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Offering Circular dated July 21, 2009

POWERING A GREENER TOMORROW

SUZLON ENERGY LIMITED

(incorporated in the Republic of India with limited liability under the Indian Companies Act, 1956 with Corporate Identity Number L40100GJ1995PLC025447)

Registered Office: "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380009, India
Tel: (91 79) 2647 1100; Fax: (91 79) 2656 5540.
Corporate Office: Godrej Millennium, 5th Floor, 9 Koregaon Park Road, Pune 411 001, India
Tel: (91 20) 4012 2000; Fax: (91 20) 4012 2100
E-mail: investors@suzlon.com; Website: www.suzlon.com

Offering of 14,600,000 Shares in the form of Global Depositary Receipts each representing four Shares

This offering circular (the "Offering Circular") relates to an offering (the "Offering") of 14,600,000 Global Depositary Receipts (the "GDRs") representing 58,400,000 equity shares of par value Rs.2 per share (the "Shares") of Suzlon Energy Limited (the "Company").

The GDRs will be issued in global form, evidenced by a Master GDR registered in the name of BT Globenet Nominees Limited as nominee for Deutsche Bank AG, London, as common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Interests in the Master GDR will be exchangeable in accordance with the provisions set out in *"Summary of Provisions Relating to the GDRs while in Master Form"*.

The GDRs will be issued pursuant to a deposit agreement (the "Deposit Agreement") to be dated on or about July 24, 2009 made between the Company and Deutsche Bank Trust Company Americas, as depositary (the "Depositary").

The Offering will be underwritten by Citigroup Global Markets Limited ("Citi"), Credit Suisse (Singapore) Limited ("Credit Suisse") and Deutsche Bank AG, Hong Kong Branch ("Deutsche", and together with Citi and Credit Suisse, the "Underwriters", and together with YES BANK Limited ("YES BANK"), the "Joint Bookrunners").

Prior to the Offering, there has been no market for the GDRs. Application has been made for the GDRs to be admitted to listing on the official list of the Luxembourg Stock Exchange ("LuxSE") and to be admitted to trading on the Euro MTF market of the LuxSE. The LuxSE assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the GDRS to the Official List of the LuxSE is not to be taken as an indication of the merits of the Company, the existing Shares, the GDRs or the Shares represented thereby. Application has also been made to the London Stock Exchange plc ("London Stock Exchange") for admission of the GDRs to trading under the symbol "SUEL". The company expects that conditional trading though the International Order Book ("IOB") will commence on a "when and if issued" basis on or about July 22, 2009, and unconditional trading through the IOB will commence on or about July 28, 2009.

The existing Shares are listed on the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE", and together with the BSE, the "Indian Stock Exchanges"). Although an application for obtaining "in principle" approval for listing the Shares underlying the GDRs has been made to the BSE and the NSE, the actual approval will not be given until all other relevant documents authorising the issuing of Shares are submitted. There is no guarantee that such Shares will be admitted to listing on the Indian Stock Exchanges. There could also be a delay in the listing of the Shares on the Indian Stock Exchanges. Holders of GDRs ("Holders") will have no voting rights in respect of the GDRs or the Shares represented thereby.

The GDRs offered hereby may not be presented to the Depositary for cancellation and withdrawal until the BSE and NSE have approved the listing of the Shares represented thereby, such Shares have in fact been listed, and such Shares are fully dematerialised (and are fully transferable in dematerialised form). On July, 20 2009, the closing price of the Shares on the BSE was Rs.94.20 per Share and on the NSE was Rs.94.20 per Share.

This Offering Circular has been prepared in accordance with the requirements of the rules and regulations of the LuxSE for the purpose of giving information with regard to the Company, the GDRs and the Shares. This Offering Circular does not constitute or contain (and should not be construed as) an offer or invitation in any jurisdiction to subscribe for or purchase any GDRs or the Shares represented thereby or any other securities in any country where it would be unlawful to do so.

Investment in the GDRs involves risks. See *"Risk Factors"*. The GDRs are of a specialist nature and should normally only be bought and traded by investors who are knowledgeable in investment matters.

The GDRs and the Shares to be represented by GDRs have not been and will not be registered under the U.S. Securities Act of 1933, as amended) (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Offering comprises an offering outside the United States of GDRs in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). The GDRs may not be offered, sold, pledged or otherwise transferred except in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The GDRs may not be offered, sold, pledged or transferred directly or indirectly to any person located in the Republic of India, or residents of India, or to or for the account or benefit of such persons. The GDRs offered hereby are transferable in accordance with the restrictions described under "Transfer Restrictions".

A copy of this Offering Circular, which comprises listing particulars prepared solely in connection with the Offering in accordance with the rules and regulations of the Luxembourg Stock Exchange (the "Listing Rules"), will be delivered to the Registrar of Companies, Gujarat, the RBI, SEBI the BSE and the NSE, for record purposes only.

Offer Price: U.S.$7.40 per Global Depositary Receipt

Payment for the GDRs will be required on the Settlement Date, which is expected to be on or about July 24, 2009 (the "Settlement Date"). The GDRs will be issued against payment of the subscription monies on or about July 24, 2009 (the "Closing Date"). The Company expects to procure the delivery of the GDRs through the book-entry facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

Joint Bookrunners

citi CREDIT SUISSE Deutsche Bank YES BANK

CONTENTS

	Page
IMPORTANT INFORMATION	ii
PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA	iv
ENFORCEMENT OF CIVIL LIABILITIES	v
FORWARD LOOKING INFORMATION	vi
EXCHANGE RATES	vii
DEFINITIONS AND ABBREVIATIONS	viii
SUMMARY OF THE OFFERING	1
RISK FACTORS	5
MARKET PRICE INFORMATION	28
SUMMARY FINANCIAL INFORMATION	29
CAPITALISATION	31
USE OF PROCEEDS	32
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	33
DIVIDENDS AND DIVIDEND POLICY	49
INDUSTRY OVERVIEW	50
BUSINESS	57
THE COMPANY'S SUBSIDIARIES AND THE AFFILIATED COMPANIES	83
OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN INDIA	92
RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES	96
INDIAN REGULATORY APPROVALS AND FILINGS	101
INDIAN SECURITIES MARKET	102
MANAGEMENT AND CORPORATE GOVERNANCE	109
PRINCIPAL SHAREHOLDERS	119
TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS	120
SUMMARY OF PROVISIONS RELATING TO THE GDRs WHILE IN MASTER FORM	135
INFORMATION RELATING TO THE DEPOSITARY	137
TRANSFER RESTRICTIONS	138
DESCRIPTION OF THE SHARES	139
CLEARANCE AND SETTLEMENT	146
TAXATION	148
PLAN OF DISTRIBUTION	152
LEGAL PROCEEDINGS	155
GENERAL INFORMATION	157
SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS	166
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

IMPORTANT INFORMATION

This Offering Circular has been prepared solely for use in connection with the proposed Offering. This Offering Circular is personal to each offeree and does not constitute an offer to any person or to the public generally to subscribe for or otherwise acquire the GDRs. Reproduction and distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised.

The Company, along with the Joint Bookrunners, reserves the right to reject any offer to purchase the GDRs.

To the best of the knowledge and belief of the Company, having made all reasonable enquiries, the Company confirms that this Offering Circular contains all information with respect to the Company, the GDRs and the Shares which is material in the context of the issue and offering of the GDRs. To the best of the knowledge and belief of the Company, there are no other facts in relation to the Company, the GDRs and the Shares, (i) which are necessary to enable investors and their investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company and of an investment in the GDRs, or (ii) in the context of the issue and offering of the GDRs, which make any statement in this document misleading in any material respect, and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. To the best of the knowledge and belief of the Company there are no material facts the omission of which would make any statement in this Offering Circular misleading.

The Company and its Directors accept responsibility for the information contained in this Offering Circular. The statements contained in this Offering Circular relating to the Company, the GDRs and the Shares, to the best of the knowledge and belief of the Company, having made all reasonable enquiries, are in all material respects true and accurate and not misleading, the opinions and intentions expressed in this document with regard to the Company, the GDRs and the Shares are honestly held, have been reached after considering all relevant circumstances and information which is presently available to the Company, and are based on reasonable assumptions.

Neither the Joint Bookrunners, nor the Depositary, nor any of their respective affiliates, directors, employees or legal or other advisers, have separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners, the Depositary, or any of their respective affiliates, directors, employees or legal or other advisers, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the GDRs or the Shares. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Bookrunners, the Depositary, or any of their respective affiliates, directors, employees or legal or other advisers, in connection with its investigation of the accuracy of such information or its investment decision and each such person must rely on his own examination of the Company and the merits and risks involved in investing in the GDRs. Nothing in this Offering Circular is, or may be relied upon as, a promise or representation by the Joint Bookrunners, the Depositary, or any of their respective affiliates, directors, employees or legal or other advisers, as to the future performance of the Company, the GDRs or the Shares. Neither the Joint Bookrunners, the Depositary, or any of their respective affiliates, directors, employees or legal or other advisers, makes any representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this Offering Circular.

In making an investment decision regarding the GDRs offered hereby, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. Investors should rely only on the information contained in this Offering Circular. The Company along with the Joint Bookrunners and the Depositary have not authorised any other person to provide investors with additional or different information. If anyone provides investors with additional, different or inconsistent information, they should not rely on it. The Joint Bookrunners and the Depositary or their respective affiliates are not making any promise, representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Circular.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or the contents of this Offering Circular or any transaction, arrangement or matter referred to herein. Investors agree to the foregoing by accepting delivery of this Offering Circular. Investors should not assume that the information in this Offering Circular is accurate as of any date other than the date of this Offering Circular. The Company's business, financial condition, results of operations and the information in this Offering Circular may have changed since such date.

Investors should not consider any information in this Offering Circular to be investment, legal or tax advice. Investors should consult their own counsel, accountant and other advisers for legal, tax, business, financial and related advice regarding purchasing the GDRs. The Company is not, and the Joint Bookrunners and the Depositary are not, making any representation to any offeree or purchaser of the GDRs regarding the legality of an investment in the GDRs by such offeree or purchaser under applicable investment or similar laws and regulations.

The contents of the Company's websites, any website directly or indirectly linked to the Company's website or any other website mentioned in this Offering Circular do not form any part of this Offering Circular.

The distribution of this Offering Circular, and the Offering and sale of the GDRs, in certain jurisdictions may be restricted by law. The Company is not, and the Joint Bookrunners are not, making an offer of, or invitation to purchase, any of the GDRs to any person in any jurisdiction in which such an offer or solicitation would be unlawful. Investors must inform themselves about, and observe, any such restrictions.

Additional information on these restrictions is set out in "Plan of Distribution" and "Transfer Restrictions". Investors must comply with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer or sell the GDRs or possess or distribute this Offering Circular and must obtain any consent, approval or permission required for their purchase, offer or sale of the GDRs under the laws and regulations in force in any jurisdiction to which they are subject to or in which they make such purchases, offers or sales. None of the Company, the Joint Bookrunners, or the Depositary accepts any responsibility for any violation by any person, whether or not it is a prospective subscriber or purchaser of the GDRs, of any of these restrictions.

Any resale or other transfer, or attempted resale or other transfer of the GDRs, made other than in compliance with the above-stated restrictions shall not be recognised by the Company.

NOTICE TO U.S. INVESTORS

THE GDRs HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE GDRs OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

This Offering Circular and the Offering are only addressed to and directed at persons in member states of the European Economic Area that are "qualified investors" within the meaning of Article 2(i)(e) of the Prospectus Directive (2003/71/EC) (the "Prospectus Directive"). Any person in any member state of the European Economic Area (the "EEA") other than the United Kingdom who is not such a qualified investor should not act or rely on this Offering Circular or any of its contents.

This Offering Circular has been prepared on the basis that all offerings of the GDRs will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offerings of GDRs. Accordingly, any person making or intending to make any offering within the EEA of the GDRs which are the subject of the Offering should only do so in circumstances in which no obligation arises for the Company or the Joint Bookrunners or the Depositary to produce a prospectus for such offering.

None of the Company, the Joint Bookrunners or the Depositary has authorised or does authorise the making of any offering of the GDRs through any financial intermediary, other than offerings made by the Joint Bookrunners which constitute the final placement of the GDRs contemplated in this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial data in this Offering Circular is derived from the Company's audited consolidated financial statements. The Company's current Financial Year commenced on April 1, 2009 and ends on March 31, 2010.

The Company prepares its financial statements in accordance with generally accepted accounting principles in India ("Indian GAAP"), which differ in certain respects from generally accepted accounting principles in other countries. Indian GAAP differs in certain significant respects from International Financial Reporting Standards ("IFRS"). For a comparison of accounting principles in India and the accounting principles under IFRS, see "Summary of Significant Differences between Indian GAAP and IFRS". The Company publishes its financial statements in Indian Rupees.

The financial statements relating to the Company, originally attached to the Auditors' Reports were expressed in Indian Rupees Crores. However the financial statements relating to the Company and the financial data relating to the Group herein are expressed in Indian Rupees millions and there maybe rounding off differences.

The financial data relating to REpower Systems AG ("REpower") contained in this Offering Circular is, unless otherwise stated, derived from the consolidated financial statements of REpower which have been prepared in accordance with IFRS. The current Financial Year of REpower commenced on April 1, 2009 and ends on March 31, 2010.

In this Offering Circular, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

For definitions, see "Definitions and Abbreviations".

Unless stated otherwise, industry data used throughout this Offering Circular has been obtained from industry publications and public sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this Offering Circular is reliable, it has not been independently verified.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a limited liability company incorporated under the laws of India. A substantial majority of the Company's directors and executive officers are residents of India and all or a substantial portion of the assets of the Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon the Company or such persons in jurisdictions outside India or to enforce judgments obtained in courts outside India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908 of India (the "Code").

Under the Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government of India has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitral awards.

The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Code. However, the United Kingdom has been declared by the Government of India to be a reciprocating territory. Accordingly, a judgement of a court of the United States may be enforced only by a fresh suit upon the judgement and not by proceedings in execution. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution.

Section 13 of the Code provides that a foreign judgment shall be conclusive regarding any matter thereby directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, and (vi) where the judgment sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution. Any judgement in a foreign currency would be converted to Indian Rupees on the date of the judgement and not on the date of payment. The Company cannot predict whether a suit brought in an Indian court would be disposed off in a timely manner or be subject to considerable delays.

FORWARD LOOKING INFORMATION

Certain statements in this Offering Circular are not historical facts but are "forward-looking" in nature. Forward-looking statements appear throughout this document, including, without limitation, under the headings "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview" and "Business". The Company may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or financial performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, the Company's competitive strengths and weaknesses, the Company's business strategy and the trends the Company anticipates in the industries and the political and legal environment, and geographical locations, in which the Company operates, and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "seek", "expect", "continue", "intend", "predict", "project", "should", "goal", "future", "could", "may", "will", "would", "targets", "aims", "is likely to", "plan" and similar expressions, or variations of such expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

These risks, uncertainties and other factors include, among other things, those listed under "Risk Factors", as well as those included elsewhere in this Offering Circular. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited, to:

- Variation in the demand for electricity;
- Changes in the cost of generating electricity from wind energy and changes in wind patterns;
- Changes in or termination of policies of state governments in India that encourage investment in power projects;
- General economic and business conditions in India and other countries;
- The Company's ability to successfully implement its strategy, growth and expansion plans and technological initiatives;
- Changes in the value of the Indian Rupee and other currencies;
- Potential mergers, acquisitions or restructurings;
- Increased competition;
- Changes in laws and regulations;
- Changes in political conditions;
- Changes in the foreign exchange control regulations; and
- Changes in the laws and regulations that apply to the wind energy industry, including tax laws.

This list of important factors is not exhaustive. Such forward-looking statements speak only as of the date on which they are made. Neither the Company nor the Joint Bookrunners, nor any of their respective affiliates or advisors, undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Neither the Company nor the Joint Bookrunners make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the US dollar (in Rupees per US dollar). The closing exchange rate as at July 20, 2009 was Rs.48.43 = U.S.$1.00. No representation is made that the Rupee amounts actually represent such US dollars amounts or could have been or could be converted into US dollar at the rates indicated, any other rate or at all.

Rupee and US Dollars Exchange Rates

Year Ended March 31,	Period End	Average	High	Low
2004	43.39	45.92	47.46	43.39
2005	43.75	44.95	46.46	43.36
2006	44.61	44.28	46.33	43.30
2007	43.59	45.29	46.95	43.14
2008	39.97	40.24	43.15	39.27
2009	50.95	45.91	52.06	39.89

Month	Period End	Average	High	Low
April 2009	50.22	50.06	50.53	49.49
May 2009	47.29	48.53	49.83	47.19
June 2009	48.51	47.75	48.91	46.84

Source: www.rbi.gov.in

Rupee and Euro Exchange Rates

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the Euro (in Rupees per Euro). The closing exchange rate as at July 20, 2009 was Rs.68.59 = €1.00. No representation is made that the Rupee amounts actually represent such Euro amounts or could have been or could be converted into Euro at the rates indicated, any other rate or at all.

Year Ended March 31,	Period End	Average	High	Low
2004	53.10	54.01	58.30	49.50
2005	56.58	56.55	59.66	52.02
2006	54.20	53.88	57.28	51.84
2007	58.14	58.11	59.90	53.77
2008	63.09	56.99	64.48	54.32
2009	67.48	63.14	69.17	60.57

Month	Period End	Average	High	Low
April 2009	66.29	65.85	67.74	64.88
May 2009	66.18	66.19	67.61	64.43
June 2009	68.13	66.94	68.49	66.07

Source: www.rbi.gov.in

DEFINITIONS AND ABBREVIATIONS

In this Offering Circular, all references to "Re.", "Rupees", "Rs." or "INR" refer to Indian Rupees, the official currency of India, "US dollar", "USD", "U.S.$" or "US$" refer to the United States Dollar, the official currency of the United States of America, "Euro", "€" or "EUR" refer to the official currency of the European Union, "AUD" refers to Australian dollars, the official currency of Australia and "RMB" refers to Renminbi, the official currency of the People's Republic of China. References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. The word "crore" or "Crore" means "10 million". Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings in this Offering Circular.

Term	Description
"we", "us", "our" or "the Group"	Suzlon Energy Limited, and its subsidiaries on a consolidated basis as described in this Offering Circular
"the Issuer", "Suzlon", "SEL", "the Company", or "our Company"	Suzlon Energy Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 of India and having its registered office at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380009, India on a standalone basis

COMPANY/ ISSUE RELATED TERMS

Term	Description
AERH	AE Rotor Holding B.V.
AERT	AE Rotor Techniek B.V.
Affiliated Companies	SIL, SRL, Kurumadikere Energy Limited, Shubh Realty (South) Private Limited
Articles of Association	the articles of association of the Company
Auditor	SNK & Co., Chartered Accountants and S.R. Batliboi & Co., Chartered Accountants, the joint statutory auditors of the Company
Board/ Board of Directors	Board of Directors of the Company
June 2012 Bonds	U.S.$300,000,000 zero coupon convertible bonds due 2012 issued by the Company in June 2007 convertible into shares of Rs.2 each at an initial conversion price of Rs.359.68 per share at any time until June 5, 2012 at the option of the bondholders
June 2012 New Bonds	U.S.$35,592,000 7.50 per cent. convertible bonds due 2012 issued by the Company in May 2009 convertible into shares of Rs.2 each at an initial conversion price of Rs.76.6755 per share at any time until June 5, 2012 at the option of the bondholders
Financial Year/ Fiscal Year	any period of twelve months ended March 31 of that particular year, unless otherwise stated
Hansen	Hansen Transmissions International N.V.
Indian Stock Exchanges	BSE and NSE, where the Shares of the Company are presently listed
Joint Bookrunners	Citigroup Global Markets Limited, Credit Suisse (Singapore) Limited, Deutsche Bank AG, Hong Kong Branch and YES BANK Limited
Listing Agent	Deutsche Bank Luxembourg S.A.

New Bonds	U.S.$90,000,000 zero coupon convertible bonds due 2014 to be issued by the Company on July 24, 2009 convertible into shares of Rs.2 each at a pre-determined price of Rs.90.38 per share at any time until July 18, 2014 at the option of the bondholders
October 2012 Bonds	U.S.$200,000,000 zero coupon convertible bonds due 2012 issued by the Company in October 2007 convertible into Shares of Rs.2 each at an initial conversion price of Rs.371.55 per share at any time until October 4, 2012 at the option of the bondholders
October 2012 New Bonds	U.S.$20,796,000 7.50 per cent. convertible bonds due 2012 issued by the Company in May 2009 convertible into Shares of Rs.2 each at a pre-determined price of Rs.76.6755 per share at any time until October 4, 2012 at the option of the bondholders
Offering Circular	this Offering Circular filed with the LuxSE and London Stock Exchange
Offer Price	US$7.40 per GDR
Martifer	Martifer SGPS, S.A.
Memorandum/ Memorandum of Association	memorandum of association of the Company
Promoter / Promoters	Tulsi R. Tanti, Tanti Holdings Limited, Gita T. Tanti, Tulsi R. Tanti (as karta of Tulsi Ranchhodbhai HUF), Tulsi R. Tanti (as karta of Ranchhodbhai Ramjibhai HUF) and jointly by Tulsi R. Tanti with Vinod R. Tanti and Jitendra R. Tanti
Promoter Group	Vinod R. Tanti, Jitendra R. Tanti, Sangita V. Tanti, Lina J. Tanti, Girish R. Tanti, Rambhaben Ukabhai, Vinod R. Tanti (as karta of Vinod Ranchhodbhai HUF), Jitendra R. Tanti (as karta of Jitendra Ranchhodbhai HUF), Pranav T. Tanti, Nidhi T. Tanti, Rajan V. Tanti (through guardian Vinod R. Tanti), Brij J. Tanti (through guardian Jitendra R. Tanti), Trisha J. Tanti (through guardian Jitendra R. Tanti), Girish R. Tanti (as karta of Girish Ranchhodbhai HUF), Suruchi Holdings Private Limited, Sugati Holdings Private Limited, Sanman Holdings Private Limited, Samanvaya Holdings Private Limited and SE Energy Park Ltd.
Registrar of Companies/ RoC	the Registrar of Companies, Gujarat at Ahmedabad located at ROC Bhavan, CGO Complex, Opposite Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad 380 013, India
RETC	RETC Renewable Energy Technology Centre GmbH
REpower	REpower Systems AG
RPW Investments	RPW Investments SGPS, S.A. (previously known as Martifer Energy Systems)
SE Forge	SE Forge Limited
SEAP	Suzlon Energy Australia Pty. Ltd
SEBV	Suzlon Energy B.V
SECL	SE Composites Limited
SEDT	SE Drive Technik GmbH
SEEL	SE Electricals Limited (formerly Suzlon Electricals International Limited)
SEG	Suzlon Energy GmbH
SEIS	Suzlon Energy Italy S.r.l

SELM	Suzlon Energy Limited Mauritius
SETL	Suzlon Energy Tianjin Limited
SGWPL	Suzlon Gujarat Wind Park Limited
Share(s)	Equity shares of the Company having a par value of Rs.2 unless otherwise specified
Shareholder	a holder of Shares
SIL	Synefra Engineering & Construction Limited (formerly Suzlon Infrastructure Limited)
SISL	Suzlon Infrastructure Services Limited
SPIL	Suzlon Power Infrastructure Limited
SRC	Suzlon Rotor Corporation
SRL	Sarjan Realities Limited
SRGPL	Shubh Realty (Gujarat) Private Limited
SRSPL	Shubh Realty (South) Private Limited
STSL	Suzlon Towers And Structures Limited
Suzlon Brazil	Suzlon Energia Eolica do Brasil Ltda
Suzlon Denmark	Suzlon Energy A/S (Denmark)
Suzlon Generators	Suzlon Generators Limited
Suzlon Korea	Suzlon Energy Korea Co., Ltd
Suzlon Portugal	Suzlon Energy Portugal Energia Eolica Unipressol Lda
Suzlon Structures	Suzlon Structures Limited
SWE	Suzlon Windenergie GmbH
SWEC	Suzlon Wind Energy Corporation (USA)
SWED	Suzlon Wind Energy A/S, Denmark
SWEE	Suzlon Wind Energy Espana S.L.
SWEL	Suzlon Wind Energy Limited
SWG	Suzlon Windkraft GmbH
SWIL	Suzlon Wind International Limited
SWMG	Suzlon Windpark Management GmbH
Underwriters	Citigroup Global Markets Limited, Credit Suisse (Singapore) Limited and Deutsche Bank AG, Hong Kong Branch
WOWG	Windpark Olsdorf Watt GmbH & Co., KG

CONVENTIONAL/GENERAL TERMS

Term	Description
Act/ Companies Act	the Companies Act, 1956 of India and amendments thereto
Clearstream, Luxembourg	Clearstream Banking, *société anonyme*
DNV	Det Norske Veritas
Depositories Act	the Indian Depositories Act, 1996 and amendments thereto
EPS	the earnings per share
Euroclear	Euroclear Bank S.A./NV

GDR	global depositary receipts
IFRS	International Financial Reporting Standards
Income Tax Act	Indian Income Tax Act, 1961 as amended
Indian GAAP	the generally accepted accounting principles in India
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended
SEBI Act	the Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Guidelines	the SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 and amendments thereto
Securities Act	the United States Securities Act of 1933, as amended
Takeover Code	the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 of India and amendments thereto

BUSINESS/ INDUSTRY RELATED TERMS

Term	**Description**
BTM	BTM Consult ApS
CWET	Centre for Wind Energy Technology
EPC	Engineering, procurement and construction
IEA	International Energy Agency
IREDA	The Indian Renewable Energy Development Agency Limited
KW	Kilo Watts
kWh	Kilo Watt Hours
MNRE	Ministry of New and Renewable Energy, Government of India
MW	Mega Watts
O&M	Operations and Maintenance
R&D	Research and Development
WTGs	Wind Turbine Generators

ABBREVIATIONS

Term	**Description**
Accounting Standard	Accounting Standards, as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CY	Calender Year
FCCBs	Foreign Currency Convertible Bonds
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 of India
FIIs	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board of India
GDP	Gross Domestic Product
HUF	Hindu Undivided Family

ICAI	Institute of Chartered Accountants of India
km	Kilometre
LuxSE	Luxembourg Stock Exchange
MOF	The Ministry of Finance, Government of India
MW	Mega Watt
NRI(s)	Non-Resident Indian(s)
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
UTI	Unit Trust of India

