

"Suzlon Energy Limited Q4 FY16 Earnings Conference Call"

May 31, 2016





MANAGEMENT: Mr. Tulsi R. Tanti – Chairman & Managing

DIRECTOR

MR. J P CHALASANI – GROUP CHIEF EXECUTIVE OFFICER MR. KIRTI VAGADIA – GROUP CHIEF FINANCIAL OFFICER



Moderator:

Ladies and Gentlemen, Good Day, and Welcome to Suzlon Energy Limited Q4 FY16 Earnings Conference Call. As a reminder, all participant 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 an operator by pressing '*' then '0' on your touchtone telephone. Please note, this conference is being recorded. I now hand the conference over to Mr. Tulsi Tanti – Chairman & Managing Director, Suzlon Energy Ltd. Thank you and over to you, sir.

Tulsi R Tanti:

Thanks. Very good evening, morning and good afternoon, thank you for making the time to join us. Today, I would like to introduce you to Mr. J P Chalasani, our Group CEO. As you are aware, he is a veteran from the power sector and I am happy to welcome him to his first investor call with all of us. We look forward to gain from his experience and leadership. I am confident, under his guidance Suzlon will achieve many more milestone in the future while focusing on sustainable and profitable growth to maximize stakeholder values.

I would also like to highlight that we have established a strong management team consisting of the five leadership members, Mr. Kirti Vagadia, our Group CFO; Mr. Vinod R. Tanti, COO; Mr. Rakesh Sarin is International Business and Duncan Koerbel is our CTO under the leadership of Mr. Chalasani to drive this business. The team has a rich industrial experience and I am confident they will take care of our leadership team for the stakeholder interest.

Now I would like to hand over proceedings to Mr. Chalasani.

J. P. Chalasani:

Thank you, Tulsibhai. Good afternoon to each one of you. I am back in the sector after a short two years sabbatical, I am sure that many of us have interacted in the past and I look forward to interacting with each one of you in future as well. As Tulsibhai mentioned, this is my first investor call as the Group CEO of Suzlon. Obviously I am quite excited, I had always been excited about power sector and more excited about renewable sector now that is the reason I have bounced back into the sector. Mr. Tulsi Tanti and the team, the core team at Suzlon has built this organization over the last 21 years to this stage, it has got a very robust foundation and I want to use that stage to start building further on that.

Today we have Mr. Kirti Vagadia who is our CFO and also the investor team which will interact with you as we move on and I am sure that, I am assuming that you had gone through the investor presentation what we have uploaded on our website, which is quite elaborate on this. What I will do is that I will give you broader performance parameters that we achieved this year and thereafter I will ask Kirti to take you through the financial numbers, and post that we will be open for interactions. I am assuming that is fine with each one of you.

If you look, FY16 for Suzlon has been really a transformational year for us on this. Looking at what we achieved during this year, we just not bounce back, we have bounced back with full strength on this. It is a year of resurgence for us and this is a beginning of a sustainable growth



in future on this. We are pretty confident of maintaining this growth and this confidence comes from both internal as well as external factors which we are sure we are going to dwell during our conversation now.

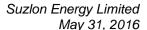
If you look at the sector, to start with sector wise, sector had a good growth in this year. We achieved 3,400 megawatt which is 48% growth for the wind sector on this which is pretty strong. And the current estimates is that even in FY17 we will grow by over 30% on this. On this canvas of sectoral growth if you look at Suzlon's growth of last year, we have more than doubled our commissioning capacity, we moved from 442 megawatt to 900 megawatt which is 104% growth rate, out beating the sectoral growth by 2x on this. We also expect that in FY17 where we were expecting the sector to grow at over 30% we will for sure outbeat the sectoral growth again in FY17 and our aim is to get back to the level of 40% market share what we had earlier on this.

If you look at this year based on the strong performance what we have, we regained about 700 basis points in our domestic market share, we moved from 19% to 26% on this.

Suzlon had always been pioneer in wind sector, that is what I did my first wind project as part of Reliance Group with Suzlon and Suzlon maintaining that status of a pioneer wind company moved into the latest state in the country Telangana and we are the first people to go and install the wind capacity in state of Telangana, again proving that we will be a pioneer company to move, we will always move first into every single place, every nook and corner of India on this.

On the service front, obviously you know that we actually operate and maintain the entire fleet what we delivered which shows the significant confidence of every single client what we have. So our both domestic and international put together, we have over 14 gigawatts of wind turbine. We are now working further to strengthen this area of working in a manner that we can bring in some value added products in the service sector as we move ahead, may not be today but as we move ahead you will see us during the year coming out with various new initiatives in the service sector as well on this. And also this year, which I am sure that we will be discussing in detail today is that we have started our foray into the solar sector, we have got 280 megawatt in Telangana and Maharashtra states put together on this.

Other factor which distinguishes us from everyone else in this country is our technology innovation. We stand out compared to everyone else in terms of focus on technology and R&D and innovation on this. Even during the time when the Company was going through troubled situation on this, one place we did not leave was continue to do the product innovation on this. So that is the commitment what this Company had right from the day one in terms of technology innovation on this. Our new products S97-120 with hybrid tower and S111 2.1 megawatt turbines have actually contributed 42% of our sales volume in FY16 on this. We got to a Type Certification for S111 for both 50 hertz and 60 hertz machines on this.





