

"Suzlon Energy Limited 9 Months FY18 Earnings Call"

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Moderator:

Ladies and gentlemen, good day, and welcome to the Suzlon Energy Limited 9M FY18 Earnings Conference Call. This conference call may contain certain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance of the company and involve risks and uncertainties that are difficult to predict. As a reminder, all participant' lines will be in the listen-only mode. 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 '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I am now glad to hand the conference over to Mr. Tulsi Tanti. Thank you, and over to you, sir.

Tulsi Tanti:

Thank you very much. Good evening and thanks for all of you joining the call. I have J.P. Chalasani - Group CEO; Kirti Vagadia – Group CFO; and our Investor Relations team with me in this call. I hope you had a chance to go through our Results and the Investor Presentation. I will share with you overview of the industry and my team will talk through our Q3 & Nine Months Performance, post which we are happy to take your Questions.

India is at the cusp of adopting a clean energy at the large scale which have never been seen before. In a just over the last three years, the installation of renewable energy capacity in India has doubled from 32 GW to 63 GW. So renewables, especially wind and solar, today are not only the cleaner but also more affordable energy than the coal energy. Within renewable, with over 32 GW installation, wind is not only the most successful and reliable but also the most affordable energy and clean energy for our nation. The solar is 80% imported from China, while wind is 80% made in India. We have more than 4,000 SME units in our country who is producing the wind turbine components and turbines in all the value chain. The full supply chain of the wind turbine is highly established in our country giving us a good confidence for the future capacity to build locally. Not only that, India has the high potentiality to become a global manufacturing hub for the wind, because most of the global companies have established their manufacturing capacity in the country which can help us to also start good level of exports from our nation to the other countries. The government is strongly committed to exponentially grow the wind sectors in the next few years. The wind bidding roadmap unveiled by the MNRE gives a very clear volume guidance to attain its target of 60 GW which we believe will be reached earlier than the 2022. Another good positive move is that 175 GW target, it is not just restricted to 175 GW based on the last communication by (MoP) Ministry of Power, India is looking to go by 2022, 200 GW. Not only that if wind can able to build more capacity so that should be the option also available because we have almost 8-10 GW the manufacturing capacity in our country, we have to leverage that and that is why in the next five years it is possible that 50-60 GW capacity can be executed.

I am pleased to note that in the first year itself the 6 GW of the central bidding and approximately 2 GW of the state bidding, thus the total 7-8 GW bidding will be completed by this current financial year. So all these projects will be available for the next financial year.



Another beauty is starting because of the bidding process being well in advance. We have clarity of the volume, we have clarity of the PPA, and we have sufficient time for execution. So the whole business cycle of the financial year it will be very smooth and there cannot be uncertainty in between. So it is a great change and move in the business is coming which can reduce the certain cost also, not only that because some quarter is very high peak and some quarter is low peak which can be avoided. Also, it will give a good comfort on quality of projects and the working capital cycle will become very smooth.

With the central and state bidding and the retail and captive segment, all put together India is clearly positioned to become more than 10 GW per year market for the next five years. So it is very clear, visibility is improving and the governments are pushing this resource very highest priority. Also, we have seen some of the states are planning and reducing the coal-based power production which is a very old inefficient and expensive plant. So they are planning to shut down also to accommodate the renewable capacity much more in the state.

Apart from the above, there are the various new and emerging areas such as repowering, wind solar hybrid, offshore, etc. which are in the process of getting unlocked. MNRE is taking a constructive steps to develop this area and they are in a fast process, they are bringing the new policy guideline for all these things. Also, recently, MNRE has sent the direction to all the states that less than 25 MW project will be on FiT basis so that domestic investor can able to invest in the FiT route, which is the old system because the bidding process is for minimum 50 MW project, so the small domestic investor cannot able to participate. To accommodate the domestic investors, so 25 MW FiT regime will start through the state level regulatory pricing mechanism.

So there are some large scale opportunity unveiled in the sector and Suzlon is extremely well positioned to tap the same because we have a fully vertical integrated and also end-to-end solution provider and more than 12,000 MW of the installed base of the service which is giving us the good opportunity to leverage this volume opportunity into the next coming year.

So now I invite my team to take through our Q3 and 9M Performance and give you some insight on the business of FY'18. As you know the FY'18 is a transition year with extremely low volume. But irrespective of the uncertainty and the low volumes, I strongly believe that Suzlon, within the current environment, we are trying best and performing the best in the industries.

So I am handing over to the JPC.