SUMMARY OF THE OFFERING

The Company	Suzlon Energy Limited, a public limited company incorporated in the Republic of India.
The Offering	The Offering comprises an offering outside the United States of America of the GDRs to non-U.S. persons in reliance on Regulation S. The GDRs will be issued by the Depositary.
The Depositary	Deutsche Bank Trust Company Americas.
The GDRs	One GDR will represent four Shares on deposit with ICICI Bank Limited, as custodian (the "Custodian"). The GDRs will be issued by the Depositary pursuant to a deposit agreement dated on or about July 24, 2009 between the Company and the Depositary (the "Deposit Agreement"). The GDRs will be evidenced initially in global form by a master GDR (the "Master GDR") to be issued by the Depositary pursuant to the Deposit Agreement. Pursuant to the Deposit Agreement, the Shares represented by the Master GDR will be held by the Custodian for the benefit of the Depositary and for the further benefit of the holders and the beneficial owners of GDRs. Except in the limited circumstances described in this Offering Circular, definitive GDR certificates will not be issued to holders in exchange for interests in the GDRs represented by the Master GDR. For more information, see "Terms and Conditions of the Global Depositary Receipts" and "Clearance and Settlement". Additional Shares may be deposited with the Custodian, subject to the provisions set forth under "Terms and Conditions of the Global Depositary Receipts" and in the Deposit Agreement, against which the Depositary shall issue GDRs representing such Shares.
Offer Price	US$7.40 per GDR (based on a conversion rate of INR48.43 = US$1.00).
Settlement Date	On or about July 24, 2009.
Closing Date	On or about July 24, 2009.
Lock-up	The Company has agreed in a underwriting agreement dated July 21, 2009 between the Company and the Underwriters (the "Underwriting Agreement") that neither it nor any person acting on its behalf will (i) issue, offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any GDRs, Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any GDRs, Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or GDRs representing the right to receive any such securities, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares, or (iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described in (i) and (ii) above; except for (i) the issuance of the New Bonds, or (ii) any issuance, offer, sale or any other transfer or transaction of a kind referred to above of any Shares under or in connection with any stock incentive and other employee ownership or benefit plans

	including, for the avoidance of doubt, any issuance, offer, sale or any other transfer or transaction of a kind referred to above of any Shares in connection with the exercise of any options or similar securities that may exist on the date hereof and have been approved by the Company's board of directors, or (iii) the issuance of Shares as a result of the conversion of any of the June 2012 Bonds, October 2012 Bonds, June 2012 New Bonds, October 2012 New Bonds or New Bonds, or (iv) any issuance, offer, sale or other transfer pursuant to any obligation in existence at the date of the Offering Circular which has been disclosed in the Offering Circular, in any such case without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) for a period of 60 days from the date of the Underwriting Agreement. Each Promoter and each member of the Promoter Group has also entered into a lock-up agreement. See "Plan of Distribution".
Selling and Transfer Restrictions	The offered GDRs will be subject to certain restrictions on sale and transfer as described under "Transfer Restrictions" and "Plan of Distribution".
Dividends and Dividend Policy	Holders of GDRs will be entitled to receive dividends (if any), subject to the terms of the Deposit Agreement, to the same extent as the holders of Shares, less the fees, costs and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Cash dividends on the Shares, if any, will be paid in Rupees and, subject to any restrictions imposed by Indian law, regulations or applicable permits, will be converted into US dollars by the Depositary in the manner provided in the Deposit Agreement and distributed to holders of GDRs. Holders of the GDRs must rely upon the procedures of the Depositary and the clearing and settlement systems of Euroclear and Clearstream, Luxembourg for distribution of such dividends (if any) to the Holders. See "Terms and Conditions of the Global Depositary Receipts" and "Taxation". Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous Fiscal Years or out of both. The Company does not have a formal dividend policy. The declaration and payment of dividend will be recommended by the Board of Directors and approved by its Shareholders, at their discretion, and will depend on a number of factors, including but not limited to its profits, capital requirements and overall financial condition. For more information, see "Dividends and Dividend Policy".
Voting	Holders of GDRs will have no voting rights with respect to the Shares represented by the GDRs. The Depositary will not exercise any voting rights in respect of the Shares represented by the GDRs unless it is required to do so by law. If so required, the Depositary will, at the direction of the Board of Directors (subject to the advice of legal counsel taken by the Depositary and the Company, at the expense of the Company), either vote as directed by the Board of Directors or give a proxy or power of attorney to vote the Shares represented by the GDRs in favour of a Director of the Company or other person or vote in the same manner as those shareholders designated by the Board of

	Directors. A valid corporate decision of the Company will bind the Depositary and the Holders notwithstanding these restrictions on voting rights. Shares which have been withdrawn from the depositary facility and transferred on the Company's register of members to a person other than the Depositary, the Custodian or a nominee of either the Depositary or the Custodian may be voted by the holders thereof. However, Holders or owners of GDRs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the Shares and vote at such meetings. See "Terms and Conditions of the Global Depositary Receipts — Voting Rights".
Use of Proceeds	The Company expects to raise Rs.5,232.38 million or US$108.04 million from this Offering (assuming that the entire Offering of 14,600,000 GDRs is subscribed in full). The net proceeds from this Offering after deductions of fees and other estimated expenses are expected to be about Rs.5,169.59 million or US$106.74 million, which the Group intends to use for general corporate purposes, including but not limiting to working capital, capital expenditure, capitalization of its one or more subsidiaries, extending loans to its one or more subsidiaries and the repayment of its foreign currency and Indian Rupee borrowings. For more information, see "Use of Proceeds".
Listing and Market for the GDRs	Prior to this Offering, there has been no trading market for the GDRs. Application has been made for the GDRs to be admitted to listing on the official list of the LuxSE and to be admitted to trading on the Euro MTF market of the LuxSE. In-principle approval has been received for the listing of the GDRs on the LuxSE. The LuxSE assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the GDRs to the Official List of the LuxSE is not to be taken as an indication of the merits of the Company, the existing Shares, the GDRs or the Shares represented thereby. Application has also been made to the London Stock Exchange for admission of the GDRs to trading under the symbol "SUEL". The company expects that conditional trading though the IOB will commence on a "when and if issued" basis on or about July 22, 2009.
Payment and Settlement Procedures	Purchasers will be required to make payment for the GDRs on the Settlement Date. Delivery of the GDRs is expected to be made on the Closing Date to the accounts of the purchasers through the book-entry facilities of Euroclear and Clearstream, Luxembourg. For more information, see "Clearance and Settlement".
Governing Law	The Deposit Agreement will be governed by English law. The rights and obligations attaching to the Shares represented by the GDRs will be governed by Indian law.
Taxation	For a discussion of certain tax considerations relevant to an investment in the GDRs, see "Taxation".
Security Codes	The security codes for the GDRs are as follows: ISIN: US86960A1043 Common Code: 043916114 CUSIP: 86960A 104

FII	The FII investment limits in the Company are 24 per cent., whilst the Board has proposed to the shareholders of the Company that such limits be increased to 49 per cent. at the next shareholders meeting scheduled on August 13, 2009 holders of GDRs desiring to convert them to underlying shares through a SEBI registered FII entity may not be able to do so.

RISK FACTORS

Before making an investment decision regarding the GDRs offered by us, you should consider all information given in this Offering Circular, including the risks and uncertainties described below. If any of the following risks or any of the other risks and uncertainties discussed in this Offering Circular actually occur, the Group's business, financial condition and results of operations could suffer, the trading price of our GDRs could decline, and you may lose all or part of your investment. These risks and uncertainties are not the only issues that the Group faces: additional risks and uncertainties not presently known to the Group or that the Group currently believes to be immaterial may also have an adverse effect on our business, results of operations and financial condition.

In particular, any potential investor in, or purchaser of, GDRs should pay particular attention to the fact that the Company is governed in India by a legal and regulatory environment, which in some respects, may differ from that which prevails in other countries.

Wherever used in this section "Risk Factors", the term "Group" shall be deemed also to include REpower and its subsidiaries, unless otherwise stated.

Unless specified or quantified in the relevant risk factors below, the Group is not in a position to quantify the financial or other implication of any of the risks described in this section.

RISK RELATING TO THE GROUP'S BUSINESS

Projects included in the Group's order book may be delayed or modified, which could materially harm its cash flow position, financial conditions and results of operations.

As at June 25, 2009, the Group (excluding REpower) had orders to supply 1,463 MW of capacity for wind power projects.

The Group's order book comprises firm orders that it has received from customers by means of a formal binding agreement. However, there can be no assurance that such orders will not be cancelled or reduced, or that the customers will perform in full its payment and other obligations in accordance with the agreements. Accordingly, the Group's order book should not be considered to represent future revenues. Its order book represents business that is considered likely, but cancellations or scope or schedule adjustments may and do occur. The Group may also encounter problems executing the project as ordered, or executing it on a timely basis. Moreover, adverse conditions in the global financial markets or other factors beyond the Group's control or the control of its customers may cause its customers or the Group to postpone a project or cause its cancellation, including delays or failures to obtain necessary permits, authorisations, permissions, and other types of difficulties or obstructions. Due to the possibility of cancellations or changes in project scope and schedule as a result of the exercises of any customer's discretion, or problems encountered by the Group in project execution, or reasons outside the Group's control or the control of its customers, the Group cannot predict with certainty when, if or to what extent an order book project will be performed. See "— Difficult conditions in the financial markets have had, and may continue to have, a material adverse effect on the business, results of operations, financial condition or prospects of the Group".

Even relatively short delays or surmountable difficulties in the execution of a project could result in the Group's failure to receive, on a timely basis or at all, all payments otherwise due to it on a project. In addition, even where a project proceeds as scheduled, it is possible that the contracting parties may default or otherwise fail to pay amounts owed. Any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in regard to order book projects, or disputes with customers in respect of any of the foregoing, could materially harm the Group's financial condition, results of operations and cash flows.

The Group's multinational operations and its continued expansion into markets outside of India subject it to risk.

The Group currently has a direct presence in several countries in addition to India, including China, Denmark, Belgium, Germany, the United States and Australia and intends to further expand its operations in international markets. For the Fiscal Year 2009 the Group generated Rs.216,290.41 million in revenue from the sale of its WTGs, gearboxes, foundry and forging components and other business in foreign markets, corresponding to 83 per cent. of the total revenue of the Group.

The Group's international expansion plans will require the Group to establish new offices, expand its workforce and manage offices in widely disparate locations and will require significant management attention and financial resources. To the extent that the Group expands through joint ventures and other cooperation arrangements, there can be no assurance that the Group will be able to negotiate attractive terms or prevail in any potential disagreement with its business partners.

The Group's expansion into foreign markets exposes it to risks associated with different taxation regimes and economic conditions in each country and to different (and potentially more onerous) legal regimes, including those relating to liability and warranty requirements. The Group's international expansion also increases its exposure to risks of fluctuation in foreign currency exchange rates. As a result, the Group's strategy of expansion into markets outside India could increase its costs of operations, and thereby could have a material adverse effect on the Group's future prospects, financial condition and results of operations.

The Group may, in the future, enter into strategic alliances, investments, partnerships and acquisitions. These may harm its business, dilute shareholdings and cause it to incur debt.

As part of the Group's growth strategy, it may enter into strategic alliances, make strategic investments, establish partnerships and/or make acquisitions relating to raw materials, components, complementary businesses, technologies, services or products. The Group's investments in REpower and Hansen are notable examples of such strategy. However, the Group may not be able to identify suitable investment opportunities, partners or acquisition candidates. If the Group acquires another company or forms a new joint venture or other strategic partnership, it could have difficulty in integrating and assimilating that company's business, including products, components, personnel, operations, technology and culture, with its business. Further, the Group may not be able to realise the expected strategic benefits of future alliances, investments, partnerships or acquisitions. In addition, the key personnel of an acquired company may decide not to work for the Group. If any of the strategic partners of the Group discontinues its arrangement with the Group, is unable to provide expected expertise, resources or assistance, or competes with the Group for business opportunities that are attractive to the Group, the Group may not be able to find a substitute for such strategic partner immediately or at all.

Additionally, any potential acquisition, alliance or joint venture could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortisation of acquired intangible assets, some or all of which could have a material adverse impact on the Group's business, financial condition and results of operations. In the event that the Group plans to acquire or invest in an overseas company, it may be required to obtain the prior approval of the RBI, other regulators and/or the Indian Government and there can be no assurance that such approvals will be obtained in a timely manner or at all.

The Group may finance future investments, partnerships or acquisitions with cash from operations, its existing cash balances, debt financing, the issuance of additional Shares or a combination of these or any other forms of financing. The Group cannot provide assurance that it will be able to arrange financing on acceptable terms, or at all, to complete any such transaction. Investments, partnerships or acquisitions financed by the issuance of new Shares would dilute the ownership interest of its Shareholders and the Holders, and debt financing would increase its leverage and financial risks. See also "— Risks Relating to REpower".

The Group is dependent on external suppliers for key raw materials and components.

WTGs require certain components which are specifically designed for application in wind energy generation. The type and configuration of particular WTGs also require specifically designed components. WTG suppliers, including the Company and REpower, have in the past witnessed supply shortages of certain key components, such as WTG towers, due to the inability of component suppliers to meet demand. In certain cases, this has also led to delay in supplying and commissioning WTGs, which in turn delays the timing of booking of sales. This occurred in the first quarter of the Fiscal Year 2009, when there were delays in the delivery of WTG towers to the Company. Unlike the Company, REpower historically has not manufactured the key components of its WTGs, such as towers, or rotor blades and as a result, has been more dependent on third party suppliers than the Company.

The Group sources raw materials (such as steel, glass fibre and epoxy resin for rotor blades) that it uses to manufacture certain WTG components, as well as several key WTG components (such as gearboxes, yaw and pitch drives, as well as a portion of its tower and generators requirements) from outside suppliers in India (in the case of the Company) and overseas. The quality of the Group's products (and consequently, customer acceptance of such products) depends on the quality of the raw materials and components and the ability of suppliers to deliver the materials. Suitable alternative suppliers that can meet the Group's technical and quality standards, and who can supply the necessary quantities, may be hard to find in the event of a supply failure. The failure of any of the Group's suppliers to deliver these raw materials or components in the necessary quantities, to adhere to delivery schedules, or to comply with specified quality standards and technical specifications, could adversely affect the Group's production processes and its ability to deliver orders on time and at the desired level of quality. This, in turn, could give rise to contractual penalties or liabilities for the Group, a loss of customers, and damage to its reputation, any of which could materially adversely affect the business, financial condition and results of operations of the Group.

The Group is subject to the risk of increase in the price of raw materials and components.

If the costs of raw materials and components required for making WTGs (including gearboxes) were to rise due to factors such as an increase in demand or commodity prices or shortages in supply, and the Group is not able to recover these costs through cost saving measures elsewhere or by increasing the prices of its WTGs, the Group's results of operations could be adversely affected. Where possible, the Group includes price escalation clauses in its purchase agreements with customers. However, the Group is not fully protected from price increases in key inputs. Should the cost of raw materials or components rise, the Group can provide no assurance that it will be able to pass on any additional costs to its customers and, accordingly, its results of operations could suffer.

For the delivery of its products, and to receive materials and other supplies to conduct its operations, the Group is dependent on efficient transportation and logistics in India and in the other countries in which the Group, its suppliers and its customers have operations.

The Group depends on various forms of transport, such as air, sea-borne freight, rail and road, to receive raw materials and components used in the WTG production and to deliver its products from its manufacturing facilities to its customers. Such transportation and logistics may not be adequate to support the Group's future or continued operations. Further, disruptions of transportation and logistical operations because of weather-related problems, strikes, lock-outs, inadequacies in road and rail infrastructure and port facilities, or other events, could impair the ability of the Group's suppliers to deliver raw materials and components, and this in turn will adversely affect the Group's ability to supply its products to its customers on time or at all. The Group also has limited storage facilities and may not be able to store sufficient WTG components and raw materials, and this makes the Group more dependent on efficient logistical operations.

The Group can provide no assurance that such disruptions due to the occurrence of any of the factors cited above will not occur in the future. Any of the foregoing factors could have a material adverse affect on the Group's business, financial condition and results of operations.

The Group's new and existing manufacturing facilities may remain under utilised due to the downturn in the global economic outlook.

The Group incurred significant capital expenditure in the Fiscal Year 2008 and Fiscal Year 2009 in creating new and expanded manufacturing facilities. Due to the current global economic crisis, customers may reconsider initiating new wind farm projects, may scale down existing orders placed with the Group, or extend delivery schedules if they are unable to raise financing for the implementation of these projects. As a result, the Group's existing facilities, new manufacturing facilities and enhanced capacity at existing facilities may remain under utilised. To the extent that these completed facilities remain under utilised, this will adversely impact the Group's revenues, profitability and financial condition.

The size and timing of sales in a particular financial period can have a material impact on revenues and profits. Generally, the assumption of the risks of ownership by the customer coincides with the delivery of all key components of the WTGs. A delay in delivery of key WTG components results in such components being recognised as inventory. In sales contracts which satisfy the definition of "construction contract" as per Accounting Standard-7 issued by the Institute of Chartered Accountants of India (the "ICAI"), sales revenue is recognised in accordance with the "percentage of completion" method. Delays in the delivery of key WTG components, or delays in the construction schedule, could result in delays in the recognition of revenue cashflow and have a material adverse affect on the Group's business, financial condition and results of operations.

The Group's indebtedness could adversely affect its financial condition and results of operations.

As at March 31, 2009, the Group had outstanding indebtedness of Rs.148,695.71 million. The Group's leverage may constrain its ability to raise incremental financing or increase the cost at which it could raise any such financing. The Group has entered into agreements with certain banks and financial institutions for short-term loans and long-term borrowings. Some of these agreements contain restrictive covenants, such as requiring lender consent for, among other things, issuance of new Shares, incurring further indebtedness, creating further encumbrances on or disposing of its assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. The terms and conditions for some of these borrowings also contains covenants which limit the Group's ability to make any change or alteration in its capital structure, make investments, effect any scheme of amalgamation or restructuring and enlarge or diversify its scope of business. In addition, the terms and conditions for certain of these borrowings contains financial covenants which require the Group to maintain, amongst others, a specified net worth to debt ratio and debt service cover ratio. There can be no assurance that the Group will be able to comply with these financial or other covenants or that it will be able to obtain the consents necessary to take the actions it believes are necessary to operate and grow its business. A default under one financing document may also trigger cross-defaults under its other financing documents. An event of default under any financing document, if not cured or waived, could result in the acceleration of all or part of the Group's financial indebtedness and the enforcement by the Group's creditors of any security interests created by it in connection with such financing. It could also have a material adverse effect on the reputation and prospects of the Group. The Group's level of existing debt, and any new debt that it incurs in the future, has important consequences. For example, it could:

- increase its vulnerability to general adverse economic and industry conditions;
- limit its ability to fund future working capital, capital expenditures, R&D and other general corporate requirements;
- require it to dedicate a substantial portion of its cash flow from operations to service its debt;
- limit its flexibility to react to changes in its business and the industry in which it operates;
- place it at a competitive disadvantage to any of its competitors that have less debt;
- require it to meet additional financial covenants;
- adversely impact the credit rating of the Company; and
- limit, along with other restrictive covenants, among other things, its ability to borrow additional funds.

The Group cannot provide any assurance that its business will generate cash in an amount sufficient to enable it to service its debt or to fund its other liquidity needs. The Group may need to refinance all or a portion of its other debt including its outstanding bonds, on or before maturity. In addition, fluctuations in the exchange rate between the Rupee and the U.S. dollar may result in an increased outflow on the date for redemption of such bonds or other debt. The Group cannot provide any assurance that it will be able to refinance any of its debt on commercially reasonable terms, or at all.

Difficult conditions in the financial markets have had, and may continue to have, a material adverse effect on the business, results of operations, financial condition or prospects of the Group.

Since the second half of 2007, disruption in the global credit markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the United States, United Kingdom and elsewhere, has created increasingly difficult conditions in the financial markets. These conditions have resulted in historic levels of volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets and, more recently, the failures of a number of financial institutions in the United States and Europe and unprecedented action by governmental authorities and central banks around the world. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other institutions. One consequence of these conditions is that the availability of lending has been reduced whilst the cost of most sources of lending has been significantly increased which may result in fewer completed property leasings, WTG sales, wind farm project developments, corporate acquisitions and disposals, thereby having an adverse effect on the Group's revenues.

It is difficult to predict how long these conditions will exist or how the Group's business and the businesses of the Group's clients will be affected. This uncertainty makes it difficult for participants in the credit markets to plan for future developments and may lead market participants to plan and act more conservatively than in recent history.

The current trading environment has negatively affected the Group's financial condition. No assurance can be given that the trading environment will improve and, if it does not improve, this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group recognised mark-to-market losses as at March 31, 2009 of Rs.3,538.43 million and as at March 31, 2008 of Rs.230.00 million on its derivatives portfolio and there is no assurance that the Group will not incur such losses in the future.

In conducting its business, the Group uses various derivative and non-derivative instruments to manage the risks arising from fluctuations in exchange rates, interest rates and commodity prices. Such instruments are used for risk management purposes only.

The Group has recognised mark-to-market losses of Rs.3,538.43 million in respect of foreign exchange forward/option contracts, taken for hedging purposes during the Fiscal Year 2009 and Rs.230.00 million during the Fiscal Year 2008. There is no assurance that the Group will not incur such losses in the future or that the quantum of such losses will not increase, which in either case could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on the Affiliated Companies to deliver integrated wind energy solutions to its customers in India.

The Group's business strategy in India is supported by its ability to offer customers integrated solutions relating to wind power projects. This involves the acquisition and/or lease by certain of the Affiliated Companies of land identified by the Group as suitable for wind farms, which land is then sold or leased or sub-leased exclusively to its customers by the Affiliated Companies with the Company's consent. Certain Affiliated Companies are also involved in the acquisition of capacity allocations from State Governments. As with the land acquisitions, the Affiliated Companies transfer the capacity allocations to customers at the direction of the Company.

The Group cannot provide any assurance that customers will agree to use the land acquired by the Affiliated Companies. In the event that an Affiliated Company breaches its agreement with the Group's customers, the Group may be required to incur significant expense and undertake the acquisition of land for wind farm projects in its own name which would involve substantial capital investment, expense and risk, especially in the form of lawsuits by others claiming rights over the land acquired. Further, if the Group incurs higher costs than those that would have been incurred by the Affiliated Companies in carrying out their activities, this would increase the cost to the Group's customers of using wind farms developed by it and so adversely affect the competitiveness of the Group's wind farm projects. Any of the foregoing could materially adversely affect the Group's business, financial condition and results of operations.

The Group and the Affiliated Companies in India may not be able to secure suitable locations for wind power projects.

The ability of the Group and the Affiliated Companies in India to acquire sites that the Group has identified as suitable for wind power projects either through lease agreements or purchase agreements depends on many factors, including whether the land is private or state-owned, whether the land is classified in a manner that allows its use for a wind power project site, and the willingness of the owners to sell or lease their land. In many cases, the area identified as a suitable site is owned by numerous small landowners.

In certain states in India, affiliated companies are required to acquire the land on which a wind power project will be established directly. Acquisition of private land in India can involve many difficulties, including litigation relating to ownership, liens on the land, inaccurate title records, negotiations with numerous land owners, and obtaining government approvals. The Group may also become liable for environmental hazards on land that it acquires and may be subject to fines and other claims in connection therewith. See also "— Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect the Group's results of operations and its financial condition".

The Group also faces competition from other WTG manufacturers and operators in the acquisition of suitable sites for wind power projects. Given that the acquisition of these sites is of fundamental importance to the Group's integrated solutions business strategy in India, and to further growth of its WTG business in international markets, difficulties in acquiring new sites could have a significant impact on future project development by the Group and the Affiliated Companies as well as its sales. Land negotiations can be time-consuming, require the Group to incur additional costs, and can involve a significant amount of attention and effort from its management. In certain cases, the Group and the Affiliated Companies may not be able to acquire land at all. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Company competes with the customers of some of its subsidiaries and this might affect the willingness of such customers to contract with the respective subsidiary.

The Company is a direct competitor of certain entities which are also customers of one or more of the Company's subsidiaries, including Hansen, SE Forge, Suzlon Wind International Limited, SE Composites Limited and STSL. There can be no assurance that these customers might not in the future decide to reduce or cease their purchases from such subsidiaries due to their relationship with the Company, or they may decide to expand their own activities to produce any such products themselves. The loss of any key customer of any of the Company's production subsidiaries, or a reduction in orders from any such customer, could result in lower than expected revenue to such subsidiary and this could have a material adverse effect on such subsidiary's business, financial condition and/or results of operations. In light of the relatively small number of participants within the WTG market generally, the Group's production subsidiaries depend on a small number of customers within this market. The loss or substantial reduction of an existing customer relationship could ultimately have a material adverse effect on the business, financial condition and results of operations of the Group. See “Business — REpower Systems AG”.

The Group is dependent on the acceptance and marketability of its WTGs, the performance of which carries a high degree of technical risk.

The Group’s future performance depends almost entirely on the acceptance and marketability of its WTGs and, in particular, on the future success of the models which the Group currently manufactures or is developing. The performance of the Group’s WTGs in the medium and long-term is subject to important technical risks.

Although WTGs are generally designed for a 20-year life cycle, no definitive statements can be made about the service life of WTGs or WTG components, or about their medium to long-term operational reliability. While the direct risk from limited operational reliability and reduced lifespan of WTGs is borne by the Group’s customers, disputes between WTG manufacturers such as the Group and customers based on actual or alleged product defects may take place. The Group undertakes various testing processes on new models of WTGs and WTG components in different operating conditions to acquire data for making decisions for series production of new models, and the WTGs and WTG components used in the course of such tests may get damaged or become unfit to be used. Based on the Group’s understanding with customers to whom such new models are sold, any loss incurred in the course of such tests is borne by the Group. Any product failure of WTGs or WTG components or any failure of such product to meet specified performance levels could damage the reputation of the Group and therefore impair the marketability of its products. REpower has recently assembled the first 6 MW WTGs for testing. If test results are unsatisfactory, this may impact the marketability of the 6 MW WTG.

WTGs and WTG components supplied by the Group may get damaged where the design loads are exceeded. Insurance coverage may not be available for such damage or may not be sufficient to cover the costs incurred, in which event the Group may be required to bear customer claims or replace the WTG or WTG components. Further, any WTG or WTG component malfunction or the failure of WTGs to meet specified performance levels could damage the reputation of the Group’s products. During the Fiscal Year 2008, the Company made provision for an amount of Rs.1,217.09 million towards a retrofit programme announced to resolve a blade crack issue noticed in some of its S88 turbines, and during the Fiscal Year 2009 the Company has made further provision for an amount of Rs.2,215.89 million towards the retrofit programme. The Company’s final provision will be known when the retrofit programme is completed. The retrofit programme involves the structural strengthening of blades on S88 (2.1 MW) turbines. The retrofit programme has been implemented by maintaining a rolling stock of temporary replacement blades to minimise the downtime for operational turbines. The Company had faced certain issues with residents of Dhule and Sangli districts in Maharashtra, India resulting in disruption of smooth operations of the WTGs in these regions. For the Fiscal Year 2008 the Company incurred Rs.654.60 million towards restoration costs of these WTGs. In June 2008, Edison Mission Energy, a customer that encountered the blade crack issue, exercised its option not to purchase 150 WTGs in 2009.

Further, if demand for the Group’s products declines, or the marketability or lifespan of its products diminishes so that the products can no longer be sold on the market or can only be sold in smaller quantities, the Group’s business, financial condition and results of operations could be adversely affected.

The Group can provide no assurance that its new products will be commercially successful.

The Group’s growth depends on designing, developing and marketing new and more cost-efficient WTGs. The development of new WTG models requires considerable investment. The Group plans to continue to invest in R&D and to commit a significant investment in personnel for product development over the next few years. The Group operates several research and testing centres in India and at overseas locations. It has recently established a joint research centre in Germany with REpower. See “Business — Research and Development”. In relation to REpower, significant resources and investment are currently being focused on the development and expansion of its offshore WTGs.

There is a risk that the development of new and existing products may be delayed, may result in incurrence of higher than expected costs or may fail technologically. Further, there is the risk that the Group’s competitors will develop new and technologically more advanced WTG models, which are better equipped to satisfy customer demand. See “— The market for WTGs is highly competitive, which could limit the Group’s ability to grow”. There can be no assurance that the Group will be able to develop more cost-efficient products or that this will lead to increased profitability or that it will be able to continue to develop successfully and exploit its expertise in the future. In the offshore WTG sector, there is no assurance that REpower will be able to successfully develop larger and more efficient turbines. Furthermore, the cost of developing new products may prove to be greater than future income from those products. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to unanticipated cancellations of orders, contract terminations and deferrals of wind power projects.

In markets outside India, the Group generally enters into medium to long-term WTG supply contracts which require the supply of WTGs at various times over the life of the contract and provides for staggered payments to the Group. Entry into such contracts exposes the Group to certain risks including the unanticipated cancellation of orders or termination of contracts and deferrals of orders and projects. REpower has a more concentrated customer base than the Group and typically enters into longer term contracts with its customers. Longer term contracts increase counterparty risks such as bankruptcy or dissolution of customers. Although the Group's WTG supply contracts usually include penalties for failures or delays caused by the customer, the full value of orders will not be recoverable. Hence, any cancellations, deferrals or other unanticipated delays to orders and projects may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be liable for cancellations of orders, deferrals or other unanticipated delays caused by the Group

The Group could be liable to pay liquidated damages, amounting to a certain percentage of the total order value, in the case that any delays or disruptions in delivery and installation of WTGs are caused by the Group. In some cases, corporate guarantees from the Company are also provided in its WTG supply contracts. As such, any cancellations, deferrals or other unanticipated delays which are the fault of the Group may have a material adverse effect on the Group's business, financial condition, reputation and results of operations.