Continuing our focus on the technology and innovation, we opened a new research center in Denmark which is focused on rotor blade technology including smart pitch control systems and others. S111 delivered 102% of power design curve, making it the third consecutive blade program where performance exceeded design goals on this, this has been consistent, we have been proving that, this once more proves the point that our performance has always been better than the design performance on this. We commissioned the S111-120 meter hybrid prototype turbine in Gujarat and we expect to launch this product commercially in this financial year and we expect that this model would deliver the PLF north of 40% on this.

Now looking at the future the world over, the growth in the renewable energy sector globally, and specifically in India is expected to have unprecedented growth. Both because of the renewable energy becoming competitive and more important is the awareness and the commitment towards the climate change. The road ahead is clear with many factors contributing to the growth. If you look at COP 21 where we said that we will have 40% energy mix in terms of our total consumption by 2030 and also we will reduce carbon emissions by 30% to 35% by 2030 itself sets us the clear targets towards the growth of renewable energy. We are all aware that 60 gigawatt of wind and 100 gigawatts of solar is what we had intermittent target to achieve by 2022, so all these factors would clearly tell us that roadmap for the growth in the renewable sector is going to be much more steeper than what we have envisaged, what we have seen in the last few years on this. And we are sure that with keeping these macro targets, government policies would align with these macro targets so that we do not miss out on 2022 and 2030 targets on this.

Matching with this is what is being an international company, one is pan-Indian and the second one is being a company which is present across the globe. We have a serious strong presence in US what we are seeing now is that in US again we have the stability coming in with the Production Tax Credit, PTC regime getting extended on this, so therefore that is another area which is at good potential for us to grow in the near future. Also, as we all know that global wind energy capacity is expected to double in the next five years as per Global Wind Energy Council. I am saying all this because for a large company like Suzlon to grow we also need to have a large canvas across the globe on this, and all these factors clearly say that there is a huge potential for growth and with our performance of last year we are well set now to take off on year-on-year basis to move ahead on this. With our in-house technology as well as the product portfolio, best in class service, Pan-India presence and the two decades in India, I think we are well positioned to take this opportunity with both our hands and then move ahead on this.

I will now ask Kirti to address the detailed aspects of financial performance and thereafter we can get on to the Q&A. Kirti, over to you.

Kirti Vagadia:

Thank you, Mr. Chalasani. Good afternoon, everybody. I am happy to share with you the financial performance. In FY16, we have achieved full year sales volume of about 1,131



megawatt which is 2.5 times of what we did in FY15. We commissioned 900 megawatt which is 2 times of what we did in FY15 and order intake of 1,251 megawatt which is 3.75 times of what we had order intake in FY15. In Q4 we achieved a volume of 443 megawatt which is 73% jump on Q-on-Q basis.

During the year we also remained focused on two aspects which we promised to you in the beginning of the year i.e. profitability and cash flow.

In Q4 FY16 we achieved normalized PAT of about Rs.81 crores which is without any exceptional item and foreign currency gain or loss which is notional in nature. While on full year basis, in FY16 the wind business has almost achieved a breakeven with a normalized PAT loss of Rs.24 crores only. Our normalized EBITDA margin in Q4 FY16 came at a 15% or Rs.487 crores, while on a full year basis we too achieved +15% EBITDA margin. For FY16, in wind business we achieved a cash profit of Rs.212 crores and approximately, the improvement as compared to Y-o-Y is roughly about Rs.2,200 crores.

Despite 73% sequential growth in the volume to 443 megawatt in quarter four, our net working capital position improved more than 800 basis points to 14% from 23% in Q3. Increase in debtor is primarily because of Q4 being the high volume quarter comprising roughly 39% of full year volume, and even in Q4 more than 50% of business was done in last month itself. Part of it is already been realized in the current financial year in the month of April and May.

This all round improvement in financial performance has been the result of several measures we undertook like ramping up the volume with strong focus on project execution, exercising tighter control on our net working capital, fixed cost, debt and interest, optimizing our debt maturity profile and maintaining strong liquidity position throughout the year. We significantly outpaced the industry in terms of growth in FY16. We are confident of further increasing our market share in FY17, even on a larger market pie.

Our new product launches have been receiving huge response, garnering roughly 69% of our order inflow in FY16. Our Q4 order intake is 790 megawatt and closing order book is at 1,243 megawatt valued at Rs.7,989 crores, indicates strong traction for FY17.

On liability management front, I just wanted to highlight few topics that we have managed to reduce our consolidated net debt excluding FCCB to Rs.8,451 crores from Rs.14,820 crores in FY15. In April 2016, our subsidiary AE-Rotor Holding announced a redemption of SBLC backed bonds of \$590 million which was carrying a coupon of 4.96% per annum and parallelly we availed a credit facility of equivalent amount backed by same SBLC at a competitive rate of 3.3% per annum. This has resulted into one time extraordinary loss of Rs.267 crores in quarter four FY16 due to FCMITDA reversal. Had there not been prepayment of this bond, the said amount would have been debited over nine quarters including March. The foreign exchange loss in coming eight quarters would be lower to the extent of amortization of charge, exchange loss which we have taken on this bond.