J.P. Chalasani:

Thank you, Tulsi Bhai. Good evening to each one of you. India wind industry as Tulsi Bhai explained just now is at the cusp of revolution with significant policy reforms and is geared for exponential demand growth in the next few years. However, as discussed earlier, the industry is passing through a transition phase during the current year. This is also evident from over 70% drop in India wind commissioning during the first nine months of this year compared to the same period last year. Suzlon has managed to deliver a stable performance much better than the overall industry. We achieved 844 MW delivery volumes in the first nine months with the full year volumes likely to cross 1.2 GW. This is the year when industry is almost at a standstill. The



reasons we are able to achieve this target is -- thanks to our strong pan India presence, we are able to tap volumes in small window of opportunities in one or two states. Also, thanks to our pan segment focus, we were able to tap captive and PSUs demand which are largely independent of PPAs. This segment contributed 20% of our total wind volumes achieved. Also, our large O&M base of 11 plus GW in India and 3 plus GW overseas, gives us stable escalating revenues. The revenues from the segment is annuity-like largely insulated from business cycles, up and down. This segment contributed to about 20% of our overall revenue.

Our order backlog now stands at 1132 MW, of this 677 MW is firm backed by advance, PPA signed and ratified. This is in line with the guidance what we mentioned last time, that henceforth not just advance, we are also taking advance as well as signed and ratified PPA as the base to confirm the orders. So we continue with the same conservative way of declaring the orders. The balance 455 MW where we have the advance, we have the signed PPAs and the PPAs are under various stages of ratification of the respective regulatory commissions. Once this PPA get ratified, we reclassify them as our firm order book, for example, in the current quarter, about 185 MW got the PPAs ratified, hence we reclassified them as firm. With strong traction in bidding momentum, we are confident of concluding the year with a much stronger order book position.

On the industry side, we are seeing a huge traction in bidding. By the end of the current financial year, as Tulsi Bhai mentioned, total of 7-8 GW of wind auctions expected to be concluded. We remain very strongly positioned in auction regime; #1 our best-in-class in-house technology and over two decades track record enable us to have the tie-ups with very strong customers which we have witnessed in the SECI-I, SECI-II ensuring high volume share in bidding market. We are well equipped with the latest technology and innovative next-generation turbines that enables most competitive LCOE. Our low cost vertically integrated manufacturing base gives us huge cost advantage.

With declining tariff, there is definitely a pricing and margin pressure; however, the same will get offset by operating leverage benefit -- thanks to the scale and partially is being offset by stringent focus on technology and cost optimization. We aim to substantially lower our cost structure further.

Our growth strategy is based on strengthening our leadership position in India. We also target to strengthen our international operations as part of our market diversification strategy.

Our OMS vertical is growing in the sizeable business giving us annuity like cash flows as mentioned earlier. We now also intend to leverage this to explore additional growth opportunities in areas such as providing OMS for third-party turbines, developing and offering value added products and also tapping Repowering opportunities.

Suzlon is well equipped to capitalize on the inevitable growth of renewables, worth in the domestic as well as international markets.

With this, now I will ask Kirti to take us through the detail aspects of the Financial Performance.



Kirti Vagadia:

Thank you, JPC. Good evening to all of you. In past nine months FY'18 despite ongoing transition period for wind industry in India, we delivered total 844 MW including 683 MW in wind and clocked revenue of Rs.6,056 crores.

Compared to last year our EBITDA margin on one hand was supported by cost efficiencies achieved both in terms of COGS and fixed cost but on other hand were impacted by lower operating leverage and lower profitability due to revenue mix. On YoY basis, our manpower expense which are typically fixed in nature were down by 20% and other operating expenses which are semi-variable in nature, semi-variable by definition should change at a lower rate than revenue, were down by 32% which is higher than 20% revenue decline on YoY basis. Thus despite lower operating leverage, our pre-foreign exchange EBITDA margin came in healthy at 13.7%.

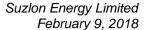
We continue to remain focused on accelerated debt reduction. We have repaid about Rs.797 crores of debt over FY'17 and YTD FY'18 compared to our scheduled obligation of only Rs.211 crores during that period. This is over and above \$106 million or Rs.677 crores debt reduction attained through FCCB repayment and conversion.

Of US\$647 million debt at our overseas subsidiary which we were looking to refinance till 2023, we have already repaid \$73 million and propose to pay another \$5-6 million in Q4, balance \$569 million debt is in the process of being refinanced up to 2023. We already have required regulatory and credit approval and funding tie-up is also in place for the same.

During the quarter, as execution picked up, our current asset reduced net by Rs.471 crores; however despite this our NWC increased by Rs.412 crores due to current liability reduction of Rs.883 crores. Current high level of NWC is only seasonal and mere temporary in nature. This is primarily caused due to lack of PPA clarity on some projects, on which execution is temporarily paused, while we continue to make payment to our vendors. But I am happy to say that those projects where PPA clarity was awaited has now got cleared in Q4 and we are likely to get payment for those projects. We had reclassified this orders as framework orders agreement and removed the same from our firm order book, in the last quarter. Despite that they continue to be backed by customer advance, have signed PPA but only the ratification of this PPA is pending. We are happy to note that 185 MW of such order have received the ratification and has already been converted to firm from framework. With execution momentum picking up, we expect normalcy in our working capital cycle by March 2018. Under the auction regime, we expect more smoothen out quarterly distribution of the volume resulting in a better utilization of working capital.