The Group faces product liability and warranty risks and may face related claims.

The Group provides its customers with various types of warranties and guarantees. These includes free operations and maintenance warranty and performance guarantees, based (a) on the percentage of time (generally 95 to 97 per cent.) per year that a WTG will be available i.e machine availability and / or (b) an absolute unit guarantee on the minimum number of units of electricity that will be generated by the WTG, subject to grid availability (although regardless of fluctuations in wind speed) and / or (c) a power curve guarantee pursuant to which it warrants that a WTG will produce a specified number of units of electricity at different wind speeds. Until March 2007, the Group provided absolute unit guarantees to most of its WTG customers in India. Since March 2007, the Group has been providing absolute unit guarantees on a case-by-case basis. For the Fiscal Years 2009, 2008 and 2007, the Group paid customers Rs.5,953.84 million, Rs.1,332.25 million and Rs.632.31 million, respectively, arising from performance guarantee claims. While the Group believes it has made adequate provisions for potential claims arising from warranties and guarantees, there can be no assurance that the provisions it has made, or may in the future make, will be sufficient to cover these claims. With regard to customers to whom the Group has provided performance guarantees, there can be no assurance that wind patterns will be such that the level of performance so guaranteed will be achieved. In the event that such provisions are not sufficient, the amount of claims arising from the failure of the Group's WTGs to meet generation warranties could have a material adverse effect on the Group's business, financial condition and results of operations.

Although the Group's WTGs are tested comprehensively before delivery and ongoing production is subject to quality assurance measures, there can be no assurance that defects will not arise or latent defects will not become apparent during the operation of WTGs that would entitle its customers to seek compensation based on warranties or component breakdowns. An example would be the retrofit programme announced by the Company during the Fiscal Year 2008 to resolve a blade crack issue. See the investment consideration "The Group is dependent on the acceptance and marketability of its WTGs, the performance of which carries a high degree of technical risk."

The Group also offers O&M services for its WTGs in India and some select international markets, which involves monitoring, maintenance and repair of the WTGs. The Group's standard service package includes preventive and planned maintenance of WTGs, transformers and related structures and includes a warranty on machine availability (an "Availability Warranty"). Such an Availability Warranty typically ranges from 95 per cent. to 97 per cent. availability, as well as warranties relating to the maximum allowable percentages of reactive power and transmission losses. If the Availability Warranty is not met, the Group is liable to its customers for a part or the whole of the annual maintenance fees it receives for each WTG that was not available as warranted. The Group also offers, for a higher fee, a comprehensive service package that includes free repair or replacement of damaged components in addition to the services offered in the standard service package. Depending on the number of WTGs that a customer has acquired and that do not perform as warranted or are damaged, the amount of claims against the

Group can be significant. The costs related to addressing and settling claims against the Group arising from the Group's O&M services, including costs related to repairing and replacing WTG components, could have a material adverse effect on the Group's business, financial condition and results of operations.

Hansen's WTG customers and industrial gearbox customers currently have the benefit of a two-year and one year warranty, respectively, although in certain circumstances the warranty period may be longer at the customer's cost and, in certain cases, serial defect clauses may apply. Hansen has incurred and continues to incur warranty claims. Although warranty claims have not historically had a material effect on Hansen's financial condition, results of operations or reputation, there can be no assurance that Hansen will not face material claims in the future.

In addition, the Group does not obtain insurance coverage for product warranty claims for WTGs or WTG components sold. As such, product defect or warranty claims brought against it by its Indian customers may adversely affect its financial condition and results of operations. For WTGs and WTG components sold to customers outside India, the Group only carries insurance coverage covering claims arising from defects in the construction, materials and manufacture, including warranty claims. In connection with product defect or warranty claims that could be brought against the Group by international customers, there can be no assurance that its insurance coverage will prove adequate.

The Group may be unable to seek compensation from suppliers for defective components or raw materials used in its products.

In the event the Group becomes subject to product liability or warranty claims caused by defective components or raw materials obtained from a third party supplier, it can attempt to seek compensation from the relevant supplier. However, the Group's agreements with suppliers often include limitations on recovery including exclusions for recovery of lost profits and indirect or consequential losses. In some cases, warranties provided by suppliers may be for shorter periods than the warranty periods the Group provides to its WTG customers. Further, warranty claims against suppliers may be subject to certain conditions precedent which may not be satisfied. Also, the Group carries insurance coverage for claims arising from defective materials only for WTGs sold to customers in overseas markets. If no claim can be asserted against a supplier, or amounts that the Group claims cannot be recovered from either a supplier or from the Group's insurer, and the defective raw materials or components affects a large number of the relevant WTG models or various WTG series, the Group's business, financial condition and results of operations could be materially adversely affected.

Any disruption affecting the Group's manufacturing facilities or operations could have a material adverse effect on its business, financial condition and results of operations.

At present, the Group's manufacturing facilities are predominantly located in India, the United States, China, Belgium and Germany. The manufacture of the Group's WTGs and WTG components involves many significant hazards that could result in fires, explosions, spills, and other unexpected or dangerous conditions or accidents. Any significant interruption to the Group's operations as a result of industrial accidents, floods, severe weather or other natural disasters could materially and adversely affect its business, financial condition and results of operations. There can be no assurance that such events or natural disasters may not occur in the future and, if they do occur, that the Group's manufacturing ability and capacity would not be materially and adversely impacted.

The Group is also subject to mechanical failure and equipment shutdowns. In such situations, undamaged manufacturing units may be dependent on or interact with damaged sections of the Group's facilities and, accordingly, are also subject to being shut down. If such events occur, the Group's manufacturing capacity may be materially and adversely impacted. In the event that the Group is forced to shut down any of its manufacturing facilities for a significant period of time, it would have a material adverse effect on the earnings, results of operations and financial condition of the Group as a whole.

The Group also requires power for its manufacturing facilities. Industrial accidents, natural disasters or other factors may affect the Group's ability to produce or procure the necessary power to operate its manufacturing facilities. This could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to the risk of strikes and other industrial actions. As at March 31, 2009, the Group (excluding REpower and Hansen) employed approximately 13,093 employees. Other than certain employees at its centres in Pondicherry and Satara and those employed by Hansen and REpower, none of its employees belong to a union. The Group believes that its relationship with its employees is generally good. However, there have been limited occasions in the past where short disruptions have occurred.

The Group cannot provide assurance that its other employees will not unionise or that it will not experience any strike, work stoppage or other industrial action in the future. Any such event could disrupt the Group's operations, possibly for a significant period of time, result in increased wages and other benefits or otherwise have a material adverse effect on its business, financial condition or results of operation.

The Company's transactions with its subsidiaries are subject to transfer pricing regulations. These transactions may be subject to regulatory challenges, which may subject the Company to higher taxes and adversely affect its earnings.

The Company enters into transactions with its subsidiaries in the ordinary course of its business. The Company also extends loans to some of its subsidiaries. Pursuant to these transactions, it has determined transfer prices that it believes are the same as the prices that would be charged by unrelated parties dealing with each other at arm's length. However, if the tax authorities of India or other jurisdictions were to challenge these or past transactions successfully or require changes in its transfer pricing policies, the Company could be required to re-determine transfer prices and/or pay additional taxes with respect to past transactions which may result in a higher tax liability to it and, as a result, its earnings would be adversely affected. The Company believes that it operates in compliance with all applicable transfer pricing laws in all applicable jurisdictions. However, there can be no assurance that it will be found to be in compliance with transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes to the Company's transfer pricing policies or operating procedures. Any modification of transfer pricing laws may result in a higher overall tax liability to the Group and adversely affect its earnings and results of operations.

The Group may not be able to obtain or maintain adequate insurance.

The Group's operations are subject to hazards and risks inherent in the use of chemicals and other hazardous materials in the course of its production processes, such as explosions, chemical spills, storage tank leaks, discharges or releases of hazardous substances and other environmental risks, mechanical failure of equipment at its facilities and natural disasters. In addition, many of these operating and other risks could cause personal injury, loss of life, severe damage to or destruction of the Group's properties and the property of third parties and environmental pollution, and may result in the suspension of operations and the imposition of civil or criminal penalties. While the Group believes that its insurance coverage is consistent with industry norms, it does not carry business interruption insurance for its entire operations globally. For international operations, the Group's business interruption insurance is generally limited to the WTG erection process. For Indian operations, the Group has recently commenced the insurance coverage for the WTG erection process in certain states. If any or all of the Group's production facilities are damaged in whole or in part and its operations are interrupted for a sustained period, there can be no assurance that its insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities or any third party claims. If the Group suffers a large uninsured loss or any insured loss suffered by it significantly exceeds its insurance coverage, the Group's business, financial condition and results of operations may be adversely affected.

In addition, the Group's insurance coverage is generally subject to annual renewal. In the event that premium levels increase, it may not be able to obtain the same levels of coverage in the future as it currently has or it may only be able to obtain such coverage at substantially higher cost. If it is unable to pass these costs on to its customers, the costs of higher insurance premiums could have an adverse effect on its financial condition and results of operations. Alternatively, the Group may choose not to insure, which, in the event of any damage or destruction to its facilities or defects to its products, could have a material adverse effect on its business, financial condition and results of operations.

Any failure to keep the Group's technical knowledge confidential and protect its intellectual property could erode its competitive advantage.

Like many of its competitors, the Group possesses extensive technical knowledge about its products. The Group's know-how is a significant independent asset, which may not be adequately protected by intellectual property rights such as patents copyrights and trademarks. Some know-how is protected only by secrecy. As a result, the Group cannot be certain that its know-how will remain confidential in the long run.

Even if all reasonable precautions, whether contractual or otherwise, are taken to protect confidential technical knowledge about the Group's products or its business, there is still a danger that such information may be disclosed to others or become public knowledge in circumstances beyond its control. In the event that confidential technical information or know-how about its products or its business becomes available to third parties or to the public, the

Group's competitive advantage over other companies in the wind energy industry could be harmed, which could have a material adverse effect on its business, future prospects, financial condition and results of operations.

The Group may inadvertently infringe the intellectual property rights of others.

While the Group takes care to ensure that it complies with the intellectual property rights of others, it cannot determine with certainty whether it is infringing any existing third party intellectual property rights which may force it to alter its technologies, obtain licences or cease some significant portions of its operations. The Group may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of whether claims that the Group is infringing patents or other intellectual property rights have any merit, those claims could: (a) adversely affect its relationships with current or future customers; (b) result in costly litigation; (c) cause product shipment delays or stoppages; (d) divert management's attention and resources; (e) subject it to significant liabilities; (f) require it to enter into potentially expensive royalty or licensing agreements; and (g) require it to cease certain activities. Furthermore, necessary licences may not be available to the Group on satisfactory terms, if at all. Any of the foregoing could materially and adversely affect the Group's business, results of operations and financial condition.

The Group is involved in litigation proceedings and cannot assure investors that it will prevail in these actions.

There are outstanding litigation proceedings against certain members of the Group and one Director. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in law or rulings against the relevant Group entity or Director by appellate courts or tribunals, the Company may need to make provisions in its financial statements, which could adversely impact its reported financial condition and results of operations. Furthermore, if significant claims are determined against the relevant Group entity or Director and the Group is required to pay all or a portion of the disputed amounts, there could be a material adverse effect on the Group's business, results of operations and financial condition.

For further details of the legal proceedings which the Company currently believes to be significant, see "Legal Proceedings".

Foreign currency fluctuations could adversely affect the costs of raw materials, the cost of borrowings and repayment of indebtedness, revenues from exports, profitability and the operating results of the Group.

The Group generates revenues and makes payments in a number of different currencies, including Rupees, Euros, U.S. dollars, Chinese yuan, Brazilian Reais, Danish Kroner and Australian Dollars. The exchange rates between these currencies can fluctuate substantially, which could have a material adverse effect on the Group's financial condition and results of operations.

The Group exports a significant amount of its products produced in India to overseas customers and generates significant revenues from such customers and receives payment from such customers in various foreign currencies, including U.S. dollars. As such, declines in the value of the Rupee against the U.S. dollar or other foreign currencies would increase the Rupee cost of servicing and repaying those borrowings and their value in the Group's balance sheet. A depreciation of the Rupee increases the U.S. dollar value of the Group's foreign currency borrowings. In addition, depreciation of the Rupee against the U.S. dollar increases the costs incurred by the Group in Rupee terms, thereby adversely affecting the competitive advantage that the Group derives from lower costs in its Indian manufacturing facilities.

REpower has historically generated revenues and made payments predominantly in Euros. However, as it expands, it expects more revenues to be generated in different foreign currencies, particularly the U.S. dollar. If REpower's expenses remain predominantly in Euros and a greater portion of its revenues are made in U.S. dollars, an appreciation of the Euro against the U.S. dollar could cause REpower's operating margins to decrease.

For the Fiscal Years 2007, 2008 and 2009, imported raw materials and components accounted for 59 per cent. 57 per cent. and 66 per cent., respectively, of the Company's raw material costs. A devaluation or depreciation in the value of the Rupee increases the total costs of such imports and the Group may be unable to recover these costs through cost-saving measures elsewhere or by passing on these increased costs to its customers. Similarly, the Group sources certain types of equipment from overseas, which it pays for primarily in Euros and U.S. dollars. A depreciation of the Rupee against the Euro or U.S. dollar increases the cost of such equipment in Rupee terms.

The loss of the services of the Group's Chairman and Managing Director, or of its key senior management personnel, could adversely affect its business.

The Group's success depends in part on the continued services of its Chairman and Managing Director, Mr. Tulsi Tanti, and other key members of senior management. If it loses the services of the Chairman and Managing Director or any of its key senior management personnel, it would be very difficult to find and integrate replacement personnel in a timely manner and this could significantly impair the Group's ability to develop and implement its business strategies. This could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to hire and retain sufficient numbers of qualified professional personnel that it needs.

If the Group fails to hire and retain sufficient numbers of qualified personnel for functions such as finance, marketing and sales, engineering, R&D and O&M services, its business, operating results and financial condition could be adversely affected. The success of the Group's business will depend on its ability to identify, attract, hire, train, retain and motivate skilled personnel. Competition for qualified professional personnel is intense as these personnel are in limited supply, particularly as the wind power industry continues to expand. The Group might not be able to hire and retain sufficient numbers of such personnel to grow or sustain its business. There can be no assurance that the Group will be able to attract, assimilate or retain sufficiently qualified personnel successfully.

The Group's capital expenditure plans are subject to delay and other risks and may not yield the benefits intended.

The Group's operations require significant capital expenditure to be made for the purpose of setting up new manufacturing facilities and expanding its existing manufacturing and storage facilities. The Group's capital expenditure plans are based on management estimates, which may prove to be wrong or impossible to achieve. In addition, the Group's capital expenditure plans are subject to a number of risks including, among other, possible cost overruns, construction and/or development delays or defects, failure or delay in receiving governmental or other approvals, and the availability of financing on acceptable terms. The Group may also require additional financing to expand and upgrade existing facilities. Such financing may not be available on acceptable terms or at all. The actual amount and timing of its future capital requirements may differ from the Group's estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, economic, political and other conditions in India and internationally, regulatory changes, engineering design changes, weather-related delays and technological changes.

There can be no assurance that any capacity addition or improvement at the Group's facilities will be completed as planned or on schedule or that the Group will achieve its planned capacity, operational efficiency or product base, or its targeted return on investment. The Group cannot provide any assurance that it will be able to execute its capital expenditure plans. If the Group experiences significant delays and/or mishaps in the implementation of its capital expenditure plans and/or if there are significant cost overruns, then the overall benefit of such plans to its revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, the Group's profitability and financial condition will be adversely affected.

Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect the Group's results of operations and its financial condition.

The Group is subject to a broad range of safety, health and environmental laws and regulations in the areas in which it operates. The Group's manufacturing facilities located in India, the United States, Germany, China and Belgium are subject to laws and government regulations of such countries on safety, health and environmental protection. The development and operation of wind power projects is subject to a broad range of safety, health and environmental laws and regulations. These laws and regulations impose controls on the Group's air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of its operations and products. Some of the manufacturing and O&M processes of the Group are hazardous and require stringent safety standards to be met. The Group has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, it has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. While the Group believes it is in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of its raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause it to be liable to the

Indian Government, State Governments or Union Territories, or to any similar governmental or regulatory authority in the United States, Germany, China or Belgium, where certain of its manufacturing facilities and wind farms are located, or to private persons or other third parties. In addition, it may be required to incur costs to remedy the damage caused by any such discharges or environmental incidents, or pay fines or other penalties for non-compliance with applicable laws and/or regulations.

Further, the adoption or implementation of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require the Group to make additional capital expenditures or incur additional operating expenses in order to maintain its current operations, curtail its production activities or take other actions that could have a material adverse effect on its financial condition, results of operations and cash flow, or affect its ability to provide, in coordination with the Affiliated Companies, integrated wind power solutions to its Indian customers. Safety, health and environmental laws and regulations in India, in particular, have been increasing in stringency and it is possible that they will become significantly more stringent in the future. The costs of complying with these requirements could be significant. The measures that the Group implements in order to comply with these new laws and regulations may not be deemed to be sufficient by governmental authorities and its compliance costs may significantly exceed current estimates. If the Group fails to meet environmental requirements, it may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against it as well as orders that could limit or halt its operations. This could have a material adverse effect on the Group's business, results of operations and financial condition.

The Company's principal Shareholders have the ability to determine the outcome of any Shareholder resolution and the Company does not control the Affiliated Companies.

The Company's principal Shareholders, comprising the Promoter Group, owned 59.82% per cent. of the Company's currently issued Shares as at May 29, 2009. As significant Shareholders, the Promoter Group may have interests that are adverse to the interests of other Shareholders and/or the Company and the Group's own interests and may have the ability to determine the outcome of any Shareholder resolution. Specifically, the Company's Chairman and Managing Director, along with other members of the Promoter Group, are the controlling Shareholders of both the Company and the Affiliated Companies and so, with respect to dealings between the Company and the Affiliated Companies, there may be a conflict of interest and there can be no assurance that any such conflict will be resolved in the Company's favour. In addition, the Promoter Group need not consider the interests of minority Shareholders in making any determinations regarding Shareholder resolutions.

There are provisions in Indian law that may discourage a third party from attempting to take control of the Company, even if a change in control would result in the purchase of the Shares at a premium to the market price or would otherwise be beneficial to the Shareholders. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control.

As both the Group and the Affiliated Companies are controlled by the Promoter Group, there can be no assurance that transactions with Affiliated Companies will be entered into on an arm's-length basis. However, all transactions with Affiliated Companies are reviewed by the Company's audit committee. The Group's promoters, along with other members of the Promoter Group, are the controlling Shareholders of both the Group and the Affiliated Companies. If there is a conflict of interest with respect to dealings between the Group and the Affiliated Companies, there can be no assurance that any such dispute will be resolved in the Group's favour.

The Group's earnings from subsidiaries based outside of India may be subject to double taxation

A part of the Group's earnings may comprise dividends received from the Company's subsidiaries based outside of India. The Group may be subject to double taxation on any dividends paid by such subsidiaries based outside of India. Further, dividend payments will also be subject to foreign currency fluctuations. In such an event, the Group's earnings may be adversely affected. For details of which subsidiaries within the Group are based outside of India see "The Company's Subsidiaries and the Affiliated Companies".

Certain events which have occurred to the Group in the last three years impair the ability to effectively compare the Group's consolidated financial statements.

On May 9, 2006, the Company, through its subsidiary AERH purchased all of the share capital of Eve Holding N.V., formerly the holding company of Hansen, for a consideration of Rs.25,026.37 million. The Group's consolidated financial statements for the Fiscal Year 2007 include Hansen's results from May 9, 2006. Hansen listed its equity shares on London Stock Exchange on December 11, 2007. The shareholding of the Company in

Hansen stood at 61.28 per cent. as at March 31, 2009, as against 71.28 per cent. as at March 31, 2008 and 100 per cent. as at March 31, 2007. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Years 2007, 2008, and 2009 are not directly comparable with the corresponding prior Fiscal Years/periods.

From April 1, 2007, the Company commenced erection, installation and commissioning activities for its WTG business in India and internationally through subsidiary companies. In India, these activities previously had been conducted by SIL, an Affiliated Company in which the Group does not hold any equity interest and which is not equity accounted by the Company. The Group's consolidated financial statements for the Fiscal Year 2008 therefore include the results of WTG erection, installation and commissioning activities for the relevant subsidiaries for the first time and not directly comparable with the corresponding prior fiscal years/periods.

REpower is generally restrained from sharing any information with external parties without also making them available to all shareholders of REpower. The consolidated results of the Company for the Fiscal Year 2009 include the results of REpower as a subsidiary from June 6, 2008. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2009 may not be directly comparable with the financial statements for the Fiscal Year 2008. The consolidated results of the Company for the Fiscal Year 2008 include the results of REpower, as an associate company, for the period June 1, 2007 to December 31, 2007 using the equity method of accounting, and without any reconciliation of differences in accounting policies. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2008 are not directly comparable with its consolidated financial statements for the Fiscal Year 2007. See "— Risks Relating to REpower"

RISKS RELATING TO THE WIND POWER INDUSTRY

The demand for wind power projects is primarily dependent on the demand for electricity.

The demand for electricity in India and in international markets such as the United States, China, Australia and Europe is closely linked to economic growth in these countries. As the economy grows, economic activities, such as industrial production and personal consumption, also tend to expand, which increases the demand for electricity. Conversely, in economic downturns, activities such as industrial production and consumer demand decline or stagnate, causing demand for electricity to decrease. If the Indian economy or the economies of major international markets, such as the United States, China, Australia and Europe, do not grow, or if any of them enter a period of recession, or if there is an economic downturn (such as the current one caused by the ongoing global financial crisis), demand for electricity generally and demand for renewable energy sources such as wind power are likely to stagnate or decrease. For the Fiscal Year 2009, the Group derived 32 per cent., 28 per cent. and 17 per cent. of its total revenue from Europe, US and India, respectively. A significant and sustained economic downturn would have a material adverse effect on the Group's business, financial condition and results of operations.

The viability of wind power projects is dependent on the price at which electricity can be sold.

The viability of wind power projects is dependent on the price at which electricity can be sold as well as the cost of wind-generated electricity compared to electricity generated from other sources of energy. Governments in certain jurisdictions have introduced pricing incentives to encourage generation of electricity from renewable sources. See "— The decrease in or elimination of government initiatives and incentives relating to renewable energy sources, and in particular to wind energy, may have a material adverse effect on the demand for wind power". In addition, wind power projects require higher initial capital investment per kWh of energy produced as compared to that required for a fossil fuel-based power plant. The cost of electricity produced by wind power projects is dependent on the cost of establishment of the wind power projects themselves, including access to the electricity grid, financing costs, maintenance costs and wind conditions at the designated site. The cost of oil, coal and other fossil fuels are key factors in determining the effectiveness of wind power from an economic perspective, as cheaper and large supplies of fossil fuels favour non-wind power generation, while more expensive and limited supplies of fossil fuels favour wind power generation. Continued investment in product techniques and technical advances in WTG design has led to an overall reduction in the cost per kWh of power from wind energy over a period of time. However, an increase in cost competitiveness or significant developments in technology for other sources of power generation, the discovery of new and significant oil, gas and coal deposits or a decline in the global prices of oil, gas and coal and other petroleum products, could result in lower demand for wind power projects, which would have a material adverse effect on the Group's business, financial condition and results of operations.

The viability and level of wind power generation is dependent on wind patterns, which are not constant and vary over time.

The viability of wind power projects is primarily dependent on the wind patterns at project sites conforming to the patterns that had previously been recorded to determine the suitability of these sites for wind power projects.

Although the Group conducts wind resource assessments based on long-term wind patterns at identified sites, there can be no assurance that wind patterns at a particular site will remain constant. Any changes in wind patterns at particular sites that have previously been identified as suitable for wind power projects could affect the Group's ability to sell WTGs to potential customers. Also, changes in wind patterns at wind power projects where the Group's WTGs have been installed could give rise to warranty claims from customers to whom the Group has provided an absolute unit warranty. For example, from 2007 to 2008 and from 2008 to 2009, generation guarantee claims were paid by the Group as a result of lower than expected wind patterns in certain States in India, and additional payments may be required to be made in the future. The Group has ceased to provide absolute unit warranties to most of its customers and provides availability warranties instead. Further, any change in wind patterns at sites the Group has identified as suitable for wind power projects could also damage its reputation and prospects. Any of these could have a material adverse effect on the Group's business, financial condition and results of operations.

Wind power cannot be considered as a viable base load source of electricity.

Wind power is generally not considered a viable base load source of electricity. This means that while demand for wind energy is expected to increase, it appears unlikely that it will be considered a large-scale substitute for nuclear or fossil-fuel generated power and for renewable energy from more reliable sources, such as hydropower. Additionally, there are several evolving options and segments within the alternative energy arena. There is a risk that innovation could lead to other technologies, such as solar or bio-diesels, emerging as more cost competitive, thereby taking market share away from wind technology. Although the demand for wind power is expected to rise steadily, developments or innovations in other such sectors may adversely affect the future growth prospects of the wind power industry in general and the Group's growth prospects in particular.

The decrease in or elimination of government initiatives and incentives relating to renewable energy sources, and in particular to wind energy, may have a material adverse effect on the demand for wind power.

In recent years, governments in many countries, including India, have enacted legislation or have established policies that support the expansion of renewable energy sources, such as wind power, and such support has been a significant contributing factor in the growth of the wind power industry. Support for investments in wind power is generally provided through fiscal incentive schemes or public grants to the owners of wind power systems, for example through preferential tariffs on power generated by WTGs or tax incentives promoting investments in wind power.

In addition, the governments of some countries also prescribe specified levels of electricity that utilities are required to obtain from renewable energy sources. Further, international attention being paid to reducing carbon dioxide emissions and the possibility of trading carbon dioxide emission quotas taking place has led to extra taxes being applied to those sources of energy, primarily fossil fuels, which cause carbon dioxide pollution. The imposition of these taxes has indirectly supported the expansion of power generated from renewable energy and, in turn, the wind power industry in general. Many of the Group's customers have purchased WTGs and participated in wind farm projects due to these policies.

In the past, the decrease in, or elimination of, direct or indirect government support schemes for renewable energy including wind power in a country has had a negative impact on the market for wind power in that country.

There can be no assurance that any such government support will continue at the same level or at all. For example, in the United States, the withdrawal of production tax credits ("PTC") for wind energy led to a two per cent. market decline in the global market in 2004, following the 19 per cent. growth in 2003 prior to its withdrawal and the 45 per cent. growth in 2005 after PTC was re-introduced. This PTC will expire in 2012.

If direct and indirect government support for wind power was terminated or reduced in a key jurisdiction for the Group, this would make producing electricity from wind power less competitive. In addition, if policies change in a manner that makes it less attractive for investors to establish captive energy generating facilities in general, and wind power projects in particular, or if governments decide not to extend the effective date for these policies, demand for the Group's WTGs could decrease and this would have a material adverse effect on the Group's business, financial condition and results of operations.

The construction and operation of wind power projects is subject to regulation, including environmental controls, and changes in these regulations could have a material adverse effect on the Group's business, financial condition and results of operations.