As you are aware, that as per Accounting Standard 11, AS11, companies can amortize the exchange difference pertaining to long-term foreign currency, monetary items up to March 31, 2020 or the period of loan, whichever is earlier. Exchange difference arising on said bond were getting accumulated in foreign currency monetary item translation difference account which is sitting the balance sheet and were getting amortized over the tenure of the bond in accordance with AS11 and majority of corporates adopt this policy primarily to avoid quarterly fluctuation in the numbers. The prepayment of this bond required a reversal of debit balance lying in this FCMITDA and resulted into charge of Rs.267 crores in Q4 itself. We have also repaid in cash foreign currency convertible bonds of 28.8 million along with its redemption premium. Both the above steps will result into annual saving of Rs.75 crores in interest in FY17 and onwards.

We have successfully achieved turnaround of our operation and now we are confident of further improving the performance in FY17 and beyond.

Over to you, JPC.

J. P. Chalasani: Thank you, Kirti. Now we can open this for question-and-answer.

Thank you, sir. Ladies and Gentlemen, we will now begin the question-and-answer session.

We have the first question from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

Bhalchandra Shinde:

Moderator:

Sir, regarding wind installations I wanted to know, means like as per the government regulations what we are seeing that by FY17 end most of the incentives are going to get expired, post that what kind of installations you see in the market and what kind of share are we expecting? If at all we are seeing a decline in these installations are we strategizing to get into the international markets and which markets we are targeting?

J. P. Chalasani:

See, there is multiplicity of factors, especially in the power sector we are always famous for which policy will stay, which policy will go we keep debating every year on this. I think more important is to look at macro level before we come to the policy level on this. Our target is 60 gigawatts by 2022 and with 27 gigawatts as on today, so balance 33 gigawatts if you need to do in the next six years, we are talking about an annual target of +5 gigawatts which is much more than what we achieved every single year till date. So therefore directionally government has set a target saying that we need to achieve an average north of 5 gigawatts every year on this. We are talking about having 40% by energy contribution by 2030 in the country as a whole and if you look at globally, you are saying that what is happening in the world over, you just heard the Portugal running on the renewable energy for 107 hours recently, Germany running it for few hours, there is a whole shift towards the clean and green energy on this. I think that is a canvas on which we need to look at the growth potential for us. Point number two for us is, one is, in India we are pan-India, we are there in every single state which has got wind resources, and second, we will expand that into other states as well because now we have latest National Tariff Policy where interstate transmission is becoming zero, so therefore the



whole country is becoming one for us on this. You can set up like what we are in the conventional system of pit-head power stations, so we will have wherever wind resources we can set power plants, wind turbines and then take your power to whichever part of the country. Third, as you rightly said, we are a global company so therefore we have an opportunity to hedge our risk from one country to other country. So there is a canvas of global sector as well as canvas of what is going to happen. Therefore, fundamentally there is a huge potential for growth if you look at year-on-year basis.

Now coming to specific issue of what would happen to the policy, the policy support or not is to be seen in the context that when the government once sets the target we are of reasonable confidence that government also would create enabling environment to grow at that level otherwise government cannot say that I will need 60 gigawatts by 2022 and say that I am hands off approach. So without commenting specific about GBI will remain, GBI will not remain, AD will remain, AD will not remain, one has to be confident that achieving these targets there will be an enabling environment. Second, from our side is that not just depending upon the policy levels of this, because there is a huge growth potential we will continue to work in terms of bringing in the new products which we have been doing it, as I just now told you that the new prototype what we commissioned is expected to have a north of 40% efficiency. So therefore we will bring in the new products which will have higher efficiency, which will reduce the levelised cost of energy, plus we will also bring in operational efficiencies. We will just not depend upon the external environment alone, so that coupled with our internal controls of efficiency improvement and operational efficiencies, there will be bridge between any policy having an adverse impact in terms of tariff would get bridged with what are the internal improvement, plus the potential. So with all these factors together I personally see that the growth potential wise from here onwards will only keep growing yearon-year rather than any reduction.

Bhalchandra Shinde:

And sir, on the international front, are we targeting any countries or we are still exploring the opportunities or we will look into those opportunities after some time?

J. P. Chalasani:

I think maybe if you know Suzlon, it is not exploring, exploration was at one time for us, at least we have a significant presence globally today. In fact, we have a 5 gigawatts already operating outside India on this. So therefore we are an established player globally, it is not that we need to go out today and explore because there is no opportunity in India, we are an established player globally on this. We know every market, but having said that, like in India we keep exploring each state every year, even in each country outside this we keep regularly monitoring the policy environment, monitoring the demand-supply analysis there. So we keep making our business plans according to that, but we today already have a significant presence, it is not that we need to explore.

Bhalchandra Shinde:

I mean to say after divesting our stake in Senvion, we took measure that we will not get into international market.

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SUZLON POWERING A GREENER TOMORROW

Kirti Vagadia:

Let me respond to you, that initially we decided to focus on India market, so even in current year we will be continuing our focus on India market, but in parallel we will develop the opportunities in international market without building up any fixed cost on those countries. So with lean organization we will work on a supply model and build order pipeline for next financial year and onwards.

J. P. Chalasani:

And also intent is clear that when Tulsibhai in his opening comments he said that in the management team we have Rakesh Sarin who has joined as CEO of International Business, he came from international operations of Wartsila. So the whole focus is that yes while there is a strong potential in India we are not just going to get satisfied with the potential in India, we need to expand outside. So therefore we have the team which is at the leadership level experienced in international operations. He just joined us a few months back. So there is a focus there, it might take time before we develop and start implementing on this but that is a market which parallelly we will develop, directionally we are moving in that direction.

