amortization part, right. So how much of this Rs.200 crores is the amortization part?

Kirti Vagadia: It is somewhere around 50-55% of that Rs.209 crores.

Ashutosh Narkar: Incremental Rs.100 crores is basically the new loss which you have incurred?

Kirti Vagadia: Due to intercompany balances which is a book entry, yes.

Ashutosh Narkar: Next year when FCCB gets converted, so this \$300 million let us assume 100% of that gets

converted, how much is the writeback which we will potentially get?

Kirti Vagadia: That writeback will go into balance sheet rather than P&L.

Ashutosh Narkar: But was not that taken through the P&L account?

Kirti Vagadia: No, unfortunately, as per the accounting practices it does not get routed through P&L.

Ashutosh Narkar: But what would that amount be roughly if you can just give us some ballpark number?

Kirti Vagadia: Amount on FCCB which is carried in the balance sheet... I need to look at the numbers, so my

IR team can guide you on offline basis those detailed number. On logistic cost, first of all, this related party transactions on a logistics cost are we are incurring on a regular basis. This logistics are outsourced logistics, which is coordinated through this related party and the contracts are entered into arms length. Since it is a challenging activity, the same need to be coordinated through separate entity where they take care of various logistics service providers.

Ashutosh Narkar: If I can just remould the question, how much part of our freight expenses is carried through

these entities?

Kirti Vagadia: Only I would say that roughly around 60-70% of outward logistics happens through this

related party.

Ashutosh Narkar: The last two years annual report show that it is done through SE Freight. But in the earlier

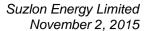
years, is that through some other entity?

Kirti Vagadia: No, at that time it was a direct contract with almost more than dozen number of service

providers. Since the size of consignment and requirement of a special trailer and all those kinds

of things kept on becoming complicated, we have moved to this kind of model.

Ashutosh Narkar: So we are on track to meet our 1,200 MW of revenue bookings for the year, right?





Kirti Vagadia: I would not guide on any numbers particularly. You can make the judgment on the basis of my

normal business cycle where we do what percentage in H1 and what percentage we used to do

in H2.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual

Fund. Please go ahead.

Abhinav Bhandari: If you could guide on the gross block at Suzlon Wind level and what kind of quarterly run rate

and depreciation are we going to see in the next two quarters - is it going to be the similar

trend what we have seen in the first half?

Kirti Vagadia: Run rate I think will slightly increase than what you can see right now, because there are a few

factors which can impact like new product related capex as well as new factory related capex will also kick in. So run rate will definitely increase in Q3 onwards slightly. On fixed asset, I think you can see in our balance sheet that our total fixed asset is roughly about Rs.1,880

crores.

Abhinav Bhandari: This will be I think the net block. What would be the gross block overhead?

Kirti Vagadia: Can you wait for a minute? I will just dig out the numbers.

Abhinav Bhandari: In the meanwhile if you could just guide on the JV accounting, would it be a proportionate

50:50 kind of a structure that would happen in the JV that we are planning and what kind of

investments have we made so far in the wind park?

Kirti Vagadia: On accounting, the answer is yes, it will be proportionate accounting on what our percentage

owned by us will not be reflected into profit until there is sale of a particular project to end

customers.

Abhinav Bhandari: But in the meantime your proportionate share would add to the gross block, right,?

Kirti Vagadia: Yes, it will add to the gross block, that is correct.

Abhinav Bhandari: The long term loans and advances that we have indicated of about Rs.281 crores and other

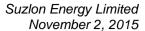
non-current assets of Rs.700-odd crores. Could you give some broader numbers or broader

items in these two numbers which are there?

Kirti Vagadia: I think those detailed number IR team can provide offline.

Abhinav Bhandari: What would be the book value of the investments that we have in the SE Forge unit?

Kirti Vagadia: That also we will be able to provide offline.





Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please

go ahead.