Service revenue continue to remain healthy and stable at Rs.1340 crores. Going ahead, our priorities are clear -- Stringent focus on cost reduction and driving further working capital efficiency and achieving debt reduction.

Thank you all. We are now open for questions.





Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer

session. We will take the first question from the line of Kashyap Zaveri from Emkay Global.

Please go ahead.

Kashyap Zaveri: I have two questions and all around the slides on industry outlook, slide #19 to 23. Now, this

GUVNL order which was bidded at about 2.43, how much has it got to do with the equipment's

cost also falling and does it impact our margins as such?

J.P. Chalasani: The Rs.2.43 GUVNL bid there are different aspects to be kept in mind when you analyze the bid.

First of all if you see the winners of this bid are all those people who have not won in the SECI-I and SECI-II except for ReNew's small capacity of 35 MW. So therefore, they were looking for that. More important is that at the time the bids, not the reverse auction, the first bids went in for GUVNL, the Government of India still not announced the roadmap for bidding which came subsequent to that. So therefore there was no clarity or visibility with respect to how much would come in. That is one we need to keep in mind why these bids happened the way it happened on this. Second, we still believe that 2.43 is very-very, I do not know, to call it competitive or

whatever it is, as far as we are concerned, we are not supporting these prices, in fact, except for

one small order of equipment supply, we have not supported anybody in the bidding for these projects.

Kashyap Zaveri: Let us go to SECI-II actually where it was 2.64, there was all clarity about the PPAs and

everything, right, but still 2.64 which are like 20 paise over and above what GUVNL went for.

That 2.64, what is the pressure on equipment manufacturers and consequent on margins?

J.P. Chalasani: I think 2.64 if I remember right, we discussed in the last quarter by the time this number was

known I think on this. But anyway as explained last time I can just repeat once more; the tariff at 2.65 has to be seen in line with two or three factors – One is what sites are getting offered for these projects on this. So these are the sites which are high wind sites. So there are efficient sites,

therefore your generation what you get from these sites on an annual basis is higher, so which definitely reduces the cost per kilowatt hour without compromising to the extent on your capital expenditure on this. Second is also you have the advantage here of increasing your hub height

going even technology wise going up 140 meters and all that, so same site again you get

additional generation. Where the increase in the CAPEX for these additional height is much less compared to the increase in generation. Third, most important factor, even from the IPP side, the

expectation of the returns is less because at that point in time SECI-II came also that we did not

have this roadmap, and SECI bidding, so therefore they also reduced this thing. Having said that, as there would be some pressure on the margins, in spite of these aspects, that pressure has to be

managed through the cost reduction which is what Kirti explained that we started the process

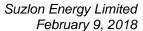
already in terms of OPEX reduction, in terms of manpower cost reduction. So 2.65 under those

circumstances with those set of sites, I think is justified that is the reason we went and supported 250 MW.

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Kashyap Zaveri: Second question is on this GUVNL and TANGEDCO. There was a stipulation from high court

that allocation letters could not be awarded. Has that been vacated?





J.P. Chalasani: I really do not know what the latest status on that is because we are not involved in either of the

bids.

Kashyap Zaveri: Last question on Slide #22. In the state auction, in the flow chart that you have given, 8-10 GW

of central auction and about 2-3 GW of state auction, now lot of these states have gone on board and announced that they wish to double or triple their wind energy capacities. So this state auction takes into account, is it state-specific that you have included or probably just a general

number?

J.P. Chalasani: It is going to be a combination on a country as a whole because some of the states also have an

option at this stage to buy from SECI. We do not need to go for state-specific. So the combination of this is what we expect between the SECI and the states you would have this 10 GW of bidding. So it can keep changing, the states can increase, SECI can come down, whatever it is, but this is what directionally 10 GW is what we expect and that is what in fact the Ministry of Power also have given guidance that it will be 10 GW bidding. On top of it, obviously you will have this

captive and the other segments.

Kashyap Zaveri: Slide #21 again, do you believe that within these two months SECI-III and SECI-IV both can go

off?

J.P. Chalasani: SECI-III is already happening as we speak on 13th. So SECI-III is getting concluded. As we

speak, SECI-IV, the first bid submission is also announced in first week of March or so. So I think within 10-days thereafter they will have reverse auction. So therefore in our opinion both

SECI-III and SECI-IV would get finalized positively before 31st March

Moderator: Thank you. We will take the next question from the line of Punit Gulati from HSBC. Please go

ahead.

Punit Gulati: Just looking at your financials for Q3, I know it is not really representative, but can you give

some more color at gross profit margin why is it just 31.6%?

Kirti Vagadia: Yes, in Q3 there are a few things; one is basically if you see historically, solar used to be a lower

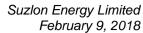
percentage of revenue in our revenue mix. In Q3 we completed almost all our solar projects. So in this quarter solar which is a very low margin business, has been a bit higher percentage as compared to history. That is the one thing. The second thing is naturally you have seen that prices as compared to last year has declined. So if you are comparing with the last year, naturally there was execution of order which were lower margin order as compared to what was there in last

year.