Bhalchandra Shinde:

And sir one last question about solar power plant, as we are implementing a solar power plant in Telangana, what I came across in news in Bloomberg that CLP India is ready to invest through some stake in that. I would like to know the process exactly what we are referring to get into the solar power plant, because obviously a lot of investment we will take and a lot of equity investment we will take into those power plants and right now I think we will largely believe on managing our capital in a much better way. So how we are going to go into that solar power plant?

J. P. Chalasani:

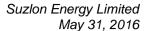
See, I read the same news item as what you read, so therefore both of us are talking on the same news item. But having said that, I would not like to comment on what is written in the news item so therefore let's leave aside the Bloomberg and ET article what came in, but directionally talking about our solar portfolio, we announced 280 megawatt which is predominantly in Telangana 210 megawatt and 70 megawatt in Maharashtra on this. Our intention is to do these projects with more of to establish ourselves as an EPC and O&M player, not for any capital investment on this and these are the investments what you call as in accounts the investment companies for sale. So that is a direction what we are moving on this. So therefore we do not see a significant investment from outside but this will give us as a vehicle for us to become a strong EPC and O&M player in solar.

Kirti Vagadia:

And if you see our investor presentation slide from 17 to 20, on slide number 19 we have clearly mentioned that three pillars which we will follow in our solar business, one is minimum capital investment, low fixed cost and turnkey and O&M margin, that is what three pillars we will be following for our solar business.

Moderator:

Thank you, Mr. Shinde. We have the next question from the line of Amar Kedia from Nomura. Please go ahead.



Amar Kedia:

Sir, my first question is continuing on the international side of the business, in your presentation also now for some time you have been highlighting the US opportunity, especially regards to the PTC expiring or rather PTC benefits starting 2016. Now in this slide also you have mentioned that strong demand is expected in 2016, so are you looking for some kind of market potential for Suzlon in the US starting this year or as you mentioned it is all next year onwards that we should be building something in?

Tulsi R Tanti:

Just to give a very clear clarity about domestic and international market strategy, our first and top most highest priority for Indian market to regain as much as possible the highest market share and current year our highest priority is just India. But same time we have a good strength and lot of our customers in US, last week I was in USA 2.7 gigawatt operational assets in the US we have. And the five years the policy is announced, it has given opportunity for the next five years 50 gigawatts US will add in the wind sector. And it is a more stable clarity of the policy framework for the US and as you know we are very competitive product technology for the US market we have. So we are preparing ourselves for the US market, so next financial year onwards I can see some supply will start for the US market and also in the Canada and Mexico market, so that is what we are targeting for the next financial year. Current year our high priority is for India.

Amar Kedia:

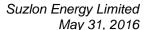
Sir, the second question is, when I look at your realization in the order book that you have, almost Rs.6.4 crores per megawatt is what you have highlighted which is slightly higher than what you have done let's say in FY16 like-to-like. Should I be assuming a better gross margin on account of this higher realization or should I be assuming that it is mostly on account of the higher technology products that you would be shipping in, and in that case would the gross margin be similar?

Kirti Vagadia:

It is a combination of two things, first of all, one is as you rightly mentioned is product mix and second is business model also. Many a times you know that we take full EPC contract as well as there are some only supply kind of contract which is supply plus commissioning practically and there is a price difference between both the things. So I would not go into guiding purely on the basis of sales price realization that whether higher sales price will result into higher gross margin or not, but it would be safe for one to assume that we will continue to maintain our margin.

Amar Kedia:

Sir just one last question if I may, it is on the working capital side. So we have already noticed I would say very encouraging improvement in your working capital since December 2015 numbers. And then again you also highlight in your presentation as well as in your commentary in the call today that in Q4 you had almost 40% of the sales which is why April and May probably you have recovered some more on the receivables front. So would it be safe to assume that your working capital has further room for improvement from the 14% levels currently or as of March 2017 we would be looking at more or less again a 14% kind of a number?





Kirti Vagadia: First of all I would say that generally our working capital will fluctuate from quarter-on-

quarter basis, mainly because we are in a project business. And in project business it is dependent purely on completion of project which can be fairly estimated on an annual basis but not on a quarterly basis. So I would request all of you not to measure us on a quarterly basis so far as working capital is concerned. On an annual basis, it is fair to assume that we

will be in the range of 14% to 15%.

Moderator: Thank you, Mr. Kedia. We have the next question from the line of Ashutosh Narkar from

HSBC. Please go ahead.

Ashutosh Narkar: Sorry to harp upon your international business, a couple of questions on those front. One, I

want to understand how does the business model for Suzlon will work especially when you are targeting US. If you could be explicit in terms of, the manufacturing would only be done in India? That is one. Second, what is the kind of investment you would require in manpower to establish a sales team down there? And third, the EPC team down there, will that be

outsourced or will that also be built up in-house for that particular geography?

Kirti Vagadia: On US market, let me clarify, we already mentioned in earlier question, but let me repeat for

the sake of repetition. First of all, we will be working with a lean team and model of a business will be pure supply model, so supply and supervision is the model. On a manpower cost built

up, we will be working with a very-very lean team.