Mohit Kumar: One question regarding your Tamil Nadu Wind Power. Do you see any pick up in the capacity

in Tamil Nadu in the next two to three years? I think that the near term is challenging. But do you see any policy action which is favorable to the Wind sector and do you see a significant

amount of commissioning or order coming from Tamil Nadu?

Tulsi Tanti: No, we see the positive momentum will start from the next financial year, because some of the

AD customer demand is still there and it is slowly improving and increasing based on the some of the sites power evacuation availability based on that. So that momentum has already started. But certain policy change and improvements will also come from the government because they are also looking for more capacity addition and everything. So based on that we see the next

financial year onwards some positive momentum will start in the Tamil Nadu.

Mohit Kumar: How do you see Karnataka sir?

Tulsi Tanti: Karnataka also the same policy related constraints are there, but next year we see compared to

current year almost 30-40% installation will increase in Karnataka is possible.

Mohit Kumar: What is the breakup between EPC and Wind Turbine order in our order book or is it primarily

EPC?

Kirti Vagadia: In equipment supply I would say that roughly is around 200 MW out of the order backlog, rest

is full scope.

Mohit Kumar: What was the operation and maintenance services revenue during the quarter? I think it is

clubbed in WTG in the segment revenue. Am I right?

Kirti Vagadia: Yes, but separate revenue also we have given for the half year actually, if you see our slide #9

in the Investor Presentation we have given around Rs.732 crores for H1 in Service business.

Mohit Kumar: Solar bids which we won in Telangana. What is the status - have we started executing and

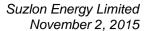
what is the scheduled date of commissioning?

Tulsi Tanti: First of all, we are just expecting may be within a week or two weeks the final order and once

the PPA is signed after that we have to complete the project in next 12-months.

Moderator: Thank you. The next question is from the line of Deepak Agarwala from Elara Capital. Please

go ahead.





Deepak Agarwala: My first question is how do you see the acceptability of your new product of this 120-metre

height? And would it be fair to say that most of the incremental orders that we have got in first

half are in this category?

Tulsi Tanti: I think the overall customer perspective has been when Suzlon is bringing any new product, it

is a long term proven record of the product and product reliability. So the comfort and confidence are very positive. There is no any concern. And we have already received 120 Metre Tower of 350 MW order in first half. And also the S111 just the prototype and the type certificates and everything we have received, but simultaneously, we have achieved 150 MW

order in S111.

Deepak Agarwala: What would be the approximate price differential between this kind of a product and the

nearest competitor product of lower height but similar wattage?

Tulsi Tanti: No, it is a combination, it is not directly comparable, it depends on which site. Two aspects are

there -- some of the low windy sites which is based on 90 meter tower, you cannot able to make project viable. You can go with 120 metre tower and make the project viable so that it becomes a financeable and sellable. So this is the optimization happening. But, normally energy production between 90 and 120 is from 12-14% energy output is higher if it is a same

location.

Deepak Agarwala: So that much PLF benefit is getting to customer?

Tulsi Tanti: Yes.

Deepak Agarwala: Also, how do you see the pricing that has panned out in the first half in terms of winning some

kind of orders because what we have seen we are not getting orders from some traditional IPP, some of the companies we are seeing is new entrant to the wind sector from an IPP point of

view?

Tulsi Tanti: I think pricing whether it is an existing customer or whether it is a new customer, there is any

difference between new or old customer or anything. It is based on the project IRR or the equity IRR basis the pricing normally can be fixed up and it goes based on that and not based on new or old customers. And when you are saying the traditional customers, which are the

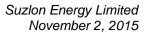
traditional customers? All IPP is investing in the wind project currently.

Deepak Agarwala: How do you see the working capital panning out in the second half because we have seen some

benefits coming up in the first half.

Kirti Vagadia: Yes, we are targeting to remain around 10% in WC level.

Deepak Agarwala: That is ex of cash?





Kirti Vagadia: NWC, that is correct.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital.

Please go ahead.