J.P. Chalasani: As we said, you cannot compare one quarter basis the margins actually, you should look at on

long-term basis.

Punit Gulati: Yes but still what percentage would be solar out of the total revenue?





Kirti Vagadia: Roughly about 19%.

Punit Gulati: So what in your view should be sustainable gross profit margin here?

Kirti Vagadia: Nine months basis margin what you are seeing in our result that one should take as a basis.

Punit Gulati: Also, if I look at your segmental revenue and divide the wind turbine generator revenue by the

deliveries you made, the ASP comes at 52 million/MW. Would that be the pricing one should

think about or is there some adjustment there as well?

Kirti Vagadia: No, simple division by megawatt may not give you true result, because there are two factors —

One is services separately shown in segment but basically in revenue there are only turbine or sometime EPC, in this particular quarter EPC portion has been very low due to lower execution.

Punit Gulati: You still have about 455 MW of orders which are yet to be converted to firm. Is there a timeline

to when they would likely to be converted?

J.P. Chalasani: They are already with the regulatory commission. As we said, we have the firm order with

advance and also we have the PPA signed up. That needs to be ratified with the regulatory

commission. We expect that to happen in February or early March.

Punit Gulati: Any update on exit from CDR?

Kirti Vagadia: It will happen in early next financial year. We are continuing to work with our lender group and

signal what we are getting is that they will revisit after this year because this year was a year of

transition and during that period we did not want to take additional exposure of CDR exit

Punit Gulati: Any plans to monetize your O&M business?

Kirti Vagadia: Right now I would say it is too early to say. We keep that option available with us. Naturally

when volumes for this industry are going significantly up, it is sensible for us to wait little more

so that we can get better value for our shareholders.

Punit Gulati: Would you still maintain your guidance on EBITDA margins at about 14-15%?

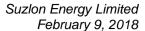
Kirti Vagadia: We have already delivered in nine months almost closer to that number.

Punit Gulati: For FY'19 as well?

J.P. Chalasani: Yes.

Moderator: Thank you. We will take the next question from the line of Deepak Agrawala from Elara Capital.

Please go ahead.





Deepak Agrawala: Sir, my first question is regarding this 455 MW and 185 MW which were ratified. What is the

execution timeline that you are looking for this?

J.P. Chalasani: In case of one state, the PPA is normally provided for 24-months for execution. So obviously we

expect that get completed early next year. Some part of PPAs we expect to complete before

March '18.

Deepak Agrawala: Is it possible to give approximate what megawatts we are expecting by March?

J.P. Chalasani: It is difficult to say. We gave guidance in terms of supply. So obviously after 1.2 GW supply, we

will closely follow between supply and erection. There is hardly anything will be left out.

Deepak Agrawala: My second question is now we have repaid as Mr. Kirti Vagadia mentioned about Rs.797 crores

in the last 18-21-months, but we still see that the interest cost is almost flat YoY despite there is a reduction in the interest rates also. So is the reduction in the interest rate in long-term getting

offset by a higher working capital debt?

Kirti Vagadia: Yes, you are absolutely right, that in this particular nine months it is due to higher working capital

but in a long run it will reduce. In this nine months working capital utilization remains high due

to the reason which I explained during the speech.

Deepak Agrawala: What is the working capital debt at present approximately?

Kirti Vagadia: Approximately Rs.3,600-3,800 crores is the working capital debt, but of which there are some

temporary debt for solar project which will be going up once we sell the solar project. So

thereafter on a sustainable basis, Rs.3,000 crores is the fund based working capital debt.

Deepak Agrawala: My third question is now like we agree with some reasoning that you are giving for the rationale

of reduction in the wind tariff, but most of the investors with whom we have a chat usually are fairly susceptive of whether some of these projects ever seen a light of the day, so as an OEM you might be having some kind of a strong judgment, but do you think some of the IPPs itself

might just default and the projects might just remain on paper?

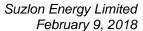
J.P. Chalasani: No-no, we can only comment about what we will do but only thing we can comment from that

side is that whosoever the clients were tying up, so there we apply our prudence check, and then we only go with such large customers, here in SECI-II and SECI-II we went with the same customer, who is a large utility. So, therefore, we choose the right kind of customers whom we think that they are actually understanding the business when they are putting in the bids. Beyond

that on behalf of the other IPPs I would not be able to comment.

Deepak Agrawala: Any accretion or any plan of building our solar bid book as we enter into FY'19 because it is

quite a while that we have seen any additions in solar space?





J.P. Chalasani: On solar space, we will come back when once the hybrid picks up, which is expected to happen.

When wind solar hybrid in FY'19 we expect would start in this country, and, as you know, SECI in fact has announced the first hybrid project on EPC basis in Andhra. So therefore, the process is going to start. That is the time when we will come in, not as a pure solar but solar wind hybrid.

Deepak Agrawala: But this is of what size?