Ashutosh Narkar: So just to understand sir, I am really sorry if you are repeating it. So we will have our

marketing team down there, we also have our EPC team down there?

Kirti Vagadia: EPC is not in our scope, in USA EPC is not in our scope.

Ashutosh Narkar: Correct, so it is only the supply part, right?

Kirti Vagadia: Yes, and supply will happen from India.

Ashutosh Narkar: And what is the typical type of margins you would be anticipating in this business, given that

most of the European ones and the American ones work at much lower than the Indian

portfolio margins?

Kirti Vagadia: Right now we just started engaging with our customers on order, so it would be bit premature

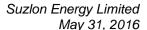
for me to talk about margin. And our margin needs to be measured always on a totality basis

rather than market wise.

Ashutosh Narkar: The other question was, you also mentioned in the initial remarks that there are multiple new

service products which the Company intends to kind of introduce, what are these? And second

one is, we also are looking at expanding or adding one more R&D center for the blade factory



in Denmark, if I am not wrong, what is the kind of investment required there? And is that something which is an expansion or completely new facility we would be starting up?

J. P. Chalasani:

What we mentioned, on the OMS we are talking about is that we said that that is going to be a focused area for us this year and we said that as we move ahead in the year you will see us coming up with value added products with that. I am sure that as and when we start introducing in the market we will come back and let you know that these are the products on this, they are on the design table today, then there are some exciting products which will come out, series of them will keep coming out on this year, because that is a focus area. Second, the question on... what was the second question, sorry?

Kirti Vagadia:

I will take that, the second question was on blade science center, if you see our slide number 31, this science center is already open and there is not any CAPEX cost sitting in a rented premises and there is lean staff members working on that area, so it is nothing I would say major CAPEX or major OPEX.

Ashutosh Narkar:

Let me just wind up my questions, what is the anticipated CAPEX we intend to do during FY17 and FY18?

Kirti Vagadia:

CAPEX would be primarily in the line of what we have done in FY16, in FY16 we have done all the kind of new units, maintenance CAPEX plus R&D, all put together roughly about Rs.300 crores, so basically we will continue around that range.

Moderator:

Thank you, Mr. Narkar. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Shirish Rane:

Sir, couple of questions. First, if we expect the market to grow at 30% and our share to grow at more than 30%, we have order backlog of around 1,250 megawatt or so, so do you think we will get the requisite orders over the next 12 months or so to meet our target, or what are the challenges or what are the opportunities you see to meet that basically?

J. P. Chalasani:

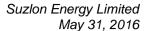
See, last year the 1,251 is order book and 1,131 is delivery, so one of the ways to measure the strength is that you would book to bill...

Shirish Rane:

Sorry?

J. P. Chalasani:

Book to bill, how much orders you booked and how much you billed, so actually we have been booking more than what we have been delivering on this. So therefore if you see last year also it was more than 1.1 times on this, so that is a healthy measure to have book to bill ratio on this. The second one is, what you are seeing is as on March, between then to now as we made a significant progress and we expect that most of the orders would get closed shortly, let's say the end of quarter one and towards mid of quarter two and we are pretty confident that when we made a statement that we will outbeat the market growth rate of 30% we have a specific





projects which are now under radar and which were at different phase of discussion. So obviously we cannot announce which are those projects once each project gets finalized we are anyway giving it out to the market. But to answer to you, we are quite affirmative that we will have those orders to execute. I think the issue for us is not the order book, issue for us is to go and deliver those projects on time.

Shirish Rane:

So just to clarify, when you say 30% more you are talking about 1,131 megawatt, on that 30% or more growth, right?

J. P. Chalasani:

No, the Indian capacity is talked about, it does not talk about sales, it talks about commissioning. We commissioned 442 megawatt in FY15 and it went up to 900 megawatt in FY16 which is a jump of 104%. So even if you look at the sector capacity you are talking about, moving up from somewhere around 2,300-odd to 3,000 megawatt on this which is 48%, we are always talking about commission capacity and not the sales capacity.

Shirish Rane:

So essentially you are saying 900 megawatt, 30% of more growth?

J. P. Chalasani:

Yes, as the base, percentage calculation for next year will be 900 is the base, last year is 442 to 900, 442 was the base, this year 900 is the base, we are sure as Kirti mentioned sometime back our base is much larger now compared to the last year but still we are quite confident that we will grow.

Kirti Vagadia:

Just to clarify, what we talked about is that industry is expected to grow by 30%, so what we mean is that industry did 3,400 megawatt, industry will grow by 30% and we will grow more than 30% that is what we mean by it.

Shirish Rane:

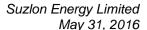
I perfectly understand, just wanted to clarify the base numbers so that there is no confusion on that. The second part sir was, out of this 3,400 there would be some market which is there because of advance depreciation and which probably will not be there from 1st of April, 2017. So this question is not as much for FY17 as much as for FY18 onwards. So how big that market is, and if that market sort of is not there or reduces substantially, do you think it impacts overall market and it impacts our volumes?

Kirti Vagadia:

If you see our slide number 14 where we are talking about order backlog, almost 82% orders are coming from IPP plus PSU segment and just 17% is from others. And if I try to bifurcate this 17% then what was coming from AD-based customer then probably it is very less. And if you see our slide number 15 where you can see 98% of our current order book is coming from IPP and PSU, just 2% our order backlog is from AD-based customers. So now you can make your own judgment that how less dependent we are on AD and it is insignificant now for market.