Bhargav Buddhadev: Just wanted to know if in our order backlog is there any order received from our joint venture?

Tulsi Tanti: Not any order in the joint venture is there in this order book.

Bhargav Buddhadev: So, in the second half, are we expecting any orders to come in?

Kirti Vagadia: Yes, we will be showing it separately. So we will not be mixing up with our order backlog.

Bhargav Buddhadev: Madhya Pradesh Regulatory Commission seems to have come up with an approach paper on

new Feed-in-Tariff for Madhya Pradesh. So if we go through that, what it seems like that the Feed-in-Tariff in Madhya Pradesh is likely to decline in double-digits. So is there any impact of this on players who have significant order backlog coming in from Madhya Pradesh or who

have big inventories in that state?

Tulsi Tanti: Yes, this current pricing and policy is up to 31st March. If any project has commissioned before

31st March, then it is applicable with the current pricing, and after 31st March whatever project will be commissioned that will go with the new tariff, and new tariff will be naturally quite low compared to the current tariff. So it will create some issues if project goes after 31st March.

Bhargav Buddhadev: So any equipment supplier who has a big order backlog can get impacted if commissioning

happens after 31st March?

Kirti Vagadia: We can guide you about the industry, we will not comment specifically on any of the players

per se.

Bhargav Buddhadev: Do you foresee even other states following upon this meaning if Madhya Pradesh is looking at

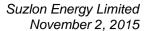
reducing tariffs, even other states could follow up with similar plans of reducing Feed-in-

Tariffs?

Tulsi Tanti: No, for every state direction is there to reduce the tariff, like in Andhra Pradesh also, the tariff

has come quite lower, below Rs.5 tariff is there, and the industry has to become more and more competitive to make project more viable in that tariff also. It will remain a continuous pressure, but I see because of the tariff goes down the size of the market will increase in a faster way. So that is other way opportunity we can see. But, at the same time if technology becomes a key role, it becomes competitive in these types of the tariff region to make the product so competitive so that you can make the project viable in the lower tariff also, and for that Suzlon is honestly well equipped to manage this tariff regime going forward which will

going down.





Bhargav Buddhadev: Would this surmount to any pressure on our EBITDA margins or that we have enough leeway

to reduce our cost and accordingly still maintain margins?

Tulsi Tanti: I think the tariff pressure will come in the margin, but at the same time the volume will support

to maintain the margin.

Bhargav Buddhadev: On Solar, if you can just throw some light in terms of what is our guidance, how much of

megawatts do we want to own as a company say two-three years down the line? Currently, we are executing 270 MW but obviously we would be planning much bigger in terms of

developing and then selling it off?

Tulsi Tanti: We are developing a lot of good pipelines for the Solar project. As you know the most of the

states of the country our presence is there and set up an infrastructure. So we are leveraging and building the pipelines for the solar. Our plan is very clear we will build the project and we

will sell the project. We are not going to own any one project in Suzlon.

Bhargav Buddhadev: But what are we looking in terms of numbers any guidance on that front?

Tulsi Tanti: It is just a beginning, but currently we depend on how much PPA we can get, so currently we

are having 210MW of PPA on hand, for the financial year it is minimum 200 and it may go up

to 500.

Bhargav Buddhadev: In Solar, you would be also seeking opportunities as an equipment supply or we will not take

those opportunities?

Tulsi Tanti: Solar we will build the project and we will sell the project because we are not manufacturing

any equipments.

Bhargav Buddhadev: So nor do we have any plans of manufacturing in future as well?

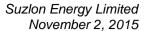
Tulsi Tanti: Not really required because the product is very-very competitive in the marketplace and there

is no much margin on manufacturing side. So currently we do not have such plan to manufacture into the solar. But, what we are focusing is system design and system engineering to optimize the overall project cost by our technical expertise, at the same time how to integrate the energy, wind and solar and to do the SCADA Systems, forecasting and scheduling systems on utility scale of this. So we are investing in our technology skilled on a front ending rather than going on a core manufacturing of the panels which is more today's

market that is a commodity.