J.P. Chalasani: SECI has announced 160 MW in the auction of expression of interest on this. They are asking

for EPC, SECI will own that. It is like World Bank funded through SECI.

Deepak Agrawala: As an independent business, now whatever we have is executed and get out of it then?

J.P. Chalasani: Yes, you are right.

Moderator: Thank you. We will take the next question from the line of Mohit Kumar from IDFC Securities.

Please go ahead.

Mohit Kumar: One question pertains to the order book. We have around 677 MW order book and out of which

one 500-odd MW will be from auction, out of the balance 177 MW, 70 is solar, so we are left with 500 MW of auction based order, 100 MW of FiT-based order and the balance 70 MW and we are guiding for 1.2 GW of total volume for the year. So we are expecting a significant amount of this framework order of 455 MW to get executed in the balance three months, am I right?

J.P. Chalasani: No, your analysis is slightly off guard on this. Of the analysis of 607 has 500 MW of SECI-I and

2 is not right, because, SECI-I already we executed significant part of it, so that is out of it, whatever is executed is not shown in 607. So it is not right to say 607 has 500 MW of SECI-I and SECI-II because SECI-I is executed significantly. That break-up is not right. We have huge amount of captive in this and various other projects are also on this. As we said, if we want to reach 1.2 GW, roughly about 355 MW is what is to be done, in that 70MW is anyways the solar, the balance is already odd-on hand, 600 MW in wind. Therefore, I do not see any issue in delivering that sort of volumes, plus we also have this, basically it is captive, plus we have the SECI balance order of SECI-I and we also have SECI-II, we do have recently converted orders into the framework to firm, which I said that some part of it is getting completed, even commissioned before March. There are many various combinations of this. Out of all this we need to just pick up 350 MW to complete reach 1.2 GW. So we really do not see that has a big

challenge as far as order book availability is concerned.

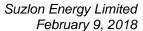
Mohit Kumar: You also spoke about less than 25 MW will go for FiT-based tariff. Have you heard anything

from any of the regulators till date or you think they are still evolving and will take time for this

segment to firm up?

J.P. Chalasani: We understand the advisory from Ministry of Power has gone to the various states in this regard.

Tulsi Tanti: It was just communicated last week.





Mohit Kumar: The increase in OMS services, revenue is to be little on the lower side. We are expecting around

8-10% jump, but while given the fact that FY'16 we commissioned around 1.1 GW, we sold

roughly around that in FY'16.

J.P. Chalasani: That will come in FY'19 into the revenue.

Mohit Kumar: So we will see higher jump in FY'19?

J.P. Chalasani: Because of that two years.

Kirti Vagadia: Yes, there is one international subsidiary portfolio which was there in FY'17 nine months and it

is not there in nine month FY'18. So, if you adjust for that, probably we are well within growth

of more than 5%.

Mohit Kumar: Reduction in employee cost YoY of around Rs.50 crores. Is this run rate be sustainable, this is

kind of run rate we should expect going forward of Rs.1,000 crores per annum?

J.P. Chalasani: When we spoke previously because of tariff, there is going to be pressure on the margins, unless

we work on the cost structure and everything, not just the equipment cost structure, we have to work on manpower and OPEX, you cannot sustain those margins. I do not want to put a number to it, but it will be our continuous efforts to continue this basis of reduction of manpower cost.

To large extent it is sustainable.

Mohit Kumar: Is it possible to share the inventory number and receivable number at the end of December 2017?

Kirti Vagadia: It is already there on Slide #41.

Moderator: Thank you. We will take the next question from the line of Vinod Malviya from Florintree

Advisors. Please go ahead.

Vinod Malviya: In the first nine months, we have done delivery of 683 MW in the wind. Can you provide a

breakup of like out of this how much would be under FIT, how much would be from the SECI-

I?

J.P. Chalasani: Normally we do not keep such data unless happens on overall basis. I really would not be able

to offer the exact break up of how much is SECI-I and how much is FIT and how much is captive.

They are different segments, everywhere the pricing is different.

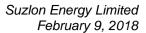
Kirti Vagadia: But broad break up we have tried to give you on Slide #6 that 19% is solar and 20% is Captive

in PSU and balance is wind volume.

Vinod Malviya: Similarly like out of the 607 MW which you have as an order backlog, so this will have SECI-II

has an entirely, but partially from SECI-I also order is included and again you will have PSUs

and captive over there, right?





J.P. Chalasani: You are absolutely right, plus also FIT.

Vinod Malviya: Second thing was on the raw material cost. So there is a lot of purchase of finished goods. Is it

related to the execution of solar project, that is why you are seeing a jump in the purchase of

finished goods?

Kirti Vagadia: Yes, that is correct.

Moderator: Thank you. We will take the next question from the line of Sameer Dalal from Natwarlal & Sons.

Please go ahead.

Sameer Dalal: A few presentations ago you talked about increasing your market share in the overall wind space

quite significantly to well over 50%. If I just look at SECI-I and SECI-II, we only got 25% of the order book and others have obviously taken up their share. Now going forward, what strategy are you putting in place to ensure that you get a bigger chunk of these 2 GW order that are coming in SECI-III and SECI-IV where you are able to get the higher volumes against the capacity that

you got installed in the factory?