Shirish Rane:

So the last question I have is, our margins in fourth quarter was lower than the nine months margin or the third quarter margin or whichever math you do for the first three quarters. Is





there a particular thing which I am missing, because your full year margins as adjusted and as reported by you in the presentation is 15.7% whereas the fourth quarter margin was 15%. So just wanted to reconcile, I mean why is this?

Kirti Vagadia:

Just wanted to remind you on last two quarters when people ask me about the margin that whether margin is sustainable, I tried to explain that it is arithmetic. When we have a lower volume the OMS is higher percentage of our total revenue and OMS business you are aware that it is a high margin business. So when high margin business is also proportionately higher in your overall pie, naturally your margin looks higher by certain percentage. Just to give you sense about what has been OMS business, OMS business has been 22% of our nine months revenue and in Q4 it is just 11%. So that is primarily the reason which is mathematics and nothing else. I guided that 15% is something which one can assume on a sustainable basis and on annually, quarterly margin maybe fluctuating up and down due to this mix of revenues.

Moderator:

Thank you very much, Mr. Kumar. We have the next question from the line of Deepak Agrawala from Elara Capital. Please go ahead.

Deepak Agrawala:

My first question is, just want some more clarity on solar, like now you mentioned that you want to work on EPC and O&M model which you have clarified in earlier concalls also, but does that mean that now that PPA you have already signed so you would not go ahead with execution till you find an equity partner or you will put in equity and then the execution can go parallel to the finding of a partner?

J. P. Chalasani:

We will meet both the objectives, we will maintain the PPA commissioning schedule what have we committed with the off taking agency and at the same time we will also meet our objective of not having a capital investment and demanding an EPC O&M player, I think we are trying to marry both.

Deepak Agrawala:

But in the event the thing might take time to find a partner but you will still go ahead with the execution of it?

J. P. Chalasani:

I hope the situation does not come, it is an hypothetical question.

Kirti Vagadia:

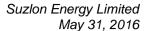
That is one, and secondly just to add that the PPA tariff rate at which these bids are won are average Rs.5.38, so I do not see any reason that why we will not be able to find any potential equity investors.

Deepak Agrawala:

What is the timeline of commissioning of each of this Telangana and Maharashtra?

J. P. Chalasani:

In Telangana the timeline is about 60 megawatt we are supposed to do by February and the balance 150 megawatt we are supposed to by May. So Maharashtra 70 megawatt is again in May 2017.





Deepak Agrawala: Which we have sufficient time then?

J. P. Chalasani: Yes, that is the reason I said that your question is a little hypothetical at this stage.

Deepak Agrawala: My second question is, the employee expenses is a bit high on a sequential basis, any specific

reason for that?

Kirti Vagadia: There are two specific reasons for employee expense to be higher in this quarter, quarter four.

Basically as you are aware that we did significantly higher volume in quarter four, so naturally people at factories, people at site need to do lot of overtime and all those things. So part of that is relating to bunching up of the volumes in one quarter and there has been, I would say, some kind of increment and PLI which we have given to people in FY16 which generally we have not been giving in for whole year. So these are the two reasons which contributed to bit slight

expansion on employee expenses.

Deepak Agrawala: And going forward it should normalize to a reasonable level and not see this kid of a jump?

Kirti Vagadia: Yes, other than inflation linked kind of normal increment we do not foresee any major

expansion in that expense and we are keeping very-very tight control on all the fixed cost.

Deepak Agrawala: Also, can you comment on like as we have seen there is a fair bit of reduction on the

preferential tariff in some of the states, so how is the IRR arithmetic changing let's say in Madhya Pradesh or Rajasthan going forward? And also as we are adding more and more technology intensive product, so do you see the pricing pressure coming on to maintain the

same level of IRR for the IPPs?

J. P. Chalasani: I think, see in general in life pricing pressure will always be there, I do not think there is any

doing innovation. If you look at our sales currently, we are in AP and other places where there are good tariffs this year, I do not see much of a problem, our exposure to MP and the places where the tariffs are low is not very high focus area. But having said that, in the previous question as I answered, moving ahead, while if you have pressures on tariff you also need to counter it by couple of things, one is, as we said that the technology innovation which we talked about at the cost of repetition that the new machine we said that prototype commission we are getting north of 40% PLF on this and operational efficiencies, plus I am sure that the investors also will relook at their returns for expectation on this, you are seeing in solar, people

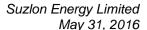
came from where to where on this. And I am sure that wind returns are much higher, even at

sector which will not have a pricing pressure which is constantly you need to meet and meet

the reduced tariffs returns are much better compared to solar.

Deepak Agrawal: Because in fact government has recently floated a draft paper on competitive bidding for wind

also, so how do you see, because as a veteran player how do you see this development?