Many countries, including India, have introduced legislation governing the manufacture, erection, operation and decommissioning of WTGs, including compliance with procedures relating to the acquisition of land to be used for wind power plants, compliance with relevant planning regulations and approvals for the commencement of a wind power project, including clearances from environmental regulators. Further, the preparatory activities on the land used for wind farms and the refining and consumption of raw materials used in the manufacture of WTGs, the impact of noise pollution from manufacturing facilities and noise from the transport to and from production sites are subject to regulation. In the event that legislation and regulation relating to the foregoing activities are made more stringent in a particular country, such as increasing the requirements for obtaining approvals or meeting government standards, this could result in changes to the infrastructure necessary for wind power projects and the technical requirements for WTGs and/or the methods used to manufacture them, increasing the costs related to changing production methods in order to meet government standards and increasing penalties for non-compliance. These developments could have a material adverse effect on the Group's business, financial condition and results of operations.

The construction and operation of wind power projects has faced opposition from local communities and other parties in the past and there can be no assurance that the Group will not encounter similar opposition in the future, which could delay future construction or operations and impact the financial results of the Group.

The construction and operation of wind power plants in a number of countries has faced opposition from the local communities where these plants are located and from special interest groups. The Group has faced protests at certain of its wind farms in India and a number of its WTGs have been damaged in the course of these protests, requiring expensive and time-consuming repairs. For instance, in the past the Company has faced certain issues with residents of Dhule and Sangli districts in Maharashtra, India resulting in disruption of the smooth operations of the WTGs in these regions. For the Fiscal Year 2008, the Company incurred Rs.654.60 million towards restoration costs of these WTGs. WTGs also cause noise and are considered by some to be aesthetically unappealing. Certain environmental organisations have expressed opposition to WTGs based on the allegations that wind farms affect weather patterns, kill birds and have other adverse effects on the environment. Legislation is in place in many countries which regulates the acceptable distance between wind power plants and urban areas to guard especially against the effects of noise. A significant increase in the extent of such legislation or other restrictions could cause significant constraints on the growth of the wind power industry as a whole. This would have an adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to keep pace with rapidly evolving technology in the design and production of WTGs and WTG components.

The global market for WTGs and WTG components involves rapidly evolving technology. WTGs are progressively becoming larger and their operational performance has improved, resulting in the Group's customers demanding more cost efficient WTGs. To maintain a successful business in the WTG sector, the Group will have to quickly and consistently design and develop new and improved WTGs and WTG components that keep pace with technological developments and changing customer standards and meet the constantly growing demands of its customers in terms of WTG performance. The Group's ability to design, develop, manufacture and market financially viable and cost-efficient WTGs on an ongoing basis is particularly important. The Group's inability to adequately respond to the technological changes in the WTG industry in a timely manner could have a material adverse effect on its business, financial condition and results of operations.

The market for WTGs is highly competitive, which could limit the Group's ability to grow.

The market for WTGs is intensely competitive. There have been recent announcements by medium and large corporate groups announcing their entry into the WTG market. Important factors affecting competition in the WTG industry include performance of WTGs, reliability, product quality, technology, price, and the scope and quality of services, including O&M services and training offered to customers. Although the Group has expended considerable resources on design, development and manufacture of WTGs, some of their competitors have longer industry experience and greater financial, technical, personnel, marketing and other resources. Some competitors may also be able to react faster to technological developments, trends and changes in customer demand. The Group's competitors may be willing and able to spend more resources to develop products and sales, and may be able to provide comparable products and services faster or at a lower price than it can. If the Group's competitors consolidate through joint ventures or cooperative agreements with each other, or otherwise, the Group may have difficulty competing with them.

Growing competition may result in a decline in the Group's market share or may force it to reduce the prices of its products and services, which may reduce revenues and margins, any of which could have a material adverse effect on the business, financial condition and results of operations of the Group. The Group cannot give any assurance that it will be able to compete successfully against such competitors, or that it will not lose potential customers to such competitors.

The terms of financing that the Group's customers can obtain for wind power projects has a significant influence on the Group's business, financial condition and results of operations.

Most customers require bank financing for purchasing a WTG, and therefore the financing terms available in the market have a significant influence on the wind power industry's opportunities to sell its products. Higher interest rate levels cause the costs of investing in wind power to increase, making wind power a less attractive investment proposition. The creditworthiness of a wind power project sponsor and the terms of any such financing also determine whether financing for a project can be obtained. Further, wind power plants are financed over terms that may be shorter than for fossil fuel-based power plants. As a result, WTG customers assume a higher degree of risk regarding upward interest rate movements in the event a WTG project requires refinancing. Factors having an adverse impact on the financing terms for wind power plants therefore influence the Group's opportunities for selling its products and could adversely affect its business, financial condition and results of operations.

The ability to obtain financing for a wind power project also depends on the willingness of banks and other financing institutions to provide loans to the wind power industry, including their willingness to participate in financing of large wind power projects. If banks and other financing institutions decide to reduce their exposure to the wind power industry or to one or more suppliers of WTG components, this could have a material adverse effect on the Group's business, financial condition and results of operations. The availability of debt funds for new wind power projects has reduced significantly. See "— Risks Relating to the Group's Business — Difficult conditions in the financial markets have had, and may continue to have, a material adverse effect on the business, results of operations, financial condition or prospects of the Group".

RISKS RELATING TO REPOWER

The Group's acquisition of REpower may negatively impact the Group's financial condition and results of operations.

REpower made a net profit of €21.12 million in the year ended December 31, 2007, €1.38 million for the period ended March 31, 2008 and €51.94 million for the year ended March 31, 2009. In addition, the acquisition has resulted in the Group having to recognise a significant amount of goodwill pursuant to REpower becoming a subsidiary of the Company. Pursuant to Indian GAAP, the Group is required to assess in its annual financial statements whether such goodwill is impaired. Any future significant impairment charge may have a material adverse effect on the Group's results of operations.

The Group has increased its outstanding long-term debt in order to finance the offer for the REpower. The Group has paid approximately €1,115 million for the aggregate number of REpower shares purchased or subscribed to until March 31, 2009. See "Business — REpower Systems AG".

The REpower acquisition is subject to all the attendant risks associated with acquisitions. See "Risk Factors — The Group may, in the future, enter into strategic alliances, investments, partnerships and acquisitions. These may harm its business, dilute shareholdings and cause it to incur debt".

The management of REpower is not bound to follow the directions of the Company

To exercise control ("control", for this purpose, being understood as the legal ability to influence or direct a company's management) over a German stock corporation, such as REpower, German stock corporation law requires a so-called "domination agreement". Accordingly, in order to exercise control over REpower, the Group, through SEDT, had proposed entering into a "Domination Profit and Loss Transfer Agreement" with REpower (the "Domination Agreement"). In October 2008, the Company announced that, in the context of the current market environment, both parties had agreed to suspend the process of negotiating the Domination Agreement for the time being. Without a Domination Agreement in place, any transactions between the Group and REpower have to be made at arm's-length and may not create a status which would be irreversible in the event Suzlon were to dispose of its interest in REpower. In particular, without entering into a Domination Agreement, the Group cannot influence the management of REpower or participate in profits other than distributed dividends and the Group has no unilateral access to REpower's technology. The conclusion of the Domination Agreement requires a formal process pursuant to German stock corporation law, during which, *inter alia*, the Group is obliged to make an offer to buy out the minority shareholders of REpower at a fixed price and/or to pay an annual guaranteed dividend to the remaining minority shareholders. However, both the fixed price and the minimum dividend payable to the minority shareholders would be determined by a German court-appointed accountant. As no such agreement has been entered into, the businesses of the Company and REpower presently are and will remain operated on an arm's-length basis unless and until a Domination Agreement is concluded. See "Business — Acquisition of REpower". REpower is currently in the process of negotiating a stand-alone growth finance facility which is based on the assumption that no Domination Agreement will be concluded between REpower and the Group. Under such growth finance facility, apart from certain intra-group supply relationships, all component supplies by the Group to REpower will require certain lenders' consent. In addition, under the terms of the growth finance facility, REpower cannot pay dividends to its shareholders without the prior consent of the lenders thereunder. This may adversely impact the financial performance of the Group.

The Group may not be able to successfully integrate the business of REpower into its operations.

There can be no assurance that the Company's strategy of ultimately integrating the business operations of REpower will be successful, which may impact the financial performance of the Group. There remains a risk that the integration plans of the Company may (i) take longer than expected; (ii) cost more than expected; or (iii) be impossible to implement at all. In addition, the Group's management may not be able to successfully integrate the business of REpower into its operations so as to result in long-term benefits to the Group. The Group will have to manage new offices in widely disparate locations which will require significant management attention and financial sources. There is no assurance that the Group's existing or future management, operational and financial systems, procedures and controls will be adequate to support the Group's integration plans, or that the Group will be able to recruit, retain and motivate new personnel arising from such integration or establish or develop business relationships beneficial to its future operations. Any delays in the integration plans of the Group or a failure by the Group to integrate the business of REpower into its operations may have a material adverse effect on the Group's business, financial conditions or results of operations. See "Business — REpower Systems AG".

RISKS RELATING TO INDIA

The Group's growth is dependant on the Indian economy

The Group's performance and the growth of its business are dependant on the performance of the Indian economy. India's economy has been adversely affected by the current global economic uncertainties and liquidity crisis, volatility in interest rates, currency exchange rates, commodity and electricity prices, adverse conditions affecting agriculture, and various other factors. Risk management techniques by banks and lenders in such circumstances could affect the availability of funds in the future or the withdrawal of existing credit facilities of the Group. The current slowdown in the Indian economy could adversely affect the Group's business, including its ability to implement its strategy and consider future expansion plans. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon the Group's business. Conditions outside India, such as a slowdown or recession in the economic growth of other major countries, especially the United States, have an impact on the growth of the Indian economy, and Indian Government policy may change in response to such conditions. While recent Indian governments have been keen on encouraging private participation in the industrial sector, any adverse change in policy could result in a further slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Any downturn in the macroeconomic environment in India could materially and adversely affect the price of the Shares and the Bonds and the Group's business, financial condition and results of operations.

Political instability or changes in the Indian Government could delay the further liberalisation of the Indian economy and adversely affect economic conditions in India generally and the Group's business in particular.

For the Fiscal Years 2007, 2008 and 2009, 52 per cent. and 41 per cent. and 17 per cent., respectively, of the Group's total sales were derived from the Indian market. The Group's business may be affected by changes in Indian Government policy, taxation, social and civil unrest and other political, economic and other developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian Government and State Governments in the Indian economy as producers, consumers and regulators have remained significant. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally, and the Group's business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

If regional hostilities, terrorist attacks or social unrest in India increase, the Group's business could be adversely affected and the trading price of the Bonds and the Shares could decrease.

The Asian region has from time to time experienced instances of civil unrest, terrorist attacks and hostilities among neighbouring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, since early 2003, there have been a number of terrorist attacks in India, including recent terrorist attacks in Mumbai in November 2008. Military activity or terrorist attacks in India in the future could influence the Indian economy by creating a greater perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy, the Group's business, financial condition and results of operations, its future financial performance and the trading price of the Shares and the Bonds.

Furthermore, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on the Group's business, future financial performance and the trading price of the Shares and the Bonds.

Natural disasters could have a negative impact on the Indian economy and cause the Group's business to suffer.

India has experienced significant natural disasters such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy and infrastructure. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting the Group's business and the price of the Shares and the Bonds.

Financial instability in countries other than India could disrupt Indian markets and the Group's business, and cause the trading price of the Bonds and the Shares to decrease.

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Further, the current global financial crisis has had a significant impact on the Indian economy as well as the stability of the Indian financial markets. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could have a negative impact on the movement of exchange rates and interest rates in India. In short, any significant financial disruption could have an adverse effect on the Group's business, financial condition, results of operations, future financial performance and the trading price of the Shares and the Bonds.

The Indian securities markets are more volatile than certain other securities markets.

The Indian securities markets are more volatile than the securities markets in certain countries which are members of the Organisation for Economic Co-operation and Development. Indian stock exchanges have, in the recent past, experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Bonds and the Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Bonds and the Shares will trade in the future. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases have had a negative effect on market sentiment.

There may be less company information available in the Indian securities markets than securities markets in more developed countries.

The Shares are not listed on any stock exchange outside India. There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than that of markets in other more developed economies. SEBI is responsible for monitoring disclosure and other regulatory standards for the Indian securities market. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed countries, which could adversely affect the market for the Shares. As a result, investors may have access to less information about the Group's business, financial condition and results of operation, on an ongoing basis, than investors may in the case of companies subject to reporting requirements of other countries.

If inflation were to rise in India, the Group might not be able to increase the prices of its products in order to pass costs on to its customers and the Group's profits might decline.

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. Increasing inflation in India could cause a rise in the price of transportation, wages, raw materials and other expenses, and the Group may be unable to reduce its costs or pass increased costs on to its consumers by increasing the price the Group charges for its products, and its results of operations and financial condition may therefore be adversely affected.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on the Group's business and the trading price of the Bonds and the Shares.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect the Group's ability to raise additional financing and the interest rates and other commercial terms on which such additional financing is available. This could have an adverse effect on the Group's business, financial condition, results of operations and future financial performance and the Group's ability to obtain financing to fund its growth, as well as the trading price of the Bonds and the Shares.

The Group's profitability would decrease if the Indian Government reduced or withdrew tax benefits and other incentives that it currently provides.

The statutory corporate income tax rate in India is currently 30.0 per cent. This tax rate is presently subject to a 10.0 per cent. surcharge and an education cess of 3.0 per cent., resulting in an effective tax rate of 33.99 per cent. The Group cannot provide assurance that the tax rate or the surcharge will not be increased further in the future. Presently, the Group benefits from the tax holidays given by the Indian Government for the establishment of manufacturing facilities in under-developed areas (as notified by the Indian Government). As a result of these incentives, which include a five-year full income tax holiday and five-year partial income tax holiday from Indian corporate income taxes for the operation of certain of the Group's Indian facilities, the Group's operations have been subject to relatively low tax liabilities. The Group's income tax exemptions expire at various points of time. For example, effective Fiscal Year 2009, the tax exemption enjoyed by the Group's facilities in Pondicherry will be reduced from 100 per cent. to 30 per cent. under the Indian Income Tax Act.

The Group is also entitled to certain sales tax, excise and customs duty exemptions and concessions for the manufacture and sale of renewable energy products and the export of its products. There can be no assurance that similar tax benefits will remain in the future. When these tax benefits expire or terminate, the Group's tax expense could materially increase, thereby reducing its profitability.

Significant differences exist between Indian GAAP and IFRS, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Offering Circular.

The Company's financial statements included in this Offering Circular are prepared and presented in conformity with Indian GAAP and no attempt has been made to reconcile any of the information relating to the Group given in this Offering Circular to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as IFRS. Significant differences exist between Indian GAAP and IFRS, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Offering Circular. In making an investment decision, potential investors must rely upon their own examination of the Group. See "Summary of Significant Differences between Indian GAAP and IFRS" and the investment consideration "— Certain events which have occurred to the Group in the last two years impair the ability to effectively compare the Group's consolidated financial statements".

Companies operating in India are subject to a variety of central and State Government taxes and surcharges.

Tax and other levies imposed by the Indian Government and State Governments that affect the Company's tax liability include: (a) income tax; (b) fringe benefit tax (proposed to be removed by the Finance Bill, 2009); (c) excise duty; (d) value added tax; (e) turnover tax; (f) service tax; and (g) other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time.

The Indian Government and State Government tax scheme in India is extensive and subject to change from time to time. The statutory corporate income tax in India, which includes a surcharge on the tax and an education cess on the tax and the surcharge, is currently 33.9 per cent. The provisions of the Indian Income Tax Act are amended on an annual basis by the Finance Act. The Finance Act introduced a new fringe benefits tax payable by companies on the taxable value of benefits received by its employees in respect of expenses incurred by the company on contribution to superannuation, expense on free or concessional tickets provided, entertainment, hospitality, conferences, certain sales promotion expenses, employee welfare, conveyance, use of hotels and other boarding and lodging facilities, maintenance of motor cars, maintenance of aircraft, provision of telephone lines, provision of guesthouses, festival celebrations, health club and similar facilities, other club facilities, gifts and scholarships. Accordingly there will be additional tax liability on the Company on account of fringe benefits tax for all such benefits provided to employees or expenses incurred by the Company.

The Indian Government or State Governments may in the future increase corporate income tax or other taxes that they impose. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE OFFERING

The GDRs have never been publicly traded and the listing of the GDRs on the Luxembourg Stock Exchange may not result in an active or liquid market for the GDRs, and the size of the Offering is likely to affect liquidity.

Prior to the Offering, there has been no public market for the GDRs and an active public market for the GDRs may not develop or be sustained after the Offering. Prospective GDR Holders should view the GDRs as potentially illiquid and must be prepared to hold their GDRs for an indefinite length of time. Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the liquidity, market price, and demand for the GDRs.

The fewer the number of GDRs subscribed in the Offering, the greater the negative impact on liquidity in the trading market of the GDRs is likely to be. There can be no assurance that the listing of the GDRs will be approved by LuxSE. Investors should be aware of the risk of not having the GDRs listed on any stock exchange.

There is no guarantee that the Shares underlying the GDRs will be listed on the Indian Stock Exchanges.

Permission for listing of the Shares underlying the GDRs will not, in accordance with Indian law and practice, be granted until after those Shares and the GDRs representing them have been issued and allotted. Although an application for obtaining "in principle" approval for listing the Shares underlying the GDRs has been made to the BSE and the NSE, the actual approval will not be given until all other relevant documents authorising the issuing of Shares are submitted. There is no guarantee that such Shares will be admitted to listing on the Indian Stock Exchanges. There could also be a delay in the listing of the Shares on the Indian Stock Exchanges. The Shares evidenced by the GDRs may be withdrawn by the Holders only after the listing of the underlying Shares on the Indian Stock Exchanges and dematerialization of such Shares has been completed. Any failure or delay in obtaining the approval would restrict the ability of the Holders to trade on the underlying Shares acquired upon conversion.

Any trading closures at the Indian Stock Exchanges may adversely affect the trading price of the Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the US. The Indian Stock Exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Company's Shares, in both domestic and international markets. A closure of or trading stoppage on either of the Indian Stock Exchanges could adversely affect the trading price of the Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Shares will trade in the future.

Fluctuations in the exchange rate between the Rupee and the US dollar could have a material adverse effect on the value of the GDRs and the Shares to be represented by such GDRs, independent of the Issuer's operating results.

The price of the GDRs will be quoted in US dollars. The Shares are quoted in Rupees on the Indian Stock Exchanges. Any dividends in respect of the Shares will be paid in Rupees and subsequently converted into US dollars for distribution to GDR Holders.

Currency exchange rate fluctuations may affect the value of the GDRs. In addition, these fluctuations will affect the US dollar equivalent of the Rupee price of the Shares on the Indian Stock Exchanges and, as a result, the prices of the GDRs, as well as the US dollar value of the proceeds which a Holder would receive upon sale of any Shares withdrawn from the Depositary under the Deposit Agreement in India. Holders may not be able to convert Rupee proceeds into US dollars or any other currency, and there is no guarantee of the rate at which any such conversion will occur, if at all.

The exchange rate between the Rupee and the US dollar has fluctuated substantially in recent years and could fluctuate substantially in the future resulting in a material adverse effect on the value of the GDRs and the Shares represented by the GDRs.

The Company is not required to gross up dividend payments to the Depositary.

All dividends declared and payable by the Company (if any) are subject to a dividend distribution tax of 15 per cent. levied on the Company under the Income Tax Act. A surcharge of 10 per cent. on the dividend distribution tax, and an education surcharge of three per cent. on the dividend distribution tax and surcharge, are also levied, such that the effective dividend distribution tax rate payable by the Company is currently 16.995 per cent. Other special surcharges may be imposed by Indian tax authorities from time to time. On all dividends declared and distributed to the Depositary under the Deposit Agreement, the Company will pay such dividend taxes, surcharges and additional surcharges, as may be applicable, out of its distributable profits prior to payment to the Depositary. To the extent that such taxes increase due to increased surcharges, cash available for distribution will be reduced. As the dividend distribution tax is an additional tax on the Company and not a withholding tax on dividends, Holders may not get any tax credit for such underlying tax in their own jurisdictions. Any future changes in tax rates in India on income or the imposition of any additional taxes or surcharges may further adversely impact the amounts distributed to Holders. See "Taxation".

Indian law imposes restrictions that limit a holder's ability to convert Shares into GDRs, which may cause the Company's GDRs to trade at a premium or discount to the market price of its Shares.

Under existing regulations in India, the Depositary will be allowed to accept deposits of outstanding Shares and issue GDRs representing such Shares only to the extent, and limited to the number, of GDRs evidencing such underlying Shares. If a Holder elects to surrender GDRs and receive Shares representing existing Shares, that Holder will be unable to deposit such Shares with the Depositary and receive GDRs because Indian regulations require that GDRs representing existing Shares can be issued only (i) against a deposit of Shares purchased from the Indian Stock Exchanges, subject to a ceiling of the maximum number of GDRs issued in this Offering; or (ii) if the Company facilitates a secondary sale of Shares on a *pro rata* basis for all its existing Shareholders.

The ability of GDR Holders to sell to a resident of India any Shares withdrawn from the Depositary may be subject to delays if specific RBI approval is required.

Under current Indian regulations and practice, the RBI must approve the sale of equity shares underlying GDRs from a non-resident of India to a resident of India if the sale does not meet the requirements of the RBI Circular dated October 4, 2004. RBI must approve the conversion of the Rupee proceeds from such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stockbroker at the market price. As foreign exchange controls are in effect in India, the RBI will approve the price at which equity shares are transferred based on a specified formula, and a higher price per Share may not be permitted. The approval required from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor, or at all. There is no guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Shares may be prevented from realising gains during periods of price increases or limiting losses during periods of price declines.

Holders of the GDRs will have no voting rights in respect of the GDRs or the Shares represented thereby.

Under the terms and conditions of the GDRs, Holders of GDRs will have no voting rights with respect to the underlying Shares. The Depositary will not exercise any voting rights unless it is required to do so by law. If so required, the Depositary will, at the direction of the Board of Directors (subject to the advice and receipt of an opinion of legal counsel taken by the Depositary and the Company at the expense of the Company), either vote as directed by the Board of Directors or give a proxy or power of attorney to vote the deposited Shares in favour of a director of the Company or other person or vote in the same manner as those Shareholders designated by the Board of Directors. In the absence of receipt from the Company of an opinion from legal counsel as aforesaid, the Depositary shall not have any obligation to exercise any voting rights and shall have no liability to the Company or any Holder for any action taken or not taken as the case may be pursuant to the Deposit Agreement. A valid corporate decision of the Company will bind the Depositary (as registered owner of the Shares) and the Holders and owners of GDRs. Shares which have been withdrawn from the depositary facility and transferred on the Company's register of members to a person other than the Depositary or its nominee may be voted by the Holders thereof. However, Holders and owners of GDRs may not receive sufficient advance notice of Shareholders' meetings to enable them to withdraw the Shares and vote at such meetings.

Holders of GDRs may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.

Under the Companies Act, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by adopting a special resolution passed by 75 per cent. of the shareholders present and voting at a general meeting. Holders of GDRs do not have a right to attend, or to vote at, such a meeting. In addition, Holders of GDRs may be unable to exercise pre-emptive rights for underlying Shares of the GDRs. In the case of future issuances, the new securities may be issued to the Depositary, which may sell the securities for the benefit of the holders of the GDRs. The value the Depositary would receive from the sale of such securities cannot be predicted. To the extent that holders of GDRs are unable to exercise pre-emptive rights granted in respect of the Shares represented by their GDRs, their proportional interest in the Company would be diluted.

After this Offering, the GDRs may experience price and volume fluctuations.

The trading price of the GDRs may fluctuate as a result of several factors, including volatility in the trading price of the Shares, volatility in the Indian and global securities market, the Group's operations and performance, performance of the Group's competitors, the wind energy industry, and the perception in the market about investments in the wind energy sector, changes in the estimates of the Group's performance or recommendations by financial analysts, significant developments in India's economic liberalisation and deregulation policies, and significant developments in India's fiscal regulations. There can be no assurance that the prices at which the GDRs are initially traded will correspond to the prices at which the GDRs will subsequently trade in the market.

Any further issue of Shares by the Company may dilute an investor's GDR holding and affect the trading price of the GDRs, and any significant sale of Shares by the Company's major shareholders may affect the trading price of the GDRs.

Any future equity offerings by the Company may lead to the dilution of an investor's GDR holding in the Company or affect the market price of the GDRs and could affect the Company's ability to raise capital through an offering of its securities. Additionally, sales of a large number of the Shares by the Company's principal shareholders could adversely affect the market price of the GDRs. In addition, any perception by investors that such issuances or sales might occur could also affect the market price of the GDRs.

As a result of the Government of India's regulations relating to foreign ownership, the price of the GDRs could decline.

As a result of the Government of India's regulations relating to foreign ownership, the price of the GDRs could decline. Foreign ownership of Indian securities is regulated. Indian law imposes certain restrictions that limit a holder's ability to transfer the Shares obtained upon surrender of GDRs and repatriate the proceeds of such transfer, which may cause our GDRs to trade at a premium or a discount to the market price of our Shares. Under current regulations, any person resident outside India who holds the GDRs and who wants to convert them into underlying Shares and then transfer the Shares to another person resident outside of India may be required to obtain the approval of the Government of India. This could result in a delay or inability to transfer such Shares. Under certain circumstances, the RBI must approve the sale of Shares underlying GDRs by a non-resident of India to a resident of India. Required approval from the RBI or any other government agency may not be obtained on terms favorable to a non-resident investor or at all. See “Restrictions on Foreign Ownership of Indian Securities.” As a result, the GDRs could trade at a discount to the market price of the underlying Shares.

Additionally, the FII investment limits in the Company are 24 per cent., whilst the Board has proposed to the shareholders of the Company that such limits be increased to 49 per cent. at the next shareholders meeting scheduled on August 13, 2009, holders of GDRs desiring to convert them to underlying shares through a SEBI registered FII entity may not be able to do so.

MARKET PRICE INFORMATION

The Company's Shares were listed on both the BSE and the NSE on October 19, 2005.

The table below sets forth, for the periods indicated, the high and low market prices for the Shares on the NSE and the BSE and the total trading volume of Shares trading on the NSE and the BSE.

	NSE			BSE		
	High (Rs.)	Low (Rs.)	Total Trading Volume	High (Rs.)	Low (Rs.)	Total Trading Volume
Year Ending December 31,						
2006	1,493.55	803.75	172,258,326	1,496.15	803.95	69,983,981
2007	2,095.15	952.35	179,760,198	2,094.25	952.10	53,050,980
2008						
First Quarter						
Pre stock split (up to and including January 20, 2008)(1)	2,273.05	1,896.90	8,609,421	2,273.55	1,899.90	2,741,788
Post stock split(1)	371.05	228.20	250,131,801	370.35	228.35	84,172,946
Second Quarter	318.45	215.95	392,983,629	318.35	215.90	148,882,465
Third Quarter	250.00	152.10	434,372,724	249.90	152.25	156,668,589
Fourth Quarter	150.80	36.90	1,950,326,512	150.85	36.90	847,118,262
2009						
First Quarter	67.75	33.30	1,411,455,258	67.75	33.30	564,590,402
Second Quarter	136.90	46.55	3,299,589,794	136.80	46.60	1,135,273,300

Note:

(1) The face value of the Shares of Rs.10 each were sub-divided into a face value of Rs.2 each as of January 28, 2008.

Source: www nseindia.com & www bseindia.com

On July 20, 2009, the closing price of the Shares on the BSE was Rs.94.20 and on the NSE was Rs.94.20 per Share.

For as long as the Shares are listed on the BSE and NSE, the trading and closing price of the Shares will be available on www.nseindia.com and www.bseindia.com.

As at June 30, 2009, there were 531,118 holders of the Shares according to the records of the Depositories.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from the Company's consolidated financial statements for the fiscal years ended, March 31, 2007, 2008 and 2009. The Company's consolidated financial statements have been prepared in accordance with Indian GAAP. The summary financial information presented below should be read in conjunction with the Company's consolidated financial statements, the notes included herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Indian GAAP differs in certain significant respects from IFRS. For a narrative summary of these differences, please see "Summary of Significant Differences between Indian GAAP and IFRS".