J.P. Chalasani: Our wish is to have as we said that 40% market share, but at the same time, market share at any

margin is not our principle. So obviously we will be extremely careful when we are talking taking the orders at what margins. That is the reason I mentioned some time back that in Gujarat bidding and these places we stayed away from taking any market share because the tariffs are so low there. So we are not going to compromise in terms of margins on a long term basis. Having said that in SECI-III and SECI-IV, like every bid we expect to have a good market share on this, so let us wait and see by the end of March the market share, because the market share and margin

will go hand-in-hand.

Sameer Dalal: So if you can give us some visibility maybe or thought process of yours, for the people that are

bidding for SECI-III which is now ongoing like you said, have you done any tie-ups with any of the people bidding, so if you can give the total number of bidders, how many bidders you have

tied up with?

J.P. Chalasani: I would not be able to say that how many bidders, but 3700 MW what has come in the bid, so

we did have tie ups on this, and we are still tying up. Because of the confidentiality reasons on

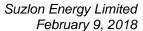
the bidding we would not be really able to say that what MW and things like that.

Sameer Dalal: You also mentioned one thing on solar side that once you finish with the current existing ongoing

solar projects you are not going to take up any more solar project unless they are in the hybrid model, so you must have entire set up for the solar side. Now given the fact that you have no more businesses, that is going to be a cost center which is going to be there for a while before

you get some order flow. So, can you give us some thought process on what you are going to do

with something like that?





J.P. Chalasani:

In solar, we executed the projects with very lean organization, because we were not manufacturing it, we were actually procuring and implementing it on this, so therefore, we had a very lean team managing our solar business, and that also we leverage the experience of our wind team, except for specific few people in the engineering side, everything else is from the wind team on this and they get merged with the wind team, so there is nothing of that nature of somebody becoming....Engineering team of solar anyway we need because we continue to work on solar for the hybrid projects.

Sameer Dalal:

My next question is why you want to do not the current solar projects the way you are doing it, is there some sort of concerns on profitability, why you are not taking that forward?

J.P. Chalasani:

In wind we manufacture everything from end-to-end. So therefore, when we are doing an EPC for the wind, amount of work we do internally is much higher, in solar, actually we buy everything, just now like Kirti was answering on finished goods purchase. So, when you are buying and supplying it, obviously your margins are less, but your risk on EPC still remains the same as what you are doing on wind, without control on the cost, but the risks remain the same, whereas in wind we have control on our cost because we manufacture everything. The margins are low, the returns are low, risks are high with the same amount of efforts. Because wind is growing significantly we would like to concentrate there and enlarge our volumes there what we can do in here rather than spending time on solar where margins are low.

Kirti Vagadia:

But simple answer is that it does not fit into risk-reward ratio.

Sameer Dalal:

I wanted to understand your costing versus competitors. Now obviously, competitors were able to participate in some of these projects which you were not able to participate. Is there any way we can reduce our cost to be able to compete in the similar kind of bidding projects where we were unable to earlier, what are the steps we are taking for something like that?

Kirti Vagadia:

The cost is not the driver for bidding. Whether I want to put my capital at a risk for bidding or not, that is the question I am answering myself. If I am able to have a pre-bid arrangement with a strong customer, why I need to put my balance sheet for that purpose

J.P. Chalasani:

Also the assumption that if you are offering a lower price means lower cost, I do not know to what extent it is right.

Moderator:

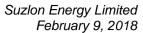
Thank you. We will take the next question from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh:

This a sharp drop in wind orders in the last one year, can we just attribute it to the fact that players were not ready for bidding this tariff?

J.P. Chalasani:

No-no, there were no opportunities to bid till now, bidding what happened till now is only 3000 MW, 2000 MW of SECI and 1000 MW in the states of Tamil Nadu and Gujarat, what is available is only 3000 MW and that also has a time to execute. That is the reason it is not, it is not that





people are not ready. You have seen in each bid when it came out, there was a good response from that, even for the SECI-III for 2000 MW, there were offers for 3700 MW there. So bidders are available. Only thing if you see, the first bid to second bid it took almost about 10-months, SECI-I to SECI-II, SECI-II to SECI-III is four months, and SECI-III to SECI-IV is one month. It is getting accelerated now, so more and more opportunities are coming. So therefore, volumes will get built up for FY'19 & FY'20.

Shekhar Singh: You mentioned like in the coming three months you are expecting pretty large auction?

J.P. Chalasani: No, no, I am not expecting, it is announced. As we speak today, 2000 MW bid first round of

bidding is over and the reverse auction is due on Tuesday, 13th of February. Now that 2000 MW bid has been announced, first round of bidding is 7th or 8th of March, and we expect that 10-days or 15-days thereafter there will be reverse auction. So, entire 4000 MW would get finalized, plus 500 MW in Maharashtra, I think bid due date is on 20th February or something. So, these are the

dates which are already announced, there is no expectation there, it is a set schedule.