J. P. Chalasani:

See, I don't want to get into my personal comments on the competitive bidding in India because whichever sector you are seeing competitive bidding has not been really very efficient in this particular sector because we are not mature enough for competitive bidding. Leaving aside that, if the competitive bidding comes one has to be prepared, we will participate, we are selling our equipment, we are selling our services. So at the end of the day somebody is going and setting up power plant, as long as the wind power plants are being set up, whichever route, our services are required so therefore I do not think there is any impact. If the country is developing 5,000 megawatt of wind capacity, whichever route it is, it's an EPC route, combination basis or competitive bidding, that is a market for me, 5,000 megawatt. So we look at it from that angle. But the same thing you see in the national tariff policy, it talks about from a date which Government of India will dictate and they are saying that again 35% of that capacity can still go under Section 62, so there are lots of ifs and buts, let us wait and see what happens.

Moderator:

Thank you, Mr. Agrawala. We have the next question from the line of Sudhakar Prabhu from Span Capital. Please go ahead.

Sudhakar Prabhu:

I have few questions, so my first question is on your services business. So if we have seen for last two years the services business has almost been flat around Rs.1,450 crores, so how do you see the services business panning over next couple of years?

Kirti Vagadia:

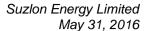
Service business is steady and annuity like revenue business, but in last three years, as you are aware that our megawatt installation has been low and that is why the incremental revenue which needs to come from say per megawatt generally service revenue comes at about Rs.10 lakhs. So if I am adding 400 megawatt annually in last few years, so it should have grown by Rs.40 crores. But it has not grown particular in last financial and there is one specific reason for that. We have taken two steps in last year, step number one that in certain small projects in certain countries we have exited from OMS contract so that those non-profitable contracts are not ongoing for a lifetime that is one step we have taken. And that step we have taken for a very small number of megawatt. The second thing, as a matter of conservatism, some people in India were not paying our service charges primarily due to their own financial challenges, those kind of customers we stopped recognizing revenue so that we are going much more conservative on a revenue recognition policy, so far as service is concerned. These are the two steps we have taken. Does this take care of your question?

Sudhakar Prabhu:

Yes, sir but if your execution is increasing so this year you did around 900 megawatts of delivery, so can we expect that in the coming years this service revenue can go up?

Kirti Vagadia:

Definitely, see this is external revenue, generally we give one or two years free OMS to our customers, from two years those kind of megawatt is added in service. And you are aware that in India we are maintaining every single machine sold by us, so not one machine has gone out of our service radar.





Sudhakar Prabhu: And my second question is on your JV front, you had plans of entering into a JV with DSA

Group for setting up a wind plant, you have plans of investing around Rs 400 crores, can you

just tell us what the progress on the same is?

Kirti Vagadia: Yes, we will be doing in this financial year, last financial year you know that we were having a

limited capacity for execution so we did not do it in last year, so in current year we will do

that. And that also we will be able to partially, part will go to next year onwards.

Sudhakar Prabhu: And thirdly, out of your order book of 1,240 megawatt, is this 1,240 entire for India business

or does this include some parts of international parts also, any international revenue or

international orders?

Kirti Vagadia: Yes, the entire order book is primarily for FY17.

Sudhakar Prabhu: You have order book of 1,240 megawatt, so is this entire thing executable in FY17 or some

part is to be carried forward next year also?

Kirti Vagadia: No, that is what we responded positively that yes it entire is primarily for FY17.

Sudhakar Prabhu: And sir one last question on the margins, you said EBITDA margin of 15% is the sustainable

margin, so let's assume once you get the economies of the scale can the margins go up from

15% level?

Kirti Vagadia: I would say that as a conservative person it is safe to assume that it will be maintained at 15%,

looking at other factors which has happened in the market place.

Sudhakar Prabhu: Sir one last question, sir what would be your average interest cost now, post all this debt

restructuring and repayment of this 590 million dollar?

Kirti Vagadia: See, average interest cost it is simple, we have given interest, borrowing amount as well as rate

of interest applicable to us. So that is something which you can easily calculate, Slide #22 where we have given the number. Please remember that around Rs.200 crores is the cost which is not linked with this, that is primarily bank guarantees, LC commission as well as bank charges, all those kind of things. Other than that is something which you can calculate easily

on the basis of numbers we have given.

Moderator: Thank you, Mr. Prabhu. Ladies and Gentlemen, due to time constraint we are taking the last

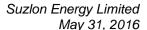
question. Last question is from the line of Ankit Babel from Subhkam Ventures. Please go

ahead.

Ankit Babel: Sir, my first question is that in the last couple of years we have seen lot of focus on solar

power, I mean though in actual terms at around 3,500 megawatt it is in line with wind, but

since there are so many government tenders coming in solar power and even the ministry is



targeting some 10,000 to 13,000 megawatts installation this year. Just wanted to understand that since the cost of setting up solar power is consistently coming down, do you feel that in that scenario the wind industry has a potential to continue to grow beyond 4,500 megawatts?

J. P. Chalasani:

Yes, I think as I mentioned in the previous conversation we have a different set of targets, as a country clear set of targets for wind and for solar, we set ourselves 60 gigawatts for wind and 100 gigawatts for solar on this. So therefore there are two different things on this, and if you look at most of the investors, whosoever is there, they are trying to invest in both wind as well as solar. So you will have a demand, you will have specific customers for wind, as well as solar. I think in my opinion, my expectation is both will continue to grow.

Ankit Babel:

But sir, why people are bidding so aggressively in solar where the IRRs have come down to 11% - 12% whereas the wind has a very high IRR. So what is the reason, why a low IRR business is growing at a faster rate than a high IRR?