The summary financial information in Rupees million for the Fiscal Years ended March 31, 2007, 2008 and 2009 have been extracted from the Company's consolidated financial statements. The financial information in US$ is a convenience translation of the financial information in Rupees million as at and for the year ended March 31, 2009 based on an exchange rate of US$1:Rs.50.71 (Source: Reuters).

Consolidated Balance Sheet

	As at			
	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2009
	Rs. (In millions)	Rs. (In millions)	Rs. (In millions)	US$ (In millions)
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	2,877.65	2,993.90	2,996.59	59.09
Share Application Money Pending Allotment	0.02	—	—	—
Employee Stock Options	117.11	102.19	104.39	2.06
Reserves and Surplus	31,225.94	77,916.95	82,216.58	1,621.31
	34,220.70	81,013.04	85,317.56	1,682.46
Preference Shares Issued by Subsidiary Company	25.00	25.00	25.00	0.49
Share application money pending refund	—	—	950.00	18.73
Management Option Certificates issued by Subsidiary Company	890.03	—	—	—
Minority Interest	141.12	10,243.82	23,134.50	456.21
Loan Funds				
Secured Loans	19,844.25	70,664.32	102,766.21	2,026.55
Unsecured Loans	31,776.03	28,681.60	45,929.50	905.73
	51,620.28	99,345.92	148,695.71	2,932.28
Deferred Tax Liabilities	1,624.89	2,058.94	4,417.43	87.11
	88,522.17	192,686.72	262,540.20	5,177.29
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	43,210.76	55,998.38	151,024.08	2,978.19
Less — Accumulated Depreciation	7,015.82	10,318.44	18,210.00	359.10
Net Block	36,194.94	45,679.94	132,814.08	2,619.09
Capital work in progress	4,536.81	11,196.74	19,840.18	391.25
	40,731.75	56,876.68	152,654.26	3,010.34
Investments	155.66	31,417.78	50.83	1.00
Deferred Tax Assets	1,448.10	1,840.88	2,549.27	50.27
Foreign currency monetary translation difference amount	—	—	3,980.13	78.49
Current Assets, Loans and Advances				
Inventories	31,362.98	40,848.33	71,736.50	1,414.64
Sundry Debtors	22,352.41	32,012.51	53,927.88	1,063.46
Cash and Bank Balances	15,382.95	69,602.01	30,698.44	605.37
Other Current Assets	3,351.61	14,893.48	33,457.12	659.77
Loans and Advances	12,075.50	18,249.94	29,008.92	572.06
	84,525.46	175,606.27	218,828.86	4,315.30
***Less*: Current Liabilities and Provisions**				
Current Liabilities	33,340.00	64,830.12	105,947.29	2,089.28
Provisions	4,998.80	8,224.77	9,575.86	188.84
	38,338.80	73,054.89	115,523.15	2,278.11
Net Current Assets	46,186.65	102,551.38	103,305.71	2,037.19
Miscellaneous Expenditure (To the extent not written off or adjusted)	—	—	—	—
	88,522.17	192,686.72	262,540.20	5,177.29

Consolidated Profit & Loss Accounts

	For the Financial Year Ended,			
	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2009
	Rs. (In millions)	Rs. (In millions)	Rs. (In millions)	US$ (In millions)
INCOME				
Sales and service income	79,857.30	136,794.30	260,817.01	5,143.31
Other income	965.00	2,679.71	4,488.43	88.51
	80,822.30	139,474.01	265,305.44	5,231.82
EXPENDITURE				
Cost of goods sold	47,881.55	88,701.82	168,568.03	3,324.16
Operating and other expenses	12,077.12	16,807.17	42,675.48	841.56
Employees' remuneration and benefits	6,682.43	10,430.05	21,657.51	427.09
Financial charges	2,763.44	5,969.38	10,539.31	207.83
Depreciation	1,717.98	2,893.64	5,731.42	113.02
Preliminary expenditure written off	17.14	15.41	0.90	0.02
	71,139.66	124,817.47	249,172.65	4,913.68
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	9,682.64	14,656.54	16,132.79	318.14
Less: Exceptional items	—	(2,852.14)	(8,962.85)	(176.75)
PROFIT BEFORE TAX	9,682.64	11,804.40	7,169.94	141.39
Current tax	1,747.81	2,466.15	2,111.10	41.63
MAT Credit Entitlement	(512.32)	(956.75)	(40.31)	(0.79)
Earlier years' — current tax	(111.83)	2.31	(0.74)	(0.01)
Deferred tax	(125.70)	(22.77)	671.23	13.24
Fringe benefit tax	36.64	144.00	139.93	2.76
PROFIT AFTER TAX	8,648.04	10,171.46	4,288.73	84.57
Add: Share in associate's profit after tax	—	557.50	23.23	0.46
Add/(Less): Share of loss/(profit) of minority	7.72	(427.98)	(1,947.15)	(38.40)
NET PROFIT	8,640.32	10,300.98	2,364.81	46.63
Balance brought forward	7,948.07	11,630.38	16,901.07	333.29
PROFIT AVAILABLE FOR APPROPRIATIONS	16,588.39	21,931.36	19,265.88	379.92
Interim dividend on equity shares	1,442.20	—	—	—
Residual dividend of previous year	3.21	1,496.99	1.32	0.03
Dividend on preference shares	17.00	2.00	—	—
Tax on dividends	211.40	263.80	8.68	0.17
Transfer to general reserve	3,284.20	3,267.50	—	—
Balance carried to the Balance Sheet	11,630.38	16,901.07	19,255.88	379.73
Earnings per Share (in Rs.)				
Basic (Nominal Value of Shares Rs.2)	5.99*	7.07	1.58	0.03
Diluted (Nominal Value of Shares Rs.2)	5.98*	6.89	1.52	0.03

* adjusted for stock split in January 2008

CAPITALISATION

The following table shows the Company's consolidated capitalisation as at March 31, 2009, adjusted to reflect the (i) the FCCB Restructuring, (ii) the New Bonds and (iii) the receipt of net proceeds of the Offering. The following table should be read in conjunction with the financial statements and schedules thereto included elsewhere in this Offering Circular.

	As at March 31, 2009			
	Actual	As Adjusted after FCCB Restructuring[(2)]	As Adjusted for the New Bonds[(4)]	As Adjusted for the Offering[(6)]
	Rs. (In Million)	Rs. (In Million)	Rs. (In Million)	Rs. (In Million)
Indebtedness				
Total Short-Term Debt	54,854.93	54,854.93	54,854.93	54,854.93
Total Long-Term Debt	93,840.78	88,214.91	92,778.81	92,778.81
Total Indebtedness	**148,695.71**[(1)]	**143,069.84**[(3)]	**147,633.74**[(5)]	**147,633.74**[(5)]
Shareholders' Funds				
Share Capital:				
Authorised Capital				
(i) 2,225,000,000 Equity Shares of Rs. 2/- each	4,450.00	4,450.00	4,450.00	4,450.00
Issued and subscribed Share Capital:				
(i) prior to the Offering: 1,498,295,400 Shares of Rs.2 each	2,996.59	2,996.59	2,996.59	—
(ii) after the Offering: 1,556,695,400 Shares of Rs.2 each	—	—	—	3,113.39
Employee Stock Options	104.39	104.39	104.39	104.39
Reserves and surplus	82,216.58	82,216.58	82,216.58	87,332.16
Total Shareholders Funds	**85,317.56**	**85,317.56**	**85,317.56**	**90,549.94**
Total Capitalisation	**234,013.27**	**228,387.40**	**232,951.30**	**238,183.68**

(1) Total long-term debt includes (i) U.S.$300,000,000 Zero Coupon Convertible Bonds due 2012 issued in June 2007 convertible into Shares of Rs.2 each at a pre-determined price of Rs.359.68 per share at any time until June 5, 2012 at the option of the bondholders (the "June 2012 Bonds"); (ii) U.S.$200,000,000 Zero Coupon Convertible Bonds due 2012 of issued in October 2007 convertible into Shares of Rs.2 each at a pre-determined price of Rs.371.55 per share at any time until October 4, 2012 at the option of the bondholders (the "October 2012 Bonds", and together with the June 2012 Bonds, the "FCCBs").

(2) Adjusted to give effect to the FCCB Restructuring (as defined herein), no other items have been adjusted for any other post March 31, 2009 event. Between April and June of 2009, the Company restructured the FCCBs to undertake liability management and amend certain financial covenants (the "FCCB Restructuring"). As a result of this restructuring, the Company inter alia issued U.S.$56,388,000 aggregate principal amount of convertible bonds in exchange for U.S.$94,004,000 aggregate principal amount of FCCBs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments"

(3) Total long-term debt includes: (i) U.S.$211,302,000 of the June 2012 Bonds; (ii) U.S.$121,368,000 of the October 2012 Bonds; (iii) U.S.$35,592,000 7.50 per cent. convertible bonds due 2012 issued by the Company in May 2009 convertible into Shares of Rs.2 each at an initial conversion price of Rs.76.6755 per share at any time until June 5, 2012 at the option of the bondholders (the "June 2012 New Bonds"); (iv) U.S.$20,796,000 7.50 per cent. convertible bonds due 2012 issued by the Company in May 2009 convertible into Shares of Rs.2 each at a pre-determined price of Rs.76.6755 per share at any time until October 4, 2012 at the option of the bondholders (the "October 2012 New Bonds"). The currency translation of the US dollar convertible bonds to Rupees million is based on the March 31, 2009 exchange rate of US$1:Rs.50.71 (Source: Reuters).

(4) Adjusted to give effect to the FCCB Restructuring and the offering of the New Bonds, no other items have been adjusted for any other post March 31, 2009 event.

(5) Total long term debt includes: (i) U.S.$211,302,000 of the June 2012 Bonds; (ii) U.S.$121,368,000 of the October 2012 Bonds; (iii) U.S.$35,592,000 of the June 2012 New Bonds; (iv) U.S.$20,796,000 of the October 2012 New Bonds; and (v) U.S.$90,000,000 zero coupon convertible bonds due 2014 to be issued by the Company on or about July 24, 2009 convertible into Shares of Rs.2 each at a pre-determined price of Rs.90.38 per share at any time until July 18, 2014 at the option of the bondholders (the "New Bonds"). The currency translation of the US dollar convertible bonds to Rupees million is based on the March 31, 2009 exchange rate of US$1:Rs.50.71 (Source: Reuters).

(6) Adjusted to give effect to the FCCB Restructuring, the offering of the New Bonds and the Offering, no other items have been adjusted for any other post March 31, 2009 event.

USE OF PROCEEDS

The Company expects to raise Rs.5,232 million or US$108.04 million from this Offering (assuming that the entire Offering of 14,600,000 GDRs is subscribed in full). The net proceeds from this Offering after deductions of fees and other estimated expenses are expected to be about Rs.5,169.59 million or US$106.74 million, which the Group intends to use for general corporate purposes, including but not limiting to working capital, capital expenditure, capitalization of its one or more subsidiaries, extending loans to its one or more subsidiaries and the repayment of its foreign currency and Indian Rupee borrowings.

Pending the use of the net proceeds from the Offering, as described above, the Company may place funds in short-term deposits with banks or financial institutions or invest them in money market instruments or other short term instruments or temporarily reduce its working capital borrowings as the Board may deem fit.

In the ordinary course of its business, the Group has outstanding loans due to certain affiliates of the Joint Bookrunners.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Group's audited consolidated financial statements as at and for the years ended March 31, 2007, 2008 and 2009 and in each case, the notes thereto, which are prepared in accordance with Indian GAAP and included elsewhere in this Offering Circular. This discussion contains forward-looking statements that involve risks and uncertainties. Factors that might cause future results to differ significantly from those mentioned in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offering Circular, particularly in "Risk Factors". For purposes of this discussion, references to "Fiscal Year" are to the year ended and as at March 31. For a discussion of certain significant differences between Indian GAAP and IFRS, see "Summary of Significant Differences between Indian GAAP and IFRS."

The Company has a complex group structure with subsidiary companies in India and overseas with varying level of ownership. The group structure is detailed in the "Business — Structure of the Group" section of the Offering Circular. The group structure and ownership of the Company in its subsidiaries has undergone changes since April 2008 and some of the subsidiaries have commenced operations only during the Financial Year 2009. Some of these changes include the increase of the Company's stake in REpower from 33.85 per cent. as at June 6, 2007 to 90.72 per cent. as at the date of the Offering, reduction of the Company's stake in Hansen from 100.00 per cent. to 61.28 per cent. as at the date of the Offering, commencement of operations of SE Forging and commencement of operations of Suzlon SEZ which also sells WTGs. As indicated in "— Outlook", the Fiscal Year 2010 outlook provided by the Company is in relation only to the Group (excluding REpower and Hansen).

Pursuant to such changes and the nature of the Group structure, the Company's consolidated, standalone financials for the Fiscal Years 2008, 2009 and 2010 are not likely to be directly comparable for the full year or on a quarterly basis. Furthermore, the Company's standalone financial results for the Fiscal Year 2010 will be limited to WTG sales made by the Company and will not include WTG sales made by any of its subsidiaries. Accordingly, investors should take these factors into consideration in reviewing any of the Company's financial statements.

Overview

The Group (excluding REpower) is a leading manufacturer of WTGs and was ranked fifth in the world in terms of annual installations with a market share of 9 per cent. for the year ended December 31, 2008 and the Group (including REpower) was ranked third in the world in terms of annual installations with a market share of 12.3 per cent. for the year ended December 31, 2008. (Source: BTM Report 2009). The Group is the leading provider of integrated WTG solutions in India and has expanded its operations in international markets with a presence in the United States, Europe, China, Australia, Brazil, South Africa and South Korea. The Company was incorporated on April 10, 1995 by the Promoters. The Group's accumulated WTG sales from the Group's establishment (excluding REpower) were 3,547 MW, 5,859 MW and 8,649 MW as at March 31, 2007, March 31, 2008 and March 31, 2009, respectively. India, with 749 MW, and the international markets, with 2,041 MW, accounted for 27 per cent. and 73 per cent., respectively, of the Group's WTG (excluding REpower) sales (by volume) in the Fiscal Year 2009.

In the Fiscal Year 2007, the Group acquired Hansen, the second largest gearbox and drive train manufacturer for WTGs worldwide. The Company through its subsidiary held, as at March 31, 2009, an equity interest of 61.28 per cent. in Hansen. See "The Company's Subsidiaries and the Affiliated Companies". In the Fiscal Year 2008, the Group acquired a stake in REpower, and held, as of the date of this Offering Circular, an equity interest of 90.72 per cent. in REpower, one of the leading WTG producers in the German wind energy sector. See "— REpower Systems AG". Also, in Fiscal Year 2009, the Company sold 67,010,421 shares (ten per cent. equity base) in Hansen. Post-disposal, the Company retains 61.28 per cent. of the voting and economic interest in Hansen. Finally, the Company's stake in SE-Forge was reduced to 82.9 per cent. following an issue of new equity shares by SE Forge in October 2008.

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. Including REpower's WTG models, the Group's current product range includes 0.35 MW, 0.60 MW, 1.25 MW, 1.50 MW, 2.00 MW, 2.10 MW, 3.3 MW, 5 MW and 6 MW WTGs. It is among the first Asia-based companies to manufacture WTGs with multi-MW capabilities. The Group is an integrated developer of WTGs, focused on the design, engineering and development of WTGs and the majority of its components, including tubular towers, control panels, nacelle covers and generators, and the development and in-house manufacture of rotor blades for its sub-MW and multi-MW WTGs. The Group also has established supply sources for the components that it does not manufacture in-house for its WTGs, such as rotor blades for its 0.35 MW WTGs, gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam, are also sourced from leading suppliers. The Group has completed the process of integrating the operations of Hansen into the Group and has recently begun sourcing approximately one-third of its gearbox requirements from them. The Group has also set up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components.

The Group conducts R&D activities primarily through the Company's subsidiaries, SEG, SBT and RETC. RETC is a 50:50 joint venture between the Company's subsidiaries, SEDT and REpower. These entities focus on designing and developing new WTG models, upgrading the Group's current models and developing efficient and effective rotor blade technology for its WTGs. See "— Research and Development" and "— REpower Systems AG — Research and Development." Further, the Group also conducts R&D in gearboxes through Hansen. The Group usually gets its design, manufacture, O&M services certified as ISO 9001:2000 by DNV. The Group's WTG models are generally validated with type certification by either GL or CWET, an autonomous body attached to the MNRE.

With respect to the Indian market, the Group (excluding REpower), together with the Affiliated Companies, has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is involved in wind resource mapping, identification of suitable sites and technical planning of wind power projects. The Group undertakes the manufacturing and machining of large forge and casting products, catering primarily to the wind power industry through its 82.9 per cent. owned (as at March 31, 2009) subsidiary SE Forge. The Group also provides EPC and after-sales O&M services through SISL for WTGs it supplies in India. The Affiliated Companies, including SRL, acquire sites that have been identified by the Group as suitable for wind energy projects, which are then sold or leased to its customers.

With respect to the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. Through its subsidiary, Hansen, the Group is also involved in the manufacture of WTG gearboxes and industrial gearboxes. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by them.

In select markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers.

The Group's consolidated total income was Rs.80,822.30 million, Rs.139,474.01 million and Rs.265,305.44 million, for the Fiscal Years 2007, 2008 and 2009, respectively. Net profit was Rs.8,640.32 million, Rs.10,300.98 million and Rs.2,364.81 million for the Fiscal Years 2007, 2008 and 2009, respectively.

The following table sets forth the breakdown of the Group's total consolidated income:

	For the Fiscal Year					
	2007	Per Cent. of Total Income	2008	Per Cent. of Total Income	2009	Per Cent. of Total Income
	(In Rs. million, except percentages)					
Sales:						
WTG and its Components	59,985.62	74.22	114,442.16	82.05	229,694.12	86.58
Gearboxes	18,560.74	22.96	24,048.12	17.24	39,936.42	15.05
Foundry and Forging(1)	—	—	0.14	—	171.82	0.06
Others	1,321.32	1.63	247.24	0.18	360.61	0.14
Intersegment Sales	(10.38)	(0.01)	(1,943.36)	(1.39)	(9,345.96)	(3.52)
Total Sales	**79,857.30**	**98.81**	**136,794.30**	**98.08**	**260,817.01**	**98.31**
Other Income(2)	**965.00**	**1.19**	**2,679.71**	**1.92**	**4,488.43**	**1.69**
Total Income	**80,822.30**	**100.00**	**139,474.01**	**100.00**	**265,305.44**	**100.00**

Notes:

(1) New segment for reporting for Fiscal Year 2009.

(2) Other income consists primarily of interest received, profit on sale of investments, dividend income and other operating income.

The following table sets forth the percentage breakdown of the Group's total sales geographically:

	For the Fiscal Year		
	2007	2008	2009
		Per Cent.	
India	52.21	41.07	17.07
Europe	20.49	23.27	32.40
United States	20.68	18.68	28.09
China	3.94	3.50	4.85
Australia	—	7.48	11.24
Others	2.68	6.01	6.35
Total	100.00	100.00	100.00

Recent Developments

- Pursuant to an agreement dated December 15, 2008 entered into with the Martifer Group, the Company agreed to acquire Martifer's holdings of 22.4 per cent. in REpower through a subsidiary by making payments in three tranches: €65 million in December 2008, €30 million in April 2009 and the final tranche of €175 million in May 2009. As of the date of this Offering Circular, the Company's effective holding in REpower is 90.72 per cent. Out of borrowing from a Promoter Group entity, the Company has provided short term loan of Rs.4,500 million to its subsidiary in order to facilitate acquisition of Martifiers's interest in REpower.
- As at March 31, 2009, the Company had outstanding (i) U.S.$300,000,000 zero coupon convertible bonds due 2012 (the "June 2012 Bonds") convertible into Shares of Rs.2 each at a pre-determined price of Rs.359.68 per share at any time until June 5, 2012 at the option of the bondholders and (ii) U.S.$200,000,000 zero coupon convertible bonds due 2012 (the "October 2012 Bonds", and together with the June 2012 Bonds, the "FCCBs") convertible into Shares of Rs.2 each at a pre-determined price of Rs.371.55 per share at any time until October 4, 2012 at the option of the bondholders. Between April and June of 2009, the Company restructured the FCCBs to undertake liability management and amend certain financial covenants. As a result of this restructuring, the Company (i) issued U.S.$56,388,000 aggregate principal amount of convertible bonds without any financial covenants and a new conversion price in exchange for U.S.$94,004,000 million aggregate principal amount of FCCBs, (ii) paid U.S.$39,999,882 to purchase U.S.$73,326,000 aggregate principal amount of FCCBs, and (iii) paid U.S.$13,716,810 as a consent fee.
- Pursuant to the Consent Solicitation Memorandum dated June 17, 2009 (the "Consent Solicitation Memorandum") in relation to the U.S.$200,000,000 Zero Coupon Convertible Bonds Due October 2012, subject to satisfaction of the conditions therein, the Company has offered the New Bonds. An Eligible Bondholder has the right (but not the obligation) to participate in the New Bonds Offering. Other terms and conditions are contained in the Consent Solicitation Memorandum. The New Bonds are expected to be issued by July 24, 2009. Each capitalise terms in this paragraph used but not defined herein shall have the meaning specified in the Consent Solicitation Memorandum.
- On July 8, 2009 the Company announced repeat orders to supply approximately 114MW of capacity. These orders comprised of a repeat order from KS Oils Limited for 10 units of the S.82 1.5 MW turbine, a repeat order from Honiton Energy Group for 40 units of the S.64 1.25MW turbine and a repeat order from Datang Power Generation Co. for 39 units of S.64 1.25MW turbine.
- On July 10, 2009 the Company announced an additional order to supply approximately 224.5 MW of capacity after signing a new framework agreement with EUFER (a joint-venture between ENEL Green Eenrgy and Spanish Utility UNION FENOSA for renewable energy business in Spain and Portugal). The agreement provides for the supply and installation of 2.1 MW wind turbines for seven wind farms in Andalusia, Spain.

Non-Comparability of Financial Statements for Certain Periods

On May 9, 2006, the Company, through its subsidiary AERH purchased all of the share capital of Eve Holding N.V., formerly the holding company of Hansen, for a consideration of Rs.25,026.37 million. The Group's consolidated financial statements for the Fiscal Year 2007 include Hansen's results from May 9, 2006. Hansen listed its equity shares on London Stock Exchange on December 11, 2007. The shareholding of the Company in Hansen stood at 61.28 per cent. as at March 31, 2009, as against 71.28 per cent. as at March 31, 2008 and 100 per cent. as at March 31, 2007. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Years 2007, 2008, and 2009 are not directly comparable with the corresponding prior Fiscal Years/periods.

From April 1, 2007, the Company commenced erection, installation and commissioning activities for its WTG business in India and internationally through subsidiary companies. In India, these activities previously had been conducted by SIL, an Affiliated Company in which the Group does not hold any equity interest and which is not equity accounted by the Company. The Group's consolidated financial statements for the Fiscal Year 2008 therefore include the results of WTG erection, installation and commissioning activities for the relevant subsidiaries for the first time.

For accounting purposes, under Indian GAAP, REpower became a subsidiary of the Company with effect from June 6, 2008. As a German stock corporation, REpower is generally restrained from sharing any information with external parties without also making them available to all shareholders of REpower. The consolidated results of the Company for the Fiscal Year 2008 include the results of REpower, as an associate company, for the period June 1, 2007 to December 31, 2007 using the equity method of accounting, and without any reconciliation of differences in accounting policies. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2008 are not directly comparable with its consolidated financial statements for the Fiscal Year 2007. Furthermore, the consolidated results of the Company for the Fiscal Year 2009 include the results of REpower as a subsidiary from June 6, 2008. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2009 may not be directly comparable with the financial statements for the Fiscal Year 2008. See Risk Factors "Risks Relating to REpower"

Changes in Accounting Policies and Estimates

Pursuant to revised Accounting Standards for employee benefits, in Fiscal Year 2007 the Company changed its accounting policy for long-term retention bonuses paid to employees. It now accounts for these amounts as liabilities on the basis of actuarial valuation using the projected unit credit method instead of accounting for these amounts as costs as and when they are incurred. The transitional net liability arising from this change is Rs.25.8 million (net of tax), which has been charged to general reserves.

In line with notification of the Companies (Accounting Standards) Amendment Rules 2006 issued by Ministry of Corporate Affairs on March 31, 2009 on March 31, 2009 amending Accounting Standard — 11 (AS-11) "The Effects of Changes in Foreign Exchange Rates" (revised 2003), the Company has amended its accounting policies such that exchange differences on all long term monetary items, with retrospective effect from April 1, 2007, are:

(1) To the extent such items are used for the acquisition of a depreciable capital asset, added to / deducted from the cost of the asset and depreciated over the balance life of the asset. As a result, an amount of Rs.81.92 million net of depreciation of Rs.7.82 million and tax of Rs. Nil have been added to fixed assets, being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset.

(2) In other cases, accumulated in the "Foreign currency monetary translation difference amount" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

(3) As a result of (1) and (2) above, Rs 10.99 million, net of tax of Rs. Nil, was credited to general reserve which was recognised as loss in the profit and loss account till the previous financial year ended March 31, 2008.

(4) Rs.1,307.93 million amortisation cost charged to the profit and loss account during the year.

(5) Rs.3,980.13 million accumulated in the "Foreign currency monetary translation difference account", being the amount remaining to be amortised as at March 31, 2009.

As a result of the above change in the Company's accounting policy, the net profit before tax for Fiscal Year 2009 is higher by Rs.4,050.41 million.

Major Factors Affecting the Company's Results of Operations

Several factors influence the Company's results of operations, financial condition and cash flow significantly, including:

General economic and business conditions in India: India has historically been the Company's principal market and, although sales outside India presently contribute an increasing proportion of the Group's revenues (which equalled 82.93 per cent. in 2009), it continues to derive a substantial portion of its revenues from the Indian market. It therefore is affected by general economic conditions in the country, particularly economic conditions affecting the Indian power sector. India's GDP growth, industrial growth and power demand have been and will continue to be important factors in determining the Company's operating results and future growth.

Demand for power, specifically from wind energy sources: Changes in prices of oil, coal, natural gas and other conventional energy sources influence the demand for renewable energy sources such as wind power. The demand for power in general and from wind energy in particular has been and will continue to affect the Company's operating results and future growth.

Government policies including taxes and duties affecting wind energy sector: Historically, the wind energy industry has received fiscal benefits extended for investments in wind energy by state governments in India, the Indian central government and several international governments. The renewable energy sector in general is currently the focus of considerable government attention worldwide. Changes in government policies have affected, and will continue to affect, the Company's growth and the investment plans of its customers.

Price and availability of raw materials and components: Raw materials and components used in manufacturing WTGs are sourced from domestic as well as international suppliers and their prices depend on a variety of factors. Fluctuations in prices of such raw materials and components and their availability (which are driven by several factors including strong demand in the Indian and Chinese markets and by suppliers' manufacturing capacities and capital expenditure plans, as components are primarily customised for the Company's requirements) will affect its operating results. The Company continues to invest in building in-house manufacturing capabilities with a view to reducing its dependency on outside suppliers for key components.

Fluctuations in exchange rates and interest rates: Since the Company's imported purchases and export sales are invoiced in foreign currencies, the rate of exchange between such currencies and the Rupee will affect its operating results to the extent it is not passed on to customers by corresponding escalations in the Company's product prices. Similarly, changes in interest rates, both international and domestic, affect the Company's operating results and the viability of wind power projects in general, as interest rates affect the ability of potential customers to obtain financing for wind power projects.

Ability to source and manage working capital requirements: Historically, the Company has been able to source the required working capital from banks and internal cash accruals. Its operating results and future growth will depend on its ability to optimise the working capital cycle time and to continue, source adequate working capital commensurate with the size of its business.

Critical Accounting Policies

Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. For details of the Group's accounting policies see Schedule P of the financial statements for the year ended March 31, 2009 included elsewhere in this Offering Circular.