Shekhar Singh: Just looking to next year FY'19, do we expect a much higher number as compared to FY'18 in

terms of the auction which is announced?

J.P. Chalasani: I hear the same guidance what you hear, the Minister for Power guidance is that they said they

will be doing 10GW in state and center put together next year as well as following year FY'19

and FY'20 there will be 10-10 GW of bidding.

Kirti Vagadia: That is reflected on our Slide #20.

Shekhar Singh: In case that sort of bids actually come in, are we prepared to maintain a market share or are we

prepared to basically handle that sort of demand?

J.P. Chalasani: Our target is always to maintain market share and market leadership also.

Kirti Vagadia: We do have sufficient manufacturing capacity,

Shekhar Singh: Just in terms of the timelines, after the order comes in, so basically I as a bidder win this order,

then the order placement starts and then the execution happens. What is the timeline from the

time of winning the bid?

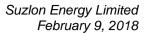
J.P. Chalasani: Here the timelines goes in line with the bidding also, in the bidding, current SECI-III and SECI-

IV bidding the timeline set by the Government of India is that the LOA to PPA is three months, and thereafter within 18 months you have to commission the project. Obviously, 18-months you are not going to commission the entire project, so, when the clients tie up with us, they will tie

up for a phase wise commissioning before 18-months.

Shekhar Singh: After sales the services portion of the revenue, that starts after almost two years of commissioning

you said?





J.P. Chalasani: Yes.

Moderator: Thank you. We will take the next question from the line of Anand Dubey, individual investor.

Please go ahead.

Anand Dubey: Just I want to ask a couple of questions; first question is what is the status from Andhra board

for 800 MW order? Second question, what is the status for Karnataka board?

J.P. Chalasani: May be you are asking about the PPAs. In case of Karnataka, the PPAs have been ratified by the

regulatory commission, and we have received the signed PPA copies already. In case of Andhra, PPAs have been signed, they have been submitted to the regulatory commission for ratification.

Anand Dubey: How many megawatt order won by SECI in Q3?

J.P. Chalasani: In Q3 only one bid which came in is 1000 MW, out of that we won 250 MW.

Moderator: Thank you. We will take the next question from the line of Shankar P, Retail Investor. Please go

ahead.

Shankar P: This Government of India has announced that bidding is going to take place for 5GW of offshore

wind capacity in the next maybe one or two years. So how is Suzlon placed on this front?

Tulsi Tanti: Government is looking overall 10 GW offshore, out of that may be first will be the 5 GW may

be the bidding may come out the FiT, we yet do not know, but central government is working on that direction, but we are preparing ourselves as you know the projects will be on EPC basis, so, we have to prepare the locations, we have to prepare the grid infrastructure, and other things. So, we are working last three years in the offshore infrastructure development and everything. So we are just waiting as and when government announce the firm policy or bid or FiT so then we can able to execute the project in the offshore. Offshore, if they come, then also take two to three

years to build the project.

Shankar P: Suzlon is already having this technology for this offshore?

Tulsi Tanti: We have a product, technology, competency and expertise to execute the offshore.

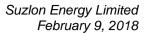
Shankar P: Sir, worldwide if you see this offshore business mostly companies are having a tie-up with 1 plus

1, Suzlon plus one more company like that all over the world for the offshore business. So is there any plan Suzlon thinking that we should go for a joint venture for offshore instead of going

alone?

Tulsi Tanti: No, the business model will be like, the Suzlon role will remain to supply the projects including

EPC part and the turbine supply, and the customers mainly IPP or financial investor will do the bidding or FiT regime and they will invest. So, it has become a consortium, I understand your





view, but for Suzlon level there is no need of any joint venture. Our job is with the way we are doing project in onshore, we will do in offshore.

Shankar P: Any update on this earn out of €50 million from Senvion which was announced in 2015?

Kirti Vagadia: That is linked with the sale of company by them. To the best of my knowledge that company is

not yet sold to somebody.

Moderator: Thank you. We will take the next question from the line of Shirish Rane from IDFC Securities.

Please go ahead.

Shirish Rane: My question is on the working capital side. If one looks at last year third quarter you had a very

high working capital at Rs.3,167 crores which fell to Rs.2,076 crores in March '17. Can we expect a similar fall this time around from Rs.3,800-odd crores down to something like Rs.2,800

crores?

Kirti Vagadia: Yes, that is fair to assume.

Shirish Rane: So there will be a part of the solar SPV which we will sell. So that will reduce the debt plus there

will be some operational improvement, both will happen, right?

Kirti Vagadia: Yes, there will be collection from receivable.

Shirish Rane: Both ways it will help in terms of working capital?

Kirti Vagadia: Correct.

Tulsi Tanti: Also so many projects will be installed and commissioned in the Q4, so that money will be

unlocked.