Moderator: Thank you. Ladies and Gentlemen, we will take our last question which is from the line of

Jayesh Mehta from DE Shaw. Please go ahead.





Jayesh Mehta: I have a question on short to medium term outlook on the sector especially on the annual

installations. I see your Q2 presentation has a revised target of industry installations by 10-15% downward revision is there in the target. So can you throw light why is it like that, what

has caused you to...?

Tulsi Tanti: The industry's outlook what we are highlighting, we are following the source of the Crisil. So

that is their estimates and other thing is there, but as for our industry's outlook point of view, our view is industry will continue at least minimum 20% growth year-on-year over the next

three to five years.

Jayesh Mehta: Any key factors which will decide these things, whether you in your view or maybe in the

Crisil's estimate, do you see any key factors which will result in revision of these numbers

going forward?

Tulsi Tanti: No, it is more on the timely availability of the policy announced on the state levels. But,

currently, almost four to five states are in the pipeline which may be H2 most of the states will come with clarity because central government focus is very high and our country's target of 60GW by 2020 has to come from the Wind and by 2030 it is more than 100 GW has to come.

So the overall structurally there are clear directions I can see, but once the framework will be established the momentum has started, and after that we will see more visibility of the next 3-5

years.

Jayesh Mehta: With respect to the downward tariff revision, that has been the trend in the industry right now.

So how is it going to impact our selling price, ASPs going forward?

Tulsi Tanti: It will remain on overall pressure but earlier also I have mentioned because of the tariff goes

down, margin will go down, but at the same time volume will increase, so it will be compensated by that so that we can maintain our margin level going forward with the high

growth.

Jayesh Mehta: So sir, would it be correct to assume like we maintain around Rs.6.5 crores kind of price or

pricing will further come down like it can come down to Rs.5.5 crores also because earlier our

assumption is Rs.7 crores per MW, that is what...?

Tulsi Tanti: I do not see per MW price will go down going forward. We have to bring the product and

technology which can give more energy productions. So that whatever the tariff is going down we have to compensate by the higher energy products and technology. So the technology is a

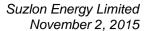
key driver for the growth.

Kirti Vagadia: Another factor I just wanted to add is that parallelly for the customer also, as you are aware

that for our customers the key raw material is finance and its cost. Overall rate of interest of

the country are coming down on one hand and another hand majority of IPP customers are able

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to refinance their loan at a competitive rate. So basically on their expectation side also, there will be somewhat revision.

Jayesh Mehta: So the developers margin will remain more or less intact even if the tariff revision goes down?

Kirti Vagadia: Yes, by combination of the various factors new generation product plus operating leverage

what we discussed.

Tulsi Tanti: I think main is the technology is key essence to maintain the margin.

Kirti Vagadia: There was one question about new generation product order intake. So both new generation

product order intake in H1 is roughly about 213 MW and if you see in overall our order backlog, 433 MW is coming from new generation products. And in certain couple of 100 MW,

we and customers both have option to choose between two products.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints that was the last question. I now

hand the conference over to Mr. Tulsi Tanti for closing remarks. Over to you, Sir.

Tulsi Tanti: So thank you very much. The various efforts put in by us have started to bear the fruits. With

the resurging India wind story, given the Government's thrust on the clean energy solution, energy securities and favorable conditions in the place, we are confident that we will play an important role in India's missions of the "Clean and Affordable Energy for All". Our strong order book and order book pipeline in FY16, positive business outlook and favorable policy framework give us the immense confidence to deliver on our goals. So thank you for joining us today and we appreciate your time and presence with us. In advance, Happy Diwali and

Prosperous New Year to You and All of Your Family Members. Thank you very much.

Moderator: Thank you very much Mr. Tanti. Ladies and Gentlemen on behalf of Suzlon Energy that

concludes this conference call. Thank you for joining us and you may now disconnect your

lines.