Described below are the critical accounting policies and management's view on the accounting policies, which our management believes are the most significant judgments and estimates used in the preparation of the Group's financial statements.

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and that the revenue can be reliably measured. Revenue comprises of sale of goods and services and is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

Revenue from sale of goods is recognised in the profit and loss account when the significant risks and rewards in respect of ownership of goods have been transferred to the buyer as per the terms of the respective sales order, and the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey and supply-and-installation projects) are recognised in revenue based on the stage of completion of the individual contract using the percentage of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognized equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Contracts in progress, if any, are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in "Contracts in progress" upon dispatch of the complete set of components which are specifically identified for a customer and are within the scope of supply, as per the terms of the respective sale order for the wind power systems. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price is recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

The Company's management believes that its accounting policies in respect of sale of goods are critical because delay in delivery of any components could result in delayed recognition of revenue, resulting in WTG components being recognised as inventory.

Fixed assets and intangible assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work in progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalised upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realizable value.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of the assets belonging to each cash generating unit ("CGU") are reviewed at each balance sheet date to assess whether the same are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets with CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in the prior accounting period is reversed if there has been a change in estimates of the recoverable amount.

The excess of the cost to the Company of its investment in subsidiaries over the Company's portion of equity on the acquisition date is recognised in the Company's financial statements as goodwill and is tested for impairment. Following the acquisition of Hansen during Fiscal Year 2007 and the acquisition of REpower in Fiscal Year 2009, the consolidated financial statements of the Company as at March 31, 2009 showed goodwill of Rs.71,770.21 million. There was no impairment of goodwill as at March 31, 2009. The Company's management believes its accounting policies with respect to fixed and intangible assets (particularly goodwill) are critical because of the potential impact on its financial condition and results of operations.

Depreciation and amortisation

Depreciation is provided on the written down value method (WDV) and is based on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher. Intangible assets are amortised on a straight line basis over a period of five years.

The Company's management believes that the estimates and assumptions made in connection with its accounting policy with respect to depreciation and amortisation are critical because changes in these estimates or assumptions could increase or decrease expenses and therefore have a material impact on the Company's financial condition and results of operations.

Inventories

Inventories of raw materials, including stores, spares, and consumables, packing materials, semi-finished goods, work-in-progress, contracts in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on a weighted average basis. The cost of work-in-progress, project work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Determining the cost and realisable value of inventories requires management to make certain estimates, including regarding provisions for slow / non-moving / obsolete components, which may not reflect the actual costs and expense or the value that is obtained upon sale, as the case may be. The Company's management believes that these are critical accounting estimates because differences in actual realisation on sales of inventory could have a material impact on the Company's financial condition and results of operations.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments. Current investments are carried at the lower of cost and fair value, determined on an individual basis.

Investments in entities in which the Group has significant influence, but not a controlling interest, are reported according to the equity method, i.e. the investment is initially recorded at cost. Cost of investment in associates over the net assets at the time of acquisition of the investment in the associates is recognised in the financial statements as goodwill. Goodwill is tested for impairment annually. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated profit and loss account includes the Group's share of the results of the operations of the associate.

Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates.

Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard-11 (AS-11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences relating to long term monetary items are dealt with in the following manner:

(a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset.

(b) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

All other exchange differences are recognised as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

The Company's management believes that these are critical accounting policies because changes in estimates and foreign exchange rates could have material impact on the Company's results of operations.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

Foreign operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in classification.

The Company's management believes that these are critical accounting policies because changes in classification of foreign operations could have material impact on the Company's results of operations.

Retirement and other employee benefits

Employee benefits in the nature of defined contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Retirement benefits in the form of gratuity and pension are defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method as at the balance sheet date.

Defined contributions to the superannuation fund through its employees' trust are charged to the profit and loss account on an accrual basis.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided on the basis of an actuarial valuation, using the projected unit credit method, as at the balance sheet date.

Actuarial gains/losses are taken to the profit and loss account and are not deferred.

The Company's management believes that these are critical accounting policies because changes to assumptions and estimates and differences in actual experience could have a material impact on the Company's results of operations.

Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed by way of notes to accounts. Provision for performance guarantees represents the expected outflow of resources against claims for performance shortfalls expected in the future over the life of the guarantee assured. The period of performance guarantees varies for each customer according to the terms of the contract. Key assumptions in arriving at the performance guarantee provision include wind velocity, wind variation, plant load, grid availability, machine availability, load shedding and historical data. The provision for operation, maintenance and warranties represents the expected liability on account of field failure of WTG parts and expected expenditure on servicing the WTGs over the period of free operation, maintenance and warranty, which varies according to the terms of each purchase order. Provision for liquidated damages represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the purchase order. These are determined on a case by case basis considering the circumstances of each individual purchase order and the factors relevant to that sale.

The Company's management believes that changes to assumptions and estimates and differences in actual results from those estimated have a material impact on the Company's financial condition and results of operations.

The payment of premium on redemption on the Company's convertible bond issuance is contingent in nature and no provision has been made by the Company in respect of such premium for the Fiscal Year ended March 31, 2009 amounting to Rs.2,261.10 million. Payment of premium on redemption of convertible bonds issued after March 31, 2009 is similarly contingent in nature.

Deferred tax assets and liabilities

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various companies of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Determining the probability of realisation of deferred tax assets requires the Company's management to make certain assumptions about its future income, which may be material to the Company's financial condition and results of operations.

Results of Operations

The table below sets forth, for the periods indicated, certain revenue and expense items for the Group's consolidated operations, expressed as a percentage of total income:

	Fiscal Year		
	2007	**2008**	**2009**
Income			
Sales and service income	98.81	98.08	98.31
Other income	1.19	1.92	1.69
Total income	**100.00**	**100.00**	**100.00**
Expenditure			
Costs of goods sold	(59.24)	(63.60)	(63.54)
Operating and other expenses	(14.94)	(12.05)	(16.09)
Employees' remuneration and benefits	(8.27)	(7.48)	(8.16)
Financial charges	(3.42)	(4.28)	(3.97)
Depreciation	(2.13)	(2.07)	(2.16)
Preliminary expenditure written off	(0.02)	(0.01)	(0.00)
Total Expenditure	**(88.02)**	**(89.49)**	**(93.92)**
Profit before Tax, Exceptional Items and Minority Interest	**11.98**	**10.51**	**6.08**
Exceptional Items	—	(2.04)	(3.38)
Tax	(1.28)	(1.17)	(1.09)
Minority Interest and share in associate's profit after tax	(0.01)	(0.09)	(0.72)
Net Profit	**10.69**	**7.39**	**0.89**

Principal Components of Results of Operations

Sales and Service income

Sales and service income consists primarily of sales of WTGs, gearboxes and WTG components including rotor blades, nacelles and towers and foundry and forging components. The Group also derives income from WTG erection, installation and commissioning activities, sale and lease of land, power evacuation and O&M services.

Fees for O&M services are generally calculated as a fixed sum per WTG sold, according to the terms of the relevant purchase order. Electricity generated by WTGs owned by the Group is sold to state electricity boards in India and private parties.

Other income

Other income consists primarily of interest received from bank deposits, interest received from customers for delayed payments and interest on loans to associate companies as well as infrastructure development income, dividend income, net profit from the sale of investments and other operating income.

Cost of goods sold

Cost of goods sold consists primarily of the consumption of raw materials and components utilised in the manufacture of WTGs and related equipment. Cost is measured using the value of the stock of raw materials and components at the beginning of the accounting period along with raw materials and components purchased during the period reduced by the value of the stock of raw materials and components at the close of the accounting period. Cost of goods sold also includes increases or decreases in inventory, which represents the difference between the value of the stock of semi-finished and finished goods and work-in-progress on the first and last days of the relevant fiscal year. Project execution and costs for heavy equipment hiring costs are included in cost of goods sold. In addition, the Group imports a portion of its raw materials and components requirements and these costs are affected by fluctuations in the value of the Rupee.

Operating and other expenses

Operating and other expenses principally consist of provisions for freight and packaging costs, provisions for performance guarantees and provision for operation, maintenance and warranty costs. Other key operating and other expense items include stores and consumables, travelling and communication expenses, other selling and administrative expenses, consultancy charges, liquidated damages design changes and technological upgrades, O&M charges, quality assurance expenses, product development and research, rent, rates and taxes, advertising and promotional costs, infrastructure development cost and net foreign exchange difference loss.

Employees' remuneration and benefits

Employees' remuneration and benefits consists of salaries, wages, allowances and bonuses, contributions to provident and other funds and staff welfare expenses. The Group operates an ESOP for eligible employees and the ability to exercise options is subject to the employee's continuing employment with the Group.

Financial charges

Financial charges consist of interest on fixed loans, including term loans and acquisition financing loans, and bank charges. Other interest relates primarily to interest expenses on working capital and other short-term loans. Bank charges represent processing fees for loans and other credit facilities as well as for bank guarantees.

Tax

Taxes comprise both current and deferred taxes and fringe benefit tax. Provision for current and fringe benefit taxes is made after considering available deductions and exemptions under the Income Tax Act, including MAT credit entitlements. Provision also is made for earlier year current tax payments. Deferred taxes are provided for in accordance with applicable prudential norms.

Minority interest and share in associate's profit after tax

The share of profit arising to minority shareholders for their interest is deducted from the Company's results and the share of the Company in its associate's profit after tax is added in to the Company's results.

Fiscal Years 2009 and 2008

Income.

Total income increased by 90 per cent. to Rs.265,305.44 million in Fiscal Year 2009 from Rs.139,474.01 million in Fiscal Year 2008.

Sales.

Sales increased by 91 per cent. to Rs.260,817.01 million in Fiscal Year 2009 from Rs.136,794.30 million in Fiscal Year 2008. This increase was primarily due to consolidation of REpower from Fiscal Year 2009 onwards which contributed Rs 71,049.95 million, increase in the volume of WTG sales (excluding Repower), which increased to 2,790.45 MW in Fiscal Year 2009 from 2,311.40 MW in Fiscal Year 2008 and increased sales of Hansen.

Other income.

Other income increased by 67 per cent. to Rs.4,488.43 million in Fiscal Year 2009 from Rs.2,679.71 million in Fiscal Year 2008. This increase was primarily due to profit of Rs.928.57 million on 10 per cent. stake sale of Hansen and increased operating income of REpower and Hansen.

Expenditure.

Expenditure increased by 100 per cent. to Rs.249,172.65 million in Fiscal Year 2009 from Rs.124,817.47 million in Fiscal Year 2008. This increase was primarily due to an increase in the cost of goods sold, operating and other expenses , employee's remuneration and benefits, financial charges and depreciation/amortisation. Expenditure as a percentage of total income amounted to 94 per cent. in Fiscal Year 2009 compared to 89 per cent. in Fiscal Year 2008.

Cost of goods sold.

Cost of goods sold increased by 90 per cent. to Rs.168,568.03 million in Fiscal Year 2009 from Rs.88,701.82 million in Fiscal Year 2008. The increase was primarily due to increase in sales volume . However, cost of goods sold as a percentage of sales declined marginally to 65 per cent. in Fiscal Year 2009 as compared to 65 per cent. in Fiscal Year 2008.

Operating and other expenses.

Operating and other expenses amount to 16 per cent. of the sales as compared to 12 per cent. during the previous year. Freight outward and packing expense as a percentage of sales increased to Rs. 11,356.27 million (4 per cent. of sales) in Fiscal Year 2009 as compared to Rs. 4,663.21 million (3 per cent. of sales) The company has provided Rs.2,808.77 million towards performance guarantee and Rs.3,667.25 million towards operational and maintenance warranty and Rs. 2,843.30 million towards liquidated damages in Fiscal Year 20009 as compared to Rs.1,562.51 million and Rs.689.04 million and Rs. 244.50 million respectively in Fiscal Year 2008. The balance operating and other expenses stands at Rs.21,999.89 million in Fiscal Year 2009 as compared to Rs.9,647.91 million in Fiscal Year 2008, mainly due to significantly higher volume.

Employee's remuneration and benefit cost.

Employee remuneration and benefit cost increased by 108 per cent. to Rs.21,657.51 million in Fiscal Year 2009 from Rs.10,430.05 million in Fiscal Year 2008. In absolute terms the increase was account of inclusion of REPower amounting to Rs.4,908.32 million and the balance increase is primarily attributable to operationalisation of new facilities, requiring additional technical and managerial personnel.

Financial charges.

Financial charges increased by 77 per cent. to Rs.10,539.31 million in Fiscal Year 2008 from Rs.5,969.38 million in Fiscal Year 2008. The increase is primarily due to increased working capital requirements and bank charges.

Depreciation.

The Company provided a sum of Rs.5,731.42 million and Rs.2,893.64 million towards depreciation for the years ended March 31, 2009 and March 31, 2008 respectively. The increase was primarily due to capacity expansion at the Company's manufacturing facilities and consolidation of REpower. Charge on account of depreciation as a percentage of sales amounts to 2 per cent. in Fiscal Year 2009 as compared to 2 per cent. in Fiscal Year 2008.

Profit before tax and exceptional items

As a result of the foregoing factors, profit before tax increased by 10 per cent. to Rs.16,132.79 million in Fiscal Year 2009 from Rs.14,656.54 million in Fiscal Year 2008. Profit before tax as a percentage of total income amounted to 3 per cent. in Fiscal Year 2009, compared to 9 per cent. in Fiscal Year 2008.

Exceptional items

The Company classified the following as exceptional items during Fiscal Year 2009.

In Fiscal Year 2009, the Company continued a retrofit programme to resolve blade crack issues noticed in some of its S88 turbines. The retrofit programme involves the structural strengthening of blades on S88 (2.1MW) turbines. The retrofit programme will be carried out by maintaining a rolling stock of temporary replacement blades, to minimise the downtime for operational turbines. The Company provided for an amount of approximately Rs.2,215.89 million towards the same in Fiscal Year 2009, as well as an exceptional loss of Rs.1,895.05 million for the unavailability of the turbines as a result of the programme. The Group also incurred an exceptional loss of Rs.3,538.43 million of mark to market losses on foreign exchange contracts taken for hedging purposes in Fiscal Year 2009. Finally, the Company incurred an exception loss of Rs.1,313.48 million in Fiscal Year 2009 for foreign exchange losses arising due to the restatement of its zero coupon convertible bonds at the end of the Fiscal Year.

Exceptional items increased from Rs.2,852.14 million in Fiscal Year 2008 to Rs.8,962.85 million in Fiscal Year 2009.

Tax

Tax expenses increased 76 per cent. to Rs.2,881.21 million in Fiscal Year 2009 from Rs.1,632.94 million in Fiscal Year 2008.

Minority interest.

Minority interest increased to Rs.1,947.15 million in Fiscal Year 2009, compared to Rs.427.98 million in Fiscal Year 2008, due to REpower consolidation and increased profit of Hansen.

Net profit.

As a result of the foregoing factors, net profit decreased from Rs.10,300.98 million in Fiscal Year 2008 to Rs.2,364.81 million in Fiscal Year 2009.

Fiscal Years 2008 and 2007

Income

Total income increased by 73 per cent. to Rs.139,439.75 million in Fiscal Year 2008 from Rs.80,822.30 million in Fiscal Year 2007.

Sales

Sales increased by 71 per cent. to Rs.136,794.30 million in Fiscal Year 2008 from Rs.79,857.30 million in Fiscal Year 2007. This increase was primarily due to an increase in the volume of WTG sales, which increased to 2,311.40 MW in Fiscal Year 2008 from 1,456.25 MW in Fiscal Year 2007. The share of overseas business increased to 58 per cent. in Fiscal Year 2008 from 48 per cent. in Fiscal Year 2007. Hansen reported consolidated sales before elimination of Rs.24,048.12 million in Fiscal Year 2008 as compared to Rs.18,560.74 million in Fiscal Year 2007.

Other income

Other income increased by 178 per cent. to Rs.2,679.71 million in Fiscal Year 2008 from Rs.965.00 million in Fiscal Year 2007. This increase was primarily due to interest on fixed deposits placed with banks.

Expenditure

Expenditure increased by 77 per cent. to Rs.125,763.73 million in Fiscal Year 2008 from Rs.71,139.66 million in Fiscal Year 2007. This increase was primarily due to an increase in the cost of goods sold, employee remuneration and benefit costs, operating and other expenses and financial charges. Expenditure as a percentage of total income amounted to 90 per cent. in Fiscal Year 2008 compared to 88 per cent. in Fiscal Year 2007.

Cost of goods sold

Cost of goods sold increased by 85 per cent. to Rs.88,701.82 million in Fiscal Year 2008 from Rs.47,881.55 million in Fiscal Year 2007. The increase was primarily due to increase in sales volume. However, cost of goods sold increased at a higher rate than sales due to change in the composition of the markets in which the Group operates (including diversification into markets of Australia, Brazil and Europe in addition to Suzlon's continuing Indian and other international markets), undertaking of WTG erection, installation and commissioning of project activities and changes in product mix. As a percentage of total income, cost of goods sold amounted to 64 per cent. in Fiscal Year 2008, compared to 59 per cent. in Fiscal Year 2007.

Operating and other expenses

Operating and other expenses increased by 47 per cent. to Rs.17,753.42 million in Fiscal Year 2008 from Rs.12,077.12 million in Fiscal Year 2007. This increase was primarily due to an increase in freight and packaging expenses (which amounted to approximately Rs.4,663.21 million during Fiscal Year 2008 as compared to Rs.2,286.41 million in Fiscal Year 2007) as a result of increased export volumes. The Group also provided Rs.2,356.96 million towards performance guarantee and Rs.689.04 million towards operation, maintenance and warranty in Fiscal Year 2008 as compared to Rs.1,026.96 million and Rs.859.07 million, respectively, in Fiscal Year 2007. The Company recognised an exchange gain of Rs.357.77 million in Fiscal Year 2008 as compared to exchange loss of Rs.492.04 million in Fiscal Year 2007. The balance operating and other expenses amounted to Rs.10,401.92 million in Fiscal Year 2008 as compared to Rs.7,412.64 million in Fiscal Year 2007 due to increased volume. As a percentage of total income, operating and other expenses amounted to 13 per cent. in Fiscal Year 2008, compared to 15 per cent. in Fiscal Year 2007.

Employee remuneration and benefit cost

Employee remuneration and benefit cost increased by 56 per cent. to Rs.10,430.05 million in Fiscal Year 2008 from Rs.6,682.43 million in Fiscal Year 2007. Employee remuneration cost on account of ESOPs amounted to Rs.45.28 million in Fiscal Year 2008. The increase was primarily attributable to increased operations of Suzlon requiring additional technical and managerial personnel. As a percentage of total income, employee remuneration and benefits amounted to 7 per cent. in Fiscal Year 2008, compared to 8 per cent. in Fiscal Year 2007.

Financial charges

Financial charges increased by 116 per cent. to Rs.5,969.38 million in Fiscal Year 2008 from Rs.2,763.44 million in Fiscal Year 2007. The increase in interest cost was primarily due to increased interest paid in Fiscal Year 2008 in connection with a loan taken for the acquisition of Hansen and the purchase of a stake in REpower as compared to interest paid in Fiscal Year 2007 for acquisition of Hansen, as well as increased working capital requirements. As a percentage of total income, financial charges amounted to 4 per cent. in Fiscal Year 2008, compared to 3 per cent. in Fiscal Year 2007.

Depreciation

Depreciation costs increased by 68 per cent. to Rs.2,893.64 million in Fiscal Year 2008 from Rs.1,717.98 million in Fiscal Year 2007. The increase was primarily due to capacity expansion at the Company's manufacturing facilities. As a percentage of total income, depreciation expenses amounted to 2 per cent. in Fiscal Year 2008 and Fiscal Year 2007.

Profit before tax

As a result of the foregoing factors, profit before tax increased 41 per cent. to Rs.13,676.02 million in fiscal year 2008 from Rs.9,682.64 million in Fiscal Year 2007. This increase was primarily due to an increase in volumes of WTG sales and an increase in share of consolidated sales of Hansen during Fiscal Year 2008. Profit before tax of a percentage of total income amounted to 10 per cent. in Fiscal Year 2008, compared to 12 per cent. in Fiscal Year 2007.

Tax

Tax expenses increased 93 per cent. to Rs.1,992.94 million in Fiscal Year 2008 from Rs.1,034.60 million in fiscal year 2007. This increase was mainly due to an increase in current tax to Rs.2,676.15 million in Fiscal Year 2008, which in turn was primarily due to increased profits and higher effective tax rates in respect of certain subsidiaries.

Minority interest

Minority interest increased to Rs.427.98 million in Fiscal Year 2008, compared to Rs.7.72 million in Fiscal Year 2007, mainly due to dilution of Hansen stake. The Group's share of profit in Repower, which has been presented as a share of associate's profit after tax, was Rs.557.50 million for the period from June 1, 2007 to March 31, 2008.

Net profit

The Company classified an amount of Rs.1,511.69 million (net of tax of Rs.360.00 million) as exceptional items during Fiscal Year 2008.

The Company faced certain issues with residents of Dhule and Sangli, in Maharashtra, India resulting in the disruption of smooth WTG operations in these regions, which has resulted in a generation shortfall from that guaranteed. The Company incurred Rs.654.60 million towards restoration costs of these WTGs. The generation gurantee liability for the WTGs installed in the regions of Dhule and Sangli has been computed taking into account the events of *force majeure* and is based on the best estimates of the management.

Also, the Company has announced a retrofit programme to resolve blade crack issues noticed in some of its S88 turbines in the United States and Portugal. The retrofit programme involves the structural strengthening of blades on S 88 (2.1MW) turbines. The retrofit programme will be carried out by maintaining a rolling stock of temporary replacement blades, to minimise the downtime for operational turbines. The Company provided for an amount of approximately Rs.1,217.09 million towards the same in Fiscal Year 2008.

As a result of the foregoing factors, in particular higher sales volume and the contribution of Hansen into the Group, net profit increased by 19 per cent. to Rs.10,300.98 million in Fiscal Year 2008 from Rs.8,640.32 million in Fiscal Year 2007.

Liquidity and Capital Resources

	For the Fiscal Year Ended March 31,		
	2007	2008	2009
	(Amounts are in Rs. million)		
Net cash (used in)/ generated from operating activities	7,372.33	12,042.56	(12,237.80)
Net cash flow from investing activities	(37,199.05)	(46,399.94)	(73,217.78)
Net cash flow from financing activities	39,694.85	88,141.00	38,738.22
Net increase in cash and cash equivalents	9,868.13	53,816.62	(46,717.36)
Add: Cash and bank balances taken over on acquisition of subsidiary	—	—	6,692.47
Add/(less): Effect of exchange difference on cash and cash equivalents	—	73.34	37.61
Cash and cash equivalents at the beginning of the year	5,514.82	14,456.02	68,345.98
Cash and cash equivalents at the end of the year	15,382.15	68,345.98	28,358.70

Cash Flows

The Group needs cash primarily to fund its domestic and overseas organic and inorganic expansion, including the establishment of new industrial facilities in India and abroad, as well as to fund working capital needs. The Company funds these capital requirements through a variety of sources, including cash from operations, short- and long-term lines of credit and through the issuance of equity securities and convertible bonds. These sources of funding, and the Group's ability to fund its capital expenditure needs, could be adversely affected by: (i) the continued demand for the Group's products and selling prices it can charge, (ii) delays in shipping and transporting WTGs and WTG components or inability for any other reason to meet contractual milestones, (iii) capital expenditure overruns, (iv) higher than expected costs or lower than anticipated benefits of integrating Hansen or REpower or other acquisitions into the Group, (v) the Group's ability to manage and service current levels of indebtedness and changes in interest rates and (vi) the Group's inability to obtain funds from external sources on acceptable terms or in a timely manner.

Cash, Working Capital and Indebtedness

As of March 31, 2009, 2008 and 2007 the Group had cash and bank balances of Rs.30,698.44 million, Rs.69,602.01 million and Rs.15,382.95 million, respectively. It recorded a decrease in cash and cash equivalents of Rs.38,903.57 million during the year ended March 31, 2009 primarily due to utilisation of funds for REpower acquisition and business expansion. It recorded an increase in cash and cash equivalents of Rs.54,219.06 million and Rs.9,868.13 million during the year ended March 31, 2008 and 2007, respectively. The increase in cash and cash equivalents during the period ended March 31, 2008 and 2007 was primarily due to increased operations and the integration of Hansen.

The Group's total borrowings were Rs.148,695.71 million, Rs.9,9345.9 million and Rs.51,620.4 million as of March 31, 2009, 2008 and March 31, 2007, respectively. The Group funds short-term working capital requirements through cash flow from operations, overdraft, cash credit facilities with commercial banks and short- and medium-term borrowings from banks and financial institutions. As of March 31, 2009, 2008 and 2007, the Group had short-term borrowings (excluding the current portion of long-term borrowings) of Rs.54,854.93 million, Rs.16,422.8 million and Rs.17,768.3 million, respectively, including banks' lines of credit for working capital.

As of March 31, 2009, the Group had term loans outstanding of Rs.59,997.40 million, debentures of Rs.3,000.00 million, working capital facilities from banks and financial institutions of Rs.39,762.57 million and vehicle loans of Rs.6.24 million, out of Rs.102,766.21 million in total secured debt obligations as at that date. As of March 31, 2008, the Group had term loans outstanding of Rs.61,945.92 million, working capital facilities from banks and financial institutions of Rs.8,718.19 million and vehicle loans of Rs.0.21 million, out of Rs.70,664.32 million in total secured debt obligations as at that date. As of March 31, 2007, the Group had term loans outstanding of Rs.11,761.65 million, working capital facilities from banks and financial institutions of Rs.8,081.89 million and vehicle loans of Rs.0.71 million out of Rs.19,844.25 million in total secured debt obligations at that date.

Under the terms of certain of the Group's long-term borrowings, the Group is required to comply with various financial covenants, including, among others, maintaining a specified net worth to debt ratio, interest cover ratio, net borrowing to EBITDA and debt service cover ratio. Some of the Group's short-term loans and long-term borrowings require lender consent for certain matters, including the issuance of new shares, incurring further indebtedness, creating further encumbrances on or disposing of its assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. Terms and conditions for some of these borrowings also contain covenants which limit the Group's ability to make any change or alteration in its capital structure, make investments, effect any scheme of amalgamation or restructuring and enlarge or diversify its scope of business. Debt under these borrowings may be accelerated if the Group or the Company defaults, including defaults triggered by failure to comply with these financial covenants. Payment defaults, as well as defaults under covenants leading to acceleration of debt repayment, in any of these borrowings could trigger a default in the other borrowings, and could have a material adverse affect on the Group by:

- requiring the Group to dedicate a substantial portion of its cash flow from operations to repay its debt;
- limiting the Group's ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- increasing the Group's vulnerability to general adverse economic and industry conditions;
- limiting the Group's flexibility to react to changes in its business and the industry in which it operates;
- placing the Group at a competitive disadvantage to any of its competitors that have less debt;
- requiring the Group to meet additional financial covenants; and
- limiting, along with other restrictive covenants, among other things, the Group's ability to borrow additional funds.

The Group currently is in compliance with these covenants and intends to obtain the relevant lender consents, if any required and to the extent applicable, prior to the Offering.

Outlook

Based on current market conditions and the Group's (excluding REpower) order book of 1,463 MW as on June 25, 2009, the Group (excluding Hansen and REpower) expects WTG sales of between 2,400 MW and 2,600 MW in Fiscal Year 2010, with approximately 700-800 MW to come from sales within India. Based on these projections as well as public statements of REpower regarding expectations for its business, the Group also expects its consolidated total income to remain flat, with increased volumes (excluding REpower and Hansen) in the second half of the Fiscal Year compared to Fiscal Year 2009. Moreover, the Group (excluding REpower and Hansen) expects average realization per MW sold to decrease by 5 to 10 per cent. compared to Fiscal Year 2009.

Furthermore, based on guidance from REpower's management for the Fiscal Year 2010, REpower expects its sales to be within a range of €1.4 billion and €1.5 billion and expects to operate at an EBIT margin within a range of 7.5 per cent. and 8.5 per cent.

The Group is planning to initiate a cost reduction program, and is targeting an overhead reduction of Rs.5,000 million in Fiscal Year 2010.

The Company's consolidated financial statements for the three months ended June 30, 2009 are not available. The Company expects to publish its consolidated financial statements on July 31, 2009. As such, none of the Company or the Joint Bookrunners makes or can make any representation or gives or can give any assurance as to the financial condition, results of operations and prospects of the Company as will be disclosed in the consolidated financial statements on July 31, 2009. Furthermore, if the consolidated financial statements do not disclose positive results for the Group, this could have a negative impact on the trading price of the GDRs and the Shares.

These forward looking statements have been provided based on the Company's best estimate assumptions regarding future events and actions. These future events may or may not take place. A forecast, by its very nature, is subject to business, economic and competitive uncertainties and unexpected events, many of which are beyond the control of the Company, and upon assumptions with respect to future business decisions, which are subject to change. Also, events and circumstances often do not occur as anticipated, and therefore the Group's actual results are likely to differ from the forecast, and the differences may be material. The Company cannot, and does not, guarantee the achievement of the forecasted results expressed above.

This information should be reviewed in conjunction with the description of the Group's business, its historical financial information and the other material contained in the Offering Circular, including the information set forth elsewhere in "Risk Factors" and "Forward Looking Information".

There is no intention to update this information or publish prospective financial information in the future.

DIVIDENDS AND DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous Fiscal Years or out of both.

The Company does not have a formal dividend policy. The declaration and payment of dividend will be recommended by the Board of Directors and approved by its Shareholders, at their discretion, and will depend on a number of factors, including but not limited to its profits, capital requirements and overall financial condition.

The table below sets forth the details of the dividends declared by the Company on its Shares during the last five Fiscal Years:

Fiscal Year	**Interim Dividend per Share**	**Final Dividend per Share**	**Total Dividend per Share**	**Interim Dividend**	**Final Dividend**	**Total Dividend(1)**
	Rs.	**Rs.**	**Rs.**	**Rs. in millions**	**Rs. in millions**	**Rs. in millions**
2004	3.00*	7.00*	10.00*	73.04	170.43	243.47
2005	4.00*	2.00*	6.00*	231.84	115.92	347.76
2006	2.50*	2.50*	5.00*	718.8	718.8	1,437.6
2007	5.00*	Nil*	5.00*	1,438.82	Nil	1,438.82
2008	Nil**	1.00**	1.00**	Nil	1,496.90	1,496.90
2009	Nil	Nil	Nil	Nil	Nil	Nil

(1) Excluding Dividend Distribution Tax

* per Share of Rs.10 each

** per Share of Rs.2 each

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of the Company or dividend amounts, if any, in the future.

Dividends are payable within 30 days of approval by the Company's Shareholders at its annual general meeting. The Articles of Association also give the Board the discretion to declare and pay interim dividends without obtaining Shareholder approval. When dividends are declared, all the Shareholders whose names appear in the share register as at the "record date" or "book closure date" are entitled to be paid the dividend declared by the Company. Any Shareholder who ceases to be a Shareholder prior to the record date, or who becomes a Shareholder after the record date, will not be entitled to the dividend declared by the Company.

INDUSTRY OVERVIEW

Unless otherwise indicated, the information in this section has been derived from various Indian Government publications, as well as private publications and industry reports prepared by BTM, GWEC and various trade associations, and has not been prepared or independently verified by the Company, or the Joint Bookrunners or any of their respective affiliates or advisers. The information may not be consistent with other information compiled within or outside India. Newly installed capacity refers to the MW capacity installed during a particular year. Unless otherwise specified, accumulated installed capacity refers to the total MW capacity installed taking into account the effect of decommissioning.

BTM describes itself as an independent consulting firm focusing on renewable energy resources and was formed in 1986 with its registered office in Denmark. In 1996, BTM began producing an annual survey of the wind energy market. BTM states that the sources of its market data include relevant professional energy sector journals and estimates by consultants, employees of wind turbine manufacturing companies and governmental institutions. The figures used in this Offering Circular are based on the BTM 2007 Report, the BTM 2008 Report and the BTM 2009 Report.

The figures which are sourced from GWEC in this Offering Circular are based on the GWEC 2006 Report.

Electricity Demand

Global Electricity Demand

The IEA in its World Energy Outlook 2006, estimates that world electricity demand is projected to double by 2030. Globally, the power sector is required to add an estimated 5,087 GW of capacity to meet the projected increase in electricity demand and to replace ageing infrastructure. The IEA has estimated that this would require cumulative investment of approximately U.S.$20,000,000 million between 2005 and 2030 and more than half of this energy investment will be required by developing countries alone. The IEA also expects that the predominant use of fossil fuels (such as coal, oil and natural gas), for energy production will continue in the future. Nuclear power's contribution is expected to decline and the use of renewable energy sources, such as hydroelectricity, wind power, biomass and solar, is expected to increase. The IEA also estimates that the share of total electricity generation attributable to wind power will grow from 0.5 per cent. currently, to 3.4 per cent. in 2030 and will be the second-largest renewable source of electricity after hydroelectricity.

Indian Electricity Demand

Historically, the power industry in India has been characterised by energy shortages. According to the Ministry of Power of the Indian Government (the "MOP"), in the Fiscal Year 2008, demand for electricity exceeded supply by an estimated 9.0 per cent. (9.6 per cent. in the Fiscal Year 2007) in terms of total requirements and 15.2 per cent. (13.8 per cent. in the Fiscal Year 2007) in terms of peak demand requirements. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally.

According to the MOP, as at January 31, 2008, India's power system had an installed generation capacity of approximately 141,080 MW. Of the installed capacity, thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 64.43 per cent. of total power capacity. Hydroelectric stations accounted for approximately 24.96 per cent., nuclear stations accounted for approximately 2.92 per cent. and renewable energy sources accounted for approximately 7.69 per cent. The National Electricity Policy ("NEP") stipulates power for all by 2012 and annual per capita consumption of electricity to rise to 1000 units from the present level of 631 units. To fulfil the objectives of the NEP a capacity addition of 78,577 MW has been proposed for the 11th plan. This capacity addition is expected to provide a growth of 9.5 per cent. to the power sector.

With increasing urbanisation, industrial growth and per capita consumption, the gap between the actual demand and supply is likely to increase. Some latent demand for electricity may also surface in the event of wider distribution and increased reliability in power supply. In this scenario, alternative sources of energy, such as wind energy and biomass, are likely to play an increasingly important role in bridging the demand-supply gap.

Wind Energy Demand

Global Wind Energy Demand

The total wind energy capacity installed worldwide in calendar year 2008 was 28,190 MW, an annual growth rate of 42.4 per cent. Total cumulative global wind energy capacity reached 122,158 MW by the end of calendar year 2008. The milestone figure of 100,000 MW was passed in spring 2008. The global financial crisis, which has resulted in a dramatic downturn in the world economy, was also felt in the wind industry at the end of the year, with fewer orders being placed for turbine components.

This continued strong growth during 2008 was mainly due to the PTC (Production Tax Credit) in the United States, which remains in force until the end of 2009. The other main contributor was an increase in China, which doubled its capacity compared to calendar year 2007. The American market grew rapidly not just because of the continuation in force of the PTC in the US. Both Canada and Brazil contributed to the overall result. The region as a whole achieved a total of 9,527 MW, equivalent to 33.8 per cent. of the world market in calendar year 2008. Europe maintained a steady rate of growth, but lost its position as the region with the highest annual installation. With 9,179 MW the region attained 32.6 per cent. of the world market. Europe is still by far the largest continent in cumulative terms, as it accounts for more than half of the installed capacity in the world. A significant fall in the Spanish market was balanced out by progress in France, Italy, the UK, Portugal and Turkey.

The ranking of the largest country markets for wind power changed in calendar year 2008. The United States was still in first place, with 8,358 MW installed, a record for a single country, followed by China, with 6,246 MW. China had the highest growth rate of any country. In third position came India with 1,810 MW. The former leading country, Germany maintained last year's level with 1,665 MW. Offshore installations in calendar year 2008 were 344 MW taking the cumulative installed offshore capacity to 1421 MW. (Source: BTM 2009 Report).

The following table illustrates the growth in the global wind power industry (including offshore installations):

Year	2003	2004	2005	2006	2007	2008
			(Figures in MW)			
Newly installed capacity	8,344	8,154	11,542	15,016	19,791	28,190
Accumulated installed capacity by year end)	40,301	47,912	59,399	74,306	94,005	122,158

(Source: BTM 2009 Report)

Geographic demand for Wind Power Globally

In calendar year 2008, Europe contributed 32.6 per cent. of the newly added capacity of 9,179 MW bringing the continent's total wind power generation capacity up to 65,971 MW. Last year nearly one third of all new capacity was installed in the Asian continent. The wind energy boom is continuing particularly strongly in China, which once again doubled its installed capacity by a further 6,246 MW, reaching a total of 12,121 MW. In terms of cumulative installed wind power, the US is now again the world leader, with 25,147 MW. Next comes Germany, with 3,845 MW. Not since 1996 has the US held this leadership position. Germany became the largest country for installed wind capacity in 1997, and has kept that position until now. The following table sets forth the installed MW capacity (including offshore installations) in the three calendar years ending December 31, 2008 and the cumulative installed MW capacity by country for the top ten markets:

Country	Installed capacity as at December 31, 2006	Installed capacity as at December 31, 2007	Installed capacity as at December 31, 2008	Share
		(MW)		(per cent.)
USA	11,635	16,879	25237	20.7
Germany	20,652	22,277	23,933	19.6
Spain	11,614	14,714	16,453	13.5
PR China	2,588	5,875	12,121	9.9
India	6,228	7,845	9,655	7.9
Italy	2,118	2,721	3,731	3.1
France	1,585	2,471	3,671	3.0
UK	1,967	2,394	3,263	2.7
Denmark	3,101	3,088	3,159	2.6
Portugal	1,716	2,150	2,829	2.3

(Source: BTM 2009 Report)

According to the BTM 2009 Report, wind power as a percentage of global electricity supply crossed 1.3 per cent. by the end of 2008. At end of calendar year 2008, out of 19,489 TWh electricity generated worldwide, 254.16 TWh was contributed by wind energy. In Denmark, wind power contributed approximately 20 per cent. to that country's electricity supply, while Germany and Spain derive approximately 8 per cent. and 11.0 per cent., respectively, of their electricity requirements from wind.

As per the BTM 2009 Report, the ten largest markets in global wind power installations accounted for 85.2 per cent. Another noteworthy development is that wind turbine generators continue to get larger, although the extent of this has varied across the different markets. The average overall size of the turbines is now close to the 1.56 MW mark. This is in spite of the fact that offshore installations, where larger turbines are generally used, only came to a total of 344 MW.

Indian Wind Energy Demand

The cumulative installed MW capacity in India as at the end of the past three calendar years was as follows:

	As at December 31, 2006	As at December 31, 2007	As at December 31, 2008
		(MW)	
Cumulative installed capacity	6,228	7,845	9,655

(Source: BTM 2009 Report)

Key Growth Drivers for Wind Power

The Company believes that the market for wind power has become significant due to the following factors:

Increasing Electricity Demand: In World Energy Outlook 2006, the IEA estimated that global electricity consumption would double between 2004 and 2030, with demand for electricity likely to increase at a much faster pace in developing countries such as India and China. The IEA also estimates that the share of wind power in total electricity generation will grow from 0.5 per cent. currently to 3.4 per cent. in 2030 and that it will be the second-largest renewable source of electricity after hydroelectricity.

Increasing cost competitiveness: The continuous focus on improving the cost efficiency of WTGs has resulted in wind power becoming increasingly cost competitive compared to traditional sources of energy. The American Wind Energy Association ("AWEA"), in its report dated December 22, 2000 estimated that the cost per kWh of wind generated electricity had fallen from U.S.$0.38 in the early 1980s to between U.S.$0.03 to U.S.$0.06, at some wind sites. Some of the factors that have contributed and are expected to continue to contribute to reduced costs are increasing focus on larger projects, technological advancements resulting in WTGs with higher capacity, economies of scale resulting from increase in the size of WTG manufacturers and the ability to obtain financing for wind power projects. Further, higher oil prices and in turn higher gas prices, are pushing up the production cost of thermal power and therefore making wind power more economically attractive.

Environmental awareness and government initiatives: Generating electricity from fossil fuel energy sources releases carbon dioxide which contributes to global warming. As such, many countries, including India, the United Kingdom, the United States and Germany, have provided fiscal incentives and schemes to encourage the growth of renewable energy. These incentives and schemes range from preferential tariffs or tax credits for renewable energy projects to taxing those who contribute to emission of carbon dioxide.

Approximately 141 countries have adopted the Kyoto Protocol, which became effective in February 2005, and have agreed to a long-term reduction of their carbon-dioxide emissions by an average of 5.2 per cent. per annum by 2012, as compared to the level of emissions in 1990. The greenhouse gas reduction targets have cascaded down to a regional and national level. These in turn have been translated into targets for increasing the proportion of renewable energy. Countries such as Australia, certain states in India and several states in the United States, have introduced the "Renewable Portfolio Standard" which mandates that renewable energy sources contribute a specified minimum percentage of total electricity supply. In Australia, the existing "Mandatory Renewable Target" requires that renewable energy make up a further 2 per cent. of total power generated by 2010. China has also introduced its "Renewable Energy Law" with effect from January 2006. Further, carbon trading has also been initiated in countries in the European Union and countries such as Japan. Carbon trading refers to a system whereby emitters of carbon dioxide and other harmful gases purchase Carbon Emission Receipts from clean energy producers, including renewable energy producers. Trading in Carbon Emission Receipts may also provide an additional stream of revenue for wind power projects.

Repowering: Repowering involves the replacement of old WTGs with new and more cost efficient WTGs and is expected to become one of the growth drivers in relation to the future market for wind power, particularly for countries in Europe that have a large number of ageing WTG installations with relatively low capacity and outmoded technology.

Offshore Market: The offshore WTG market presents a new opportunity for wind power, especially in Europe. The cumulative offshore installed capacity stood at 1,421 MW at December 31, 2008. With the introduction of larger WTGs targeted at the offshore market, significant developments are expected in the offshore market in the future. Cumulative offshore installations are expected to reach 8,155 MW as at December 31, 2012 and thus will contribute 3.6 per cent. of the expected capacity addition of 193,935 MW by December 31, 2012.

Energy Security: Increased concern about energy security, especially in the prevailing volatile geopolitical scenario is pushing the countries towards renewable sources of energy especially wind power.

Market Potential

Global Wind Energy Market Potential

According to the BTM 2009 Report, the cumulative installed capacity for wind power is expected to grow from 122,158 MW in calendar year 2008 to 343,153 MW by December 31, 2013, representing an average growth rate of 15.7 per cent. per annum for new installations and with an average growth rate of 22.9 per cent. per annum for cumulative installations. Of the total newly installed capacity of 220,995 MW expected by December 31, 2013, 4.6 per cent. is expected to be contributed by the offshore segment. Further, according to the BTM 2009 Report, the total wind energy capacity is expected to be 833,546 MW by December 31, 2018.

The BTM 2009 Report estimates that Europe's share in cumulative installations will decline to 42.30 per cent. by December 31, 2013 from 54 per cent. in calendar year 2008, with the share of the Americas (including the United States) expected to increase from 23.67 per cent. in calendar year 2008 to 27.38 per cent. in calendar year 2013. Further, Europe's share in cumulative offshore installations is expected to fall from 100 per cent. as at December 31, 2008 to 92.57 per cent. as at December 31, 2013.

Indian Wind Energy Market

India's wind power potential has been assessed at around 45,000 MW. This assumes sites with wind power density in excess of 200W/sq.m at 50 m hub height with 1 per cent. of land available for wind farms requiring 12 ha/MW. (Source: Annual Report (2007-08) of Ministry of New and Renewable Energy).

750 MW of installed capacity was added during calendar year 2007, taking the cumulative installed capacity to 7844 MW, mainly in Tamil Nadu, Gujarat, Maharashtra, Madhya Pradesh, Karnataka and Rajasthan. Cumulative wind power generation in the country crossed 37,000 MW, 60 per cent. of which was accounted for by Tamil Nadu. Wind electric generators of unit sizes between 225 kW and 1.65 MW have been deployed across the country. (Source: Annual Report (2007-08) of Ministry of New and Renewable Energy).

According to the BTM 2009 report, the cumulative installed wind power capacity in India is expected to increase from 9,655 MW as at December 31, 2008 to 25,505 MW as at December 31, 2013.

The Gearbox Industry

In WTG applications, gearboxes are used to convert the very high torque produced by the spinning blades of a wind turbine to a speed sufficient to drive an electric generator. In most industrial applications, gearboxes are used to convert unsuitably high speeds, such as those produced by an electrical motor, to a slower speed at higher torque.

The market for gearboxes can be broadly separated into two segments: (i) enclosed gears; and (ii) open gears. Hansen operates within the enclosed gear segment and focuses in particular on the specialised subgrouping that comprises the supply of gearboxes for use in WTGs. It is the second largest gearbox and drive train manufacturer for WTGs in the world. Hansen also develops and supplies large enclosed standardised gearboxes for other industries.

The Market for WTG Gearboxes

BTM 2007 Report estimates that approximately 85 per cent. of installed wind turbines used gearboxes in 2006. The production of these gearboxes for WTGs is largely concentrated in Europe and the market is composed of a relatively small number of manufacturers. BTM estimates that the top six suppliers of WTG gearboxes accounted for 92 per cent. of worldwide wind power capacity (by MW supplied) in 2005, with the top two manufacturers, Siemens (Winergy) and Hansen, accounting for 60 per cent. collectively of the total MW wind power capacity supplied (Source: International Wind Energy Development, Supply Chain Assessment 2006-2010, BTM Consult ApS December 2006). This is illustrated in the following table, which contains BTM's estimate of market shares for WTG gearboxes by major supplier in 2005:

Company	Market share 2007 (by MW supplied)
	(per cent.)
Siemens (Winergy)	35
Hansen	25
Bosch Rexroth	13
Moventas	10
Echesa	5
Eickhoff	4
Others	8

(Source: International Wind Energy Development, Supply Chain Assessment 2006-2010, BTM Consult ApS December 2006)

The Market for Industrial Gearboxes

The industrial gearbox market is fragmented, with a large number of suppliers. There are large multinationals with broader product lines as well as small to medium sized companies with narrower product lines who focus on more selective applications or have a distinct regional focus. For industrial gearboxes, Hansen focuses on stationary enclosed gearboxes, where it supplies standardised gearboxes for selected industries that require relatively high technical and performance requirements, such as the chemicals, energy, material handling, environmental, extraction, pulp and paper, steel and metal, food and beverages, and construction industries.

Renewable Energy Policies

Based on the various stages of their development, different regions and countries have used different policy instruments to promote renewable energy sources in general and wind energy in particular. Specific emphasis has been placed on:

- Feed-in tariffs or fixed tariff regimes;
- Renewable Portfolio Standards ("RPS")/Renewable Energy Credits ("RECs");
- Tendering schemes; and
- Other incentive mechanisms, including production and investment tax credits, rebates, low interest loans and loan guarantees and production payments.

Feed-in Tariffs/Fixed Tariffs

Feed-in tariffs or fixed tariff policies provide a minimum guaranteed price per unit of electricity produced as approved by the regulator, to be paid to the producer or as a premium in addition to market electricity prices. Regulatory measures are usually applied to impose an obligation on electricity utilities to pay the renewable energy power producer a price as specified by the government. The level of the tariff is commonly set for a number of years to give investors a more secure income for a substantial part of the project lifetime. Many different adaptations of the instrument are applied. The level of the tariff need not bear any direct relation to either cost or price, but can be set at a level to encourage investment in green power production. Major countries following tariff regimes include Germany and Spain.

Quotas/Renewable Portfolio Standards/Renewable Energy Credits

While pricing laws establish the price and let the market determine capacity and generation, quotas (or mandated targets) work in reverse; the government sets a target and lets the market determine the price. However, in practice RPS/REC regimes can be present in combination with fixed tariff regimes. Typically, governments and regulators mandate a minimum share of capacity or generation of electricity, or a share of fuel, to come from renewable sources. The share required often increases gradually over time, with a specific final target and end-date. The mandate can be placed on producers or distributors. Over 30 countries have mandated certain percentages, including countries in the European Union, China and Australia. More than 11 states in India have also enacted RPS regulations.

Tendering Schemes

Under tendering systems, regulators specify an amount of capacity or share of total electricity to be achieved, and the maximum price per kWh. Project developers then submit price bids for contracts. Major countries following tendering schemes include Ireland, France and China.

Other Incentive Instruments

Other complementary government initiatives to support development of renewable energy technologies include fiscal measures such as investment tax credit, production tax credit and low interest loans, loan guarantees and investment subsidies. Major countries following production tax credit and investment tax credits schemes include the United States and Canada (production tax credit schemes) and India (investment tax credit schemes).

Recently, the Ministry of New and Renewable Energy announced a scheme of Generation Based Incentive ("GBI") for wind power projects announcing an "incentive" of Rs.0.50 per unit of electricity for wind power fed by the independent power producers into the grid. The GBI is aimed at increasing the amount of renewable energy fed into the grid.

Policy and Regulatory Environment in India

Research, development, commercialisation and deployment of renewable energy systems and devices in the rural, urban, industrial and commercial sectors in India is administered by the MNRE. The MNRE has also established IREDA, a financial institution to complement the role of MNRE and to make available finance to renewable energy projects. In addition, the MNRE has also established CWET in Chennai, a specialised technical institution looking into technology development, testing and certification related to wind energy sector. In addition, it has also been participating in the wind resource assessment programme of the country.

Manufacture of wind turbine generators and setting up of windfarms

Renewable energy generated product manufacturers are required to be registered with MNRE.

The guidelines from the MNRE set out the conditions that are required to be met for establishing windfarms and manufacturing and supplying equipment for wind power projects. These conditions include submission of detailed project reports, approval of sites for wind power installations and type certification by certification agencies (i.e., CWET).

For testing and certification, CWET has evolved a Type Approval Provisional Scheme 2000 ("TAPS 2000") for India, which is in line with international certification schemes for wind turbines. The TAPS 2000 undertakes the issuance of certificates for new WTGs as well as the approval of certificates for WTGs already possessing type certificates/approvals. TAPS 2000 is available to WTG manufacturers until the issue of final Type Approval Scheme and formal accreditation.

Wind power generation

Companies engaged in the generation of electricity from wind power are required to register the project being undertaken with the relevant state nodal agency and obtain permission for inter-grid connectivity from the utility.

The electricity generated from the wind power project can be used for captive consumption, sale to utilities or for transaction under open access as per prevailing state policy and regulation.

Various Indian state commissions have mandated a certain percentage of energy procurement from renewable energy sources and have also set tariffs for such procurement by various distribution companies as follows:

State	RPS Specified (Minimum)	Tariff Fixed by Commissions	Period of PPA	Charges for Captive Users	Cross Subsidy Surcharge for Sales to Third Party
	(Per cent.)	(in Rs. per kWh)	(Years)	(Per cent.)	
Tamil Nadu	10	2.90 (fixed)	20	10 (includes 5 per cent. for banking if applicable)	Applicable
Maharashtra	5 (for 2008-09)	3.50 + escalation of 0.15 on an annual basis	13	20-30 (approx)	Not applicable
Karnataka	7-10	3.40 (fixed)	10	2 and 4	Applicable
Andhra Pradesh . .	5	3.37 (fixed)	5	*Under review	Applicable
Gujarat	2	3.37 (fixed)	20	4	Applicable
Rajasthan	7.5	3.59 + escalation of 0.02 for the first 12 years + escalation of 0.01 for the balance 8 years	20	10	Applicable
Madhya Pradesh . .	10	4.03 reducing at 0.17 per year until the 4th year; subsequently fixed at 3.36 until the 20th year	20	2	Not specified
Kerala.	3	3.14 (fixed)	20	5	Applicable
West Bengal.	3.8	4.00 (fixed, to be used as a cap)	Flexible	2	Applicable
Haryana	3 (for 2008-09)	4.08 (with 1.5 per cent. escalation per year)	Flexible	2	Applicable

* *Tariffs and Regulations are fixed by the Electricity Regulatory Commissions and are subjected to review based on the situation and changes in the respective states.*

The parameters shown in the table above are based on the relevant tariff orders/regulations passed by the different regulatory commissions for specific states. Charges for captive users and sales to third party consumers, along with cross subsidy surcharge are at times independent of the tariff orders/regulations by the commission for specific technology. In this regard, the rates for captive/third party sales may change from year to year or may be fixed (if specified in the purchase contract for the wind energy generator).

BUSINESS

Unless the context otherwise requires, "Group" refers to Suzlon Energy Limited, its consolidated subsidiaries, associate company and joint venture and references to the "Issuer", "Company", "SEL" and "Suzlon" refer to Suzlon Energy Limited. Except where otherwise stated, historical financial data of the Group for the Fiscal Year 2007 does not consolidate financial data of REpower. Unless otherwise stated, historical financial information of the Group is derived from the Company's consolidated financial statements under Indian GAAP. Historical financial information of REpower is derived from the consolidated financial statements of REpower under IFRS.

Unless otherwise stated, market share data *for the Company refers to market share in the Indian market and has been sourced from the BTM 2009 Report.*

Overview

The Group (excluding REpower) is a leading manufacturer of WTGs and was ranked fifth in the world in terms of annual installations with a market share of 9 per cent. for the year ended December 31, 2008 and the Group (including REpower) was ranked third in the world in terms of annual installations with a market share of 12 per cent. for the year ended December 31, 2008. (Source: BTM Report 2009). The Group is the leading provider of integrated WTG solutions in India and has expanded its operations in international markets with a presence in the United States, Europe, China, Australia, Brazil, South Africa and South Korea. The Company was incorporated on April 10, 1995 by the Promoters. The Group's accumulated WTG sales from the Group's establishment (excluding REpower) were 3,547 MW, 5,859 MW and 8,649 MW as at March 31, 2007, March 31, 2008 and March 31, 2009, respectively. India, with 749 MW, and the international markets, with 2,041 MW, accounted for 27 per cent. and 73 per cent., respectively, of the Group's WTG (excluding REpower) sales (by volume) in the Fiscal Year 2009.

In the Fiscal Year 2007, the Company through its subsidiary acquired Hansen, the second largest gearbox and drive train manufacturer for WTGs worldwide. The Company through its subsidiary held, as at March 31, 2009, an equity interest of 61.28 per cent. in Hansen. See "The Company's Subsidiaries and the Affiliated Companies". In the Fiscal Year 2008, the Group acquired a stake in REpower, and held, as at the date of this Offering Circular, an equity interest of 90.72 per cent. in REpower, one of the leading WTG producers in the German wind energy sector. See "— REpower Systems AG". Also, in Fiscal Year 2009, the Company through its subsidiary sold 67,010,421 shares (ten per cent. equity base) in Hansen. Post-disposal, the Company retains 61.28 per cent of the voting and economic interest in Hansen. Finally, the Company's stake in SE-Forge was reduced to 82.9 per cent following an issue of new equity shares by SE Forge in October 2008.

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. Including REpower's WTG models, the Group's current product range includes 0.35 MW, 0.60 MW, 1.25 MW, 1.50 MW, 2.00 MW, 2.10 MW, 3.3 MW, 5 MW and 6 MW WTGs. It is among the first Asia-based companies to manufacture WTGs with multi-MW capabilities. The Group is an integrated developer of WTGs, focused on the design, engineering and development of WTGs and the majority of its components, including tubular towers, control panels, nacelle covers and generators, and the development and in-house manufacture of rotor blades for its sub-MW and multi-MW WTGs. The Group also has established supply sources for the components that it does not manufacture in-house for its WTGs, such as rotor blades for its 0.35 MW WTGs, gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam, are also sourced from leading suppliers. The Group has completed the process of integrating the operations of Hansen into the Group and has recently begun sourcing approximately one-third of its gearbox requirements from them. The Group has also set up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components. The Group also expects to complete construction of the Suzlon Campus in the first half of Fiscal Year 2010. The Group (excluding REpower) expects to invest a further Rs.2.53 billion towards its expansion plans during Fiscal Year 2010.

The Group conducts R&D activities primarily through the Company's subsidiaries, SEG, SBT and RETC. RETC is a 50:50 joint venture between the Company's subsidiaries, SEDT and REpower. These entities focus on designing and developing new WTG models, upgrading the Group's current models and developing efficient and effective rotor blade technology for its WTGs. See "— Research and Development" and "— REpower Systems AG — Research and Development." Further, the Group also conducts R&D in gearboxes through Hansen. The Group usually gets its design, manufacture, O&M services certified as ISO 9001:2000 by DNV. The Group's WTG models are generally validated with type certification by either GL or CWET, an autonomous body attached to the MNRE.

With respect to the Indian market, the Group (excluding REpower), together with the Affiliated Companies, has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is involved in wind resource mapping, identification of suitable sites and technical planning of wind power projects. The Group undertakes the manufacturing and machining of large forge and casting products, catering primarily to the wind power industry through its 82.9 per cent. owned (as at March 31, 2009) subsidiary SE Forge. The Group also provides EPC and after-sales O&M services through SISL for WTGs it supplies in India. The Affiliated Companies, including SRL, acquire sites that have been identified by the Group as suitable for wind energy projects, which are then sold or leased to its customers.

With respect to the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. Through its subsidiary, Hansen, the Group is also involved in the manufacture of WTG gearboxes and industrial gearboxes. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by them.

In select markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers.

The Group's consolidated total income was Rs.80,822.30 million, Rs.139,474.01 million and Rs.265,305.44 million, for the Fiscal Years 2007, 2008 and 2009, respectively. Net profit was Rs.8,640.32 million, Rs.10,300.98 million and Rs.2,364.81 million for the Fiscal Years 2007, 2008 and 2009, respectively.

The following table sets forth the breakdown of the Group's total consolidated income:

	For the Fiscal Year					
	2007	**Per Cent. of Total Income**	**2008**	**Per Cent. of Total Income**	**2009**	**Per Cent. of Total Income**
	(In Rs. million, except percentages)					
Sales:						
WTG and its Components	59,985.62	74.22	114,442.16	82.05	229,694.12	86.58
Gearboxes	18,560.74	22.96	24,048.12	17.24	39,936.42	15.05
Foundry and Forging(1)	—	—	0.14	—	171.82	0.06
Others	1,321.32	1.63	247.24	0.18	360.61	0.14
Intersegment Sales	(10.38)	(0.01)	(1,943.36)	(1.39)	(9,345.96)	(3.52)
Total Sales	**79,857.30**	**98.81**	**136,794.30**	**98.08**	**260,817.01**	**98.31**
Other Income(2)	**965.00**	**1.19**	**2,679.71**	**1.92**	**4,488.43**	**1.69**
Total Income	**80,822.30**	**100.00**	**139,474.01**	**100.00**	**265,305.44**	**100.00**

Notes:

(1) New segment for reporting for the Fiscal Year 2009.

(2) Other income consists primarily of interest received, dividend profit on sale of investments, income and other operating income.

The following table sets forth the percentage breakdown of the Group's total sales geographically:

	For the Fiscal Year		
	2007	**2008**	**2009**
		Per Cent.	
India	52.21	41.07	17.07
Europe	20.49	23.27	32.40
United States	20.68	18.68	28.09
China	3.94	3.50	4.85
Australia	—	7.48	11.24
Others	2.68	6.01	6.35
Total	100.00	100.00	100.00

Competitive Strengths

The Group believes that the following are its principal competitive strengths:

- *Focus on providing "integrated solutions" wind energy packages to customers in India.* The Group's (excluding REpower) business model for the Indian market involves, providing "integrated solutions" packages for wind energy projects. The Group's key activities include: (a) designing, developing and manufacturing WTGs; (b) wind resource mapping; (c) identifying suitable sites for wind farms; (d) coordinating, together with the Affiliated Companies, the acquisition of sites; (e) developing these sites and installing WTGs and connecting them to the power grid; and (f) providing after-sales O&M services. This business model allows the Group's Indian customers to benefit from the cost-efficiencies and the economies of scale that wind farms can offer. At the same time, the Group's customers can avoid the need to undertake the cumbersome processes associated with developing wind farms, which require expertise in various areas such as wind study, land acquisition and project execution and management skills.

- *Track record of executing large-scale wind power projects.* The Group (excluding REpower), along with the Affiliated Companies, has a track record of executing a number of large-scale wind power projects in different regions in India. These complex projects have allowed the Group to develop the capabilities and expertise needed for wind farm projects and the Group's customers benefit from the experience the Group has gained through operating its WTGs in different environments and its industry knowledge. The Group believes that the successful development of these wind farm projects has enhanced its recognition in the wind power marketplace.

- *In-house technology and design capabilities.* Through its in-house design capabilities, the Group has been able to develop its sub-MW and multi-MW WTG models, as well as the rotor blades for these WTGs, including offshore WTGs. The Group has also been able to develop in-house many of the processes and technologies that enable it to manufacture certain key components, such as nacelle covers, nose cones, control panels, rotor blades and generators and gearboxes. It also has an in-house capability to construct tools and moulds used in the manufacture of rotor blades.

- *Cost-efficient manufacturing and supply-chain.* The Group's (excluding REpower) manufacturing facilities located in India and China give it a cost advantage in terms of capital, manufacturing and labour costs over some of the Group's larger competitors whose manufacturing facilities are in higher cost regions, such as Western Europe. Also, the new capacity located in the SEZs allows the Group to enhance its cost competitiveness. Further, the Group is able to source many key components, such as castings, generators and towers, from lower-cost suppliers based in India and China.

- *Global production platform and access to an integrated manufacturing base.* With production facilities in India, China, Belgium, Germany and the United States, the Group has created a global production platform for supplying to key growth markets. In addition, the Group has an integrated manufacturing base with most of the key components such as rotor blades, generators, gearboxes, control panel, towers, nose cones and nacelle covers manufactured in-house. The Group recently established facilities to manufacture forging and foundry components used in WTGs and their components. Its business model also enables it to offer a combination of low cost manufacturing and access to high end technology.

- *Market leader in India and presence in several other high growth markets.* For the last eight Fiscal Years, the Group has been the leading WTG manufacturer in India. During the year ended December 31, 2008, the Group (excluding REpower) holds 47% of India market, with India being the fifth largest wind power market in terms of annual installed capacity during the same period (Source: BTM Report 2009). The Group has established a market presence in eight states, among which are the states that have the highest installed capacity of wind energy, including Maharashtra, Tamil Nadu, Gujarat, Karnataka and Rajasthan. The Company has also entered the state of Kerala, with the commissioning of its first turbine there in August 2008. The Group's leading market share makes it well-positioned to leverage its reputation and existing customer relationships to take advantage of anticipated future growth in demand for renewable energy sources. The Group has also established a presence in some of the key wind markets such as the United States, Europe, China and Australia. It has implemented projects in the United States, Australia and China and is currently implementing projects in Brazil, Portugal, Italy, Sri Lanka and Nicaragua. The Group undertakes marketing activities in several parts of Europe. As at December 31, 2008, REpower was the third largest supplier of WTGs in Germany by market share (Source: BTM Report 2009).

- *Operations and maintenance expertise.* The Group believes that its ability to provide WTG O&M services to its customers has helped it in assessing and enhancing the performance of WTGs under operational conditions. The Group has introduced a customer management system concept as part of its O&M services to provide its personnel and customers with real-time data relating to the WTGs. This allows the Group's technical personnel to control and monitor WTG performance on-line, even from remote locations and during adverse weather conditions. The Group believes this helps in reducing WTG downtime and maintenance costs. Further, the Group's R&D teams are able to use the operational data gathered by its O&M teams in order to upgrade its current WTG models and to design, develop and roll-out newer and more cost-efficient WTG models.

- *Strong management team.* The Group's senior management brings with them extensive experience in the design, engineering, manufacturing, marketing and maintenance of WTGs. The Group's senior management team, located primarily in India and Europe, oversees R&D, manufacturing, finance, sales, business development and strategic planning and has extensive experience in the wind energy industry.

Business Strategy

The Group seeks to expand its global presence by penetrating the key growth markets and to further enhance its position in India as a provider of integrated wind energy solutions. The Group intends to accomplish this through:

- *Maintaining its strategic focus on the Indian market.* The Group believes that India is and will continue to be an important growth market for wind power. The Group has been ranked as the number one WTG supplier in India for the last eight years (Source: BTM Report 2009). The Group intends to continue to focus on growing its India business by leveraging its status as the leading integrated solution provider in wind and by continuing to develop large-scale wind farm projects. The Group will also continue to utilise the experience and expertise gained through its Indian operations to seek to win and execute orders from international customers.

- *Expanding its presence in international growth markets.* In order to increase its share of the world market for wind energy, the Group plans to continue to grow its overseas operations. The Group considers its key international markets to be: North America, in particular the United States, which has many sites that offer wind conditions that are optimal for WTGs and also currently offer tax incentives for power generated by WTGs; China, where the level of demand for energy is high and where the government is encouraging the development of renewable energy sources; Australia, which also has sites with optimal wind conditions and where the government has declared that it intends to encourage a sustainable and internationally competitive renewable energy industry; key growth markets in Europe, including Germany, France, Portugal, Italy, Spain and the United Kingdom, which have the potential for further development and investment in renewable energy and wind power in particular; and South America, where many optimal sites exist, including in Brazil and Nicaragua.

- *Expanding manufacturing capacity in domestic and key international markets.* The Group's strategy is to establish manufacturing facilities for WTGs and key components close to markets with growing demand for power generated by wind energy. Some of these facilities may be located in geographical locations that are eligible for fiscal incentives. The Group has recently commissioned manufacturing facilities in India and Europe for WTGs and key components. In furtherance of the Group's goal of expanding its international presence, the Group has established an integrated WTG manufacturing facility in Tianjin, China. The Group has also established a rotor blade unit in the United States, in order to meet increasing demand for wind energy projects in certain regions of North America. The Group's strategy is to expand its WTG and/or component manufacturing footprint in markets which have the potential for growth and where the Group believes it will be able to develop a strong marketing foothold. The Group has recently expanded its manufacturing capacity for gearboxes in Belgium and has also set up new manufacturing capacities in India and China in order to cater for new customers, increasing demand from existing customers and some of the in-house requirements of the Group.

- *Expanding its WTG product line and improving existing models.* The Group intends to leverage its WTG design and development capabilities by implementing new technology that it has developed through the Company's R&D subsidiaries to enhance the Group's existing WTG models and develop new models, particularly in the multi-MW class. RETC, a 50:50 joint venture between the Company, the Company's subsidiaries, SEDT and REpower aims to develop innovative technology that will influence the next generation of wind turbines. RETC aims to undertake strategic development in the field of research and technical training in the future. The Company plans to establish international subsidiaries of RETC in the future, in order to leverage the knowledge and expertise available in particular areas. As part of RETC, an academy offering high-quality technical training and qualification schemes is also planned, initially on the basis of collaborations with universities. The Group aims to take advantage of its vertically integrated structure to combine WTG research with its R&D platform at the component level in order to design and develop more advanced and cost efficient WTGs. Further, pursuant to the acquisition of REpower, the Group plans to enter into the field of offshore WTGs.

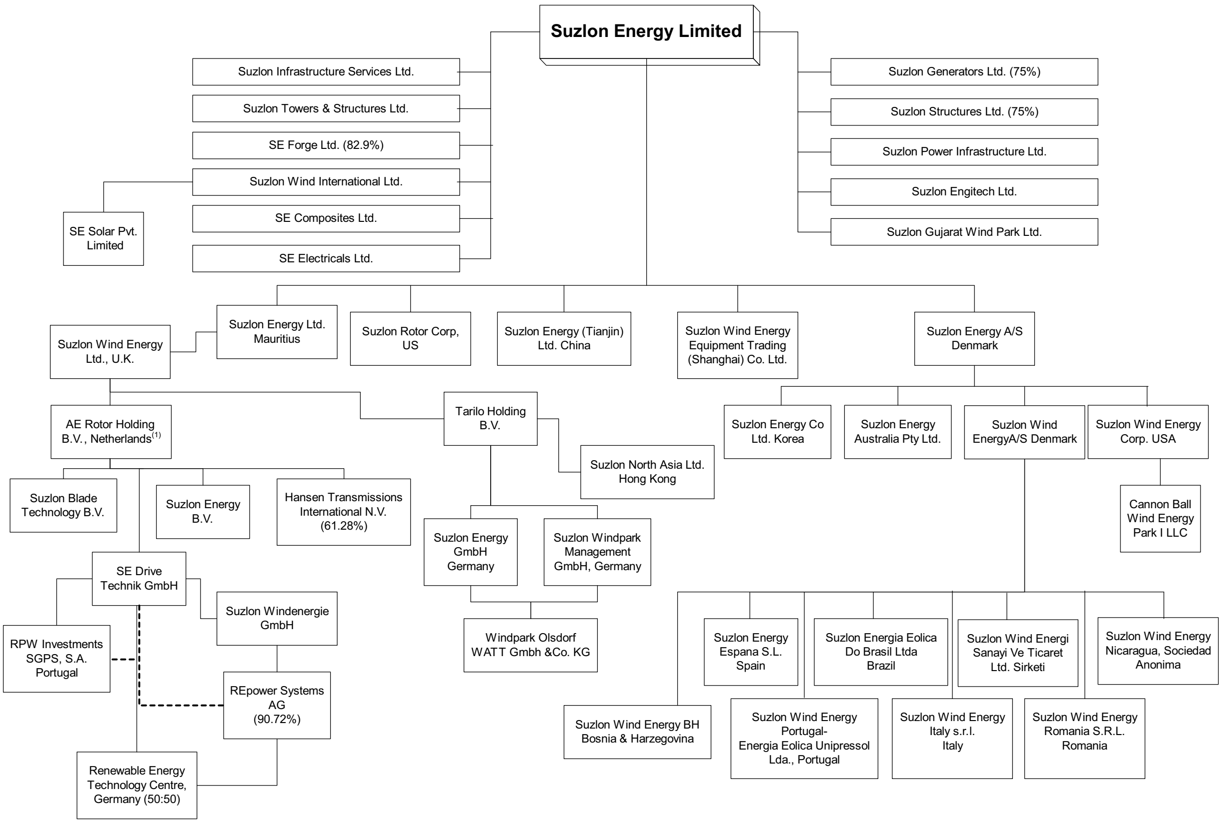
- *Integrated manufacturing.* The Group has developed and continues to implement a strategy to take control of and/or build relationships with companies which are suppliers of key components of the Group's WTGs, such as rotor blades, tubular towers, generators, and control panels. The Group has also acquired Hansen, which is the second largest gearbox and drive train manufacturer for WTGs worldwide. In 2008, Hansen set up its manufacturing facilities by establishing gearbox manufacturing units in India and China. The Group established SE Forge with the objective of undertaking manufacturing and machining of large forging and casting products catering primarily to the wind power industry. Both the foundry and the forging unit of SE Forge started commercial production during Fiscal Year 2009. The Group believes that increasing its component manufacturing capabilities will allow it to lower WTG manufacturing costs, give it greater control over the supply chain for key WTG components and enable quicker and more efficient assembly and delivery of WTG components to its customers.
- *Growing its business through strategic acquisitions and alliances.* The Group will evaluate on a case-by-case basis potential acquisition targets and alliance partners that offer an opportunity to grow its business and/or expand its capabilities or geographical reach. It is also expanding its vendor base across countries to improve supply chain efficiencies and to build a hedge against foreign currency risks. The Group intends only to pursue those transactions that complement its key strengths, are synergistic and, in its assessment, have manageable integration risks. In line with this strategy, the Group acquired REpower and Hansen. See "— REpower Systems AG".

The Company has recently appointed Boston Consulting Group ("BCG") for a business transformation initiative, with a focus on financial and operational planning, delivery excellence and efficiency, product and technology and organisation and people.

Structure of the Group

The Group is comprised of the Company, its domestic and international subsidiaries and its joint ventures. Although the Group works closely with the Affiliated Companies, members of the Group do not own any equity interest in them and do not control them.

The following chart sets out the principal legal entities within the Group as at June 30, 2009. Entities are 100 per cent. owned unless otherwise indicated.



(1) AE Rotor Holding B.V. Netherlands is 99.26% held by Suzlon Wind Energy Ltd. U.K. and 0.38% held by Suzlon Energy Limited.

The Company through its subsidiaries held 35.83% in REpower as at March 31, 2008. On June 6, 2008, the Company, through its subsidiary further acquired approximately 30% of the equity capital of REpower held by Areva. Consequently, REpower has become a subsidiary of the Company with effect from June 6, 2008. Pursuant to an agreement dated December 15, 2008 entered into with the Martifer Group, the Company agreed to acquire Martifer's holdings of 22.4% in REpower through a subsidiary by making payments in three tranches: € 65 Million in December 2008, € 30 Million in April 2009 and the final tranche of € 175 Million in May 2009. The first tranche of € 65 Million was paid in December 2008, thereby increasing its effective holding in REpower to 73.65% as at March 31, 2009. Post March 31, 2009 , the second and third tranches have been paid and consequently its effective holding in REpower is now 90.72%. See "— REpower Systems AG".

Products

The Group's core competencies are designing, developing and manufacturing cost-efficient WTGs, including developing and manufacturing some of the key WTG components for its sub-MW and multi-MW class of WTGs, such as rotor blades, control panels, nacelle covers, tubular towers, generators, and gearboxes, as well as forging and foundry work. The Group also manufactures gearboxes for third party WTG manufacturers, and other industrial applications.

Wind Turbine Generators

A WTG comprises a tower (or mast), a nacelle (which contains the essential mechanical and electrical parts) and rotor blades. However, the generation of electricity by WTG is a result of the interplay between various highly developed and synchronised components:

- *The rotor blades.* The rotor blades form the motor of the WTG. The rotor blades collect kinetic energy from the wind and convert this energy into a rotation of the rotor. The area swept by the rotor blades, the aerodynamic profile of the rotor blades and the rotational speed of the rotor are the key factors determining the capacity of the WTG.

• *Energy conversion via the drive train and generator.* The unit comprising the rotor shaft, gear and generator is called the "drive train" of the WTG. The generator at the end of the drive train converts the revolutions of the rotor blades into electrical power. The WTG's gear serves to increase the rotational speed of the rotor to match the speed of the generator.

• *Power regulation and limitation (stall and pitch regulation).* Depending on the technique employed to regulate and limit their capacity, WTGs are generally classified as "stall-regulated" or "pitch-regulated":

— Stall regulation. In a WTG with stall regulation, power regulation is achieved by causing the air flow to stall by means of the aerodynamic profile of the blade when a certain wind speed is exceeded, preventing the WTG from capturing an increasing amount of energy.

— Pitch regulation. In a WTG with pitch regulation, power regulation is achieved by mounting the rotor blades on the hub so that they can be rotated around their longitudinal axis, in order to control their aerodynamic properties and thus their capacity to capture energy according to the wind conditions.

• *Electronic controls in variable-speed wind turbines.* In variable-speed WTGs with pitch regulation, the electronic controls are the "brain" of the WTG and adjust the angle of incidence of the rotor blades with the generator to keep them working smoothly together. The electronic controls measure the generator's power output and, through pitch regulation, adjust the angle of incidence of the rotor blades accordingly, ensuring that the WTG manufactures the maximum possible energy output from the wind in all wind conditions.

• *WTG towers.* Another component, the manufacture of which the Group is now developing expertise through its 75 per cent.-owned (as at March 31, 2009) subsidiary Suzlon Structures, is the tower of the WTG. Strong forces act on the mast, which is at a height of approximately 80 metres, over the entire life of the WTG. The tower has to be built to withstand these forces and to provide a secure foundation to the nacelle and the rotor.

Product Range

The Group's product range (excluding REpower) covers a wide range of WTG models, with a nominal output of 0.35 MW to 2.10 MW. In addition, REpower offers WTGs from a nominal output of 1.50 MW to 6 MW. See "REpower Systems AG — REpower's products and services". The Group's range of WTG models allows it to supply different types of WTGs that can suit the varying needs of its customers, in terms of both cost and wind conditions at a proposed WTG site.

Apart from their nominal output and size, the various WTGs in the Group's product range vary primarily in the technology used for output regulation. The 0.35 MW turbine uses the less complex stall regulation technology and all other turbines are typically equipped with pitch regulation. The Group believes that the advantages offered by the higher energy yield of these pitch-regulated models will, in certain circumstances, compensate for the higher costs associated with pitch regulation. Almost all of the Group's WTGs feature an advanced control system that includes precisely calibrated sensors that monitor factors such as temperature, wind speeds and vibrations. The Group's rotor blades are manufactured using advanced vacuum-assisted resin infusion moulding. This results in each rotor blade having a lower weight-to-swept area ratio that assists in reducing the cost per kWh of energy produced by WTGs manufactured.

The principal products of Suzlon are the 2/2.10 MW and the smaller 1.25/1.5 MW models. The Group introduced a 0.60 MW model and a 1.50 MW model in 2006. These new models are primarily intended to replace the 0.35 MW and 1.25 MW models, respectively.

The following table breaks down the Group's WTG sales (excluding REpower) for the periods indicated by number of WTG models sold and by MW capacity:

WTG Model	For the Fiscal Year					
	2007		2008		2009	
	Number of WTG	MW	Number of WTG	MW	Number of WTG	MW
0.35 MW	81	28.35	15	5.25	—	—
0.60 MW	190	114.00	181	108.60	93	55.80
1.25 MW	556	695.00	307	383.75	219	273.75
1.50 MW	169	253.50	449	673.50	452	678.00
1.80 MW	Nil	Nil	Nil	Nil	—	—
2.00 MW	Nil	Nil	Nil	Nil	—	—
2.10 MW	174	365.40	543	1,140.30	849	1,782.90
Total	1,170	1,456.25	1,495	2,311.40	1,613	2,790.45

All the terms of WTG orders, including the technical specifications of the WTG or WTG components to be supplied, payment terms and delivery schedules, are set forth in the purchase order issued by the customer and accepted by the relevant counterparty within the Group.

As at June 25, 2009, the Group (excluding REpower) had orders to supply 1,463 MW of capacity for wind power projects, representing a potential value of Rs.79,010 million. As part of its standard practices, the Group conducts credit checks and reviews the balance sheet of each potential customer in order to ensure that it has the financial capacity to acquire and operate WTGs.

Services — India

In India, the Group (excluding REpower), along with the Affiliated Companies, sells integrated wind energy solutions to its customers. In addition to the Group's manufacture of WTGs, these solutions cover the entire technical value chain, from the identification of suitable sites and the planning of wind farms to their technical implementation, operation and maintenance.

In implementing the "integrated solutions" approach for its customers, the Group and the Affiliated Companies have developed and implemented several large-scale wind farms located throughout India. The cost advantage of wind farms is primarily related to expected economies of scale. The larger the wind farm, the greater the number of WTGs that can be installed allowing the project costs to be spread across a larger number of WTGs. Similarly, larger projects have lower O&M costs per kWh due to efficiencies obtained in managing a larger wind farm.

Detailed studies on wind energy resources in India for the installation of wind power projects began in 1986 initially being carried out by MNRE and currently conducted by CWET. The programme involves the identification of locations with strong winds that are close to electricity grids and have adequate land available nearby for prospective wind power projects. Once these have been identified, wind monitoring stations are established and data on wind speed and direction is collected and processed over time at various heights in a particular location. The Group uses the data collected by CWET to conduct its own wind resource mapping activities in areas which it believes may be suitable for wind farms. Once the Group is satisfied with the suitability of an area, the Affiliated Companies undertake land acquisition activities. The Group supplies customers with WTGs, including rotor blades and towers, which are installed and commissioned by SISL, a 100 per cent. owned subsidiary of the Company. This activity was being carried out by an Affiliated Company, SIL, until March 31, 2007. O&M services for wind farms developed by the Group and the Affiliated Companies are provided by SISL.

On January 12, 2009 SGWPL, a 100 per cent. owned (as at March 31, 2009) subsidiary of the Company, announced the signing of a memorandum of understanding with the Government of Gujarat for developing wind power projects of up to 1,500 MW in the Kutch-Saurashtra region of Gujarat. It is proposed that SGWPL will act as project developer and provide an integrated solution to the investors in the project, facilitating permits and regulatory clearances, land, basic services and infrastructure.

The Group has, over the years, built up extensive local expertise in wind resource mapping throughout India and in identifying suitable sites for wind farms. The services that the Group provides include:

- *Planning of wind farms.* Planning wind farms includes identifying suitable sites based on wind resource data collected by the Group from both Indian Government sources and from its own independent studies, inspecting the sites, calculating capacity levels, analysing project feasibility and the availability of power transmission facilities.

- *Land acquisition.* The land used for setting up wind power projects may be private land, "revenue land" (which is owned by the Indian Government) or forest land. Private land is purchased directly from its owner and if such land is agricultural land, it is converted into non-agricultural land if so required by the State Government. In the case of land owned by the Indian Government, it is made available by the respective State Governments on a long- term lease or out right sale basis as per the prevailing policies of the relevant State Government. Certain State Governments, like that of Gujarat and Rajasthan, have special policies for the allotment of revenue land for wind power projects. The land so allotted can also be transferred to third parties, such as the Group's customers, through either a lease or a sub-lease.

  Certain Affiliated Companies, including SRL and Shubh Realty (South) Private Limited, acquire suitable sites from private owners that the Group has identified and undertake to provide such sites exclusively to the Group's customers. This involves extensive negotiations with the landowners, particularly in the case of privately-owned land, and can involve litigation between the Affiliated Company and private landowners in which the Group may be named as a party. See "Legal Proceedings".

- *Development and technical design of wind farms.* The Group's services include micrositing, which involves the identification (through the use of sophisticated computer models) of the exact locations where a WTG will be installed, taking into consideration the distance requirements between two WTGs. Micro-siting helps maximise land utilisation at each suitable site and assists in optimising power generation at each site.

- *Infrastructure development and installation of WTGs.* The construction and development of infrastructure for entire wind farms is undertaken by the Group. These activities include the building of approach roads, power evacuation facilities (such as transmission lines to the nearest sub-stations and, in some cases, the sub-stations themselves) and levelling of land for WTG tower foundations, as well as the installation and commissioning of the WTGs. The Group also undertakes power evacuation activity. Some of these activities relating to wind farm site development and installation and commissioning of WTGs are undertaken by SISL.

- *Operation and maintenance services.* The Group offers O&M services for its WTGs, which include round-the-clock remote and on-site monitoring, and maintenance and repair of the WTGs. The Group's service package includes preventive and planned maintenance of WTGs, transformers and related structures. The Group also provides free repair and maintenance services for periods generally ranging from one to three years after WTG commissioning.

In April 2004, the Company acquired a 100 per cent. ownership interest in SISL from members of the Promoter Group for which the Company paid a total consideration of Rs.72.4 million. As such, as from April 2004, the Group's income from sales also includes fees for O&M services provided to WTG customers in India and some select international markets. Fees for O&M services are generally calculated as a fixed sum per WTG purchased by the customer and payable either on a monthly, quarterly, semi-annual or annual basis.

The Group provides its customers with various types of warranties and guarantees. These includes free operations and maintenance warranty and performance guarantees, based (a) on the percentage of time (generally 95 to 97 per cent.) per year that a WTG will be available i.e machine availability and/or (b) an absolute unit guarantee on the minimum number of units of electricity that will be generated by the WTG, subject to grid availability (although regardless of fluctuations in wind speed) and/or (c) a power curve guarantee pursuant to which it warrants that a WTG will