Shirish Rane: When you execute SECI auction or any auction, is there a better working capital cycle for us or

is it the same as it is for any other order?

Kirti Vagadia: There are two aspects to it; #1 is so far as fund-based working capital is concerned, you are right

that it will be smoothened, because we get longer execution time, so seasonality element can be removed. So far as non-fund based working capital is concerned, which is bank guarantee and

LCs, probably it will have a bit longer period.

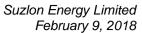
Shirish Rane: But in FY'19 one should see some amount of smoothening of working capital rather than having

kind of build-up?

Kirti Vagadia: Yes, that is fair to assume.

J.P. Chalasani: But still FY'19 will be transition on the bidding point of it, but FY'20 is what will be of maximum

smoothening, but FY'19, yes, it will start.





Shirish Rane: On earlier questions some clarifications, in terms of SECI-II and SECI-II auction execution, you

said SECI-I has to a large extent got executed. So SECI-II, have you started execution or it has

not yet started execution?

J.P. Chalasani: We started the project work.

Shirish Rane: So it will get executed over the next two or three quarters?

J.P. Chalasani: Yes.

Moderator: Thank you. We will take the next question from the line of Punit Gulati from HSBC. Please go

ahead.

Punit Gulati: Is there any update on the repowering of the wind sites that the government was once thinking

about?

J.P. Chalasani: From our side, we are ready with some business cases on this, but right now being the beginning

on this, the policy framework also to come up, there was some policy framework earlier which was more suitable for FiT regime, now FiT regime not being there, it is competitive bidding, we need to rework at. We understand that the Government of India is looking at this repowering option, and then coming with some guidelines in terms of how the tariff to be fixed for the repowered capacity. So we are waiting for that, otherwise, we have done our analysis and we are

ready with two or three places with our full business case.

Punit Gulati: When is that expected?

J.P. Chalasani: March end the policy is expected, not the execution.

Punit Gulati: How big can that opportunity be?

J.P. Chalasani: It would depend upon what the policy. If the policy is attractive, obviously it is a huge market

for us. In fact, this is also the market we are tapping in US with PTCs being eligible for

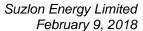
repowering as well.

Kirti Vagadia: In India, we will be the largest beneficiary because we have the largest installation and oldest.

Punit Gulati: But anybody would be allowed to bid for repowering or will you have some...?

Tulsi Tanti: Repowering is not going on a bid process, it will go on a FiT basis, because most of the old

turbine is owned by the single-single owners, and so many owners are there, so practically the bid and everything, the location is owned by those party, so it will not go, so, now the state-wise FiT mechanism is where MNRE is working on the scheme how to put guidelines for repowering and what should be the conditions for that, and then based on that the state regulator will





announce the tariff for the repowering and that will happen based on that. If that policy comes, after that immediately 2000 MW projects are due for the repowering, so those will be available.

Moderator:

Thank you. That was the last question. I now hand the conference over to Mr. Tanti for closing comments.

Tulsi Tanti:

The conducive policy reforms and growing consciousness to mitigate the climate change risk has ushered the momentum in the favor of renewable energy across the world. It is heralding the new waves of the interest and positive actions in the clean energy sector. Worldwide almost 60% new capacity in the last two years is coming only from renewables, and that has shown the very strong momentum. Based on the certain forecast by 2035, the new additional capacity of the world 60% plus will only come from the renewable. So long term sector future is extremely good, the same way in our country also, more than 60% new capacity in the last two years is coming from only renewables, and that momentum will continue for the next five to 10-years in India also. 2017 laid the foundation for sustainable and inclusive sector growth. Investors are bullish and excited to be the part of renewable growth story in India, and the momentum will continue to gather the speed. Wind industry is poised to grow to about immediate from the next year from 10 GW go to the 14 GW including the state and the central bidding plus the captive, PSU business, offshore, wind solar hybrids, small projects and repowering. So there is a quite good visibility of the volume for the next five years we see, and we have to prepare our organization for that and we are fully equipped for that.

Our focus remain to increase our market share, expand the market and continue our focus on R&D, the cost efficiency to bring down leveled cost of energy down so that we can able to unlock the size of market bigger and bigger, that is the strategy we are working. Apart from the onshore wind, we believe the area such the wind, solar wind hybrid repowering and offshore are the huge opportunities in the long-term basis, I assure you once again that we are dedicated and focus on the value creation for all our stakeholders, and we seek your continuous faith and support.

If I say the SECI-I, one example that how competitive we are. The SECI-I order given by the four parties and there was a deadline close by December end that "Everyone has to acquire the 100% land." You will be surprised only Suzlon has completed acquisition of the land, and none of the other bidder has acquired the land. So that is the competitive edge we have in all India basis to execute the project in the certain timeframes.

I also thank my team for their commitment and patience despite the challenging and external environment. Thank you everyone. We hope all your queries are answered. In case of any further questions, get in touch with my IR team, they will be happy to answer your all the queries. Thanks a lot and I appreciate your time and presence with us.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Suzlon Energy Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.