J. P. Chalasani:

I am glad you asked this question, because I have the same question, if you find the answer I would be really keen to know. Why are the people investing and reducing the tariffs to such an extent, I am not clear. That is why I said that today the IRRs in wind projects are much better, much more stable than solar projects.

Ankit Babel:

So you feel that the potential for wind energy is what, say in next two to three years per annum kind of figure?

J. P. Chalasani:

See, directionally what we said that if it is 60 gigawatts and 27 gigawatts is already existing on this, in the next five years to do balance 33, on an average it is +5 gigawatts, north of 5 gigawatts is what we can achieve.

Ankit Babel:

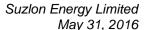
Sir, just a concern here, one of your business partner is slightly skeptical about the growth in the wind industry, I am talking about Sanghvi Movers who is a good supplier to you. Now the management there feels that in India wind energy will stagnate at around 4,000 megawatts for next few years, you are talking of 4,500 megawatt this year but they are presuming that it would not cross 4,000 megawatt and it will stagnate for few years. So why there is a difference, you both cater to wind energy keenly, so why there is so much of difference in opinion?

J. P. Chalasani:

You have one opinion about Mr. Modi, I have a different opinion with Mr. Modi, so opinions are opinions, everybody will have their own views based on their own set of assumptions what they have on this. I do not think I will be able to comment on why somebody is saying 4,000 megawatt.

Ankit Babel:

My worry here is, because you people are also dependent on that company and if that company did their CAPEX on a particular figure and you people are expecting more growth, then there





could be a situation where you people may got short of cranes and all those, which has been the case in the last couple of months. So I am just worried from that angle.

Kirti Vagadia:

Let me tell you two things first of all, we are OEM and we interact directly with the customer. So whatever is the market pulse is something which is more accurately available with Suzlon as well as any other OEM, that is the first thing. And secondly, in our business you know that we are not single source dependent on any of the items and similarly in respect of cranes, no doubt Sanghvi is one of our own most important crane supplier but definitely we do have cranes from others as well

Tulsi R Tanti:

Just to add, we believe next five years' Indian market will remain +5 gigawatt, there is no doubt about it. We know there are lots of challenges, uncertainties, I see the opportunity for us. How to unlock those uncertainties and to grow the market and unlock the opportunity, I think that we have to manage and it will remain like that. We understand your concern, tariff is going down, policy uncertainty is there but we see this demand and market will continue. Other side, investors' expectations of the volumes is very high, so they are very much interested to invest. So whatever project execution is possible by the country, by all wind turbine companies, it is not enough to satisfy the demand, so that is one. The second is, current IRR level is quite reasonably good, if there is, some pressure will come on that also, the financial invest will be willing to afford that and they will continue to invest.

Ankit Babel:

Sir, they will not put pressure on you to reduce your price.

Tulsi R Tanti:

First you have to understand, demand-supply will decide price, if demand is less I have to reduce the price, if demand is high I have to continue maintain my price and to give a reasonably good IRR and same time I am investing heavily in the product and technology so that I can able to maintain my margin, I can be able to take care of my customer IRR also irrespective of the lower wind site, irrespective of the reduction of the tariff. I think we are fully equipped for the next five years how to unlock this 60 gigawatt Indian market which the government has given opportunity to us and we are very well equipped for that. Our plan is very clear, in next five years the 15,000 megawatt we are going to install and commission as Suzlon alone.

Ankit Babel:

And sir, you are confident that this 60,000 target would be met given the constraints on right-off way and land availability, PPAs and all these other constraints?

Tulsi R Tanti:

You have to understand, two years before the size the market was just 1.5 gigawatt, today it is 3.4 gigawatt and next year it will be 4.5 gigawatt or 5 gigawatt it will go, it is growing. So market is maturing on the ground also that all the issues are maturing and not one or two states, now eight states are working on this, installation of this wind power project and not one group of customers are there, the financial investor is there, PSU is investing, the Indian corporates are investing, all these segments are continuously driving the growth. So uncertainty is there, it is opportunity for Suzlon always.



Moderator:

Thank you, Mr. Babel. Ladies and Gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Over to you, sir.

J. P. Chalasani:

Thank you to each one of you for joining this call and making it an interactive one. Just to conclude, as we said that as a company Suzlon is well positioned to capitalize on the opportunities which we explained both at the macro level and the micro level for the company and we expect the sector to grow north of 30% in FY17 and we are confident that we will be able to outbeat sector growth like what we did in FY16. We will continue to act in positive traction of 1,251 megawatt of new orders from various customers what we got during this year. We will focus on various Indian states that display long-term opportunities in renewable energy. More importantly, we are going to leverage our technology and the new products what we are getting to further optimize the cost and bring about higher return on investment for customers. And we will provide the best in class services so that the customers, clients buy our machines would have a renewable energy generation over a long period of time. We will deliver on our aim to install 16,000 megawatt of wind energy over the next five years, which is equivalent to what we have installed over the last 20 years. With the government's thrust on the renewable energy, the positive environment and growing demand, we are confident of achieving our goals in both FY17 as well as beyond. With this, I thank you once again for joining us today and I look forward to your continued support as well as interaction. Thank you.

Moderator:

Thank you very much, sir. Ladies and Gentlemen, on behalf of Suzlon Energy Limited that concludes this conference. Thanks for joining us. You may now disconnect your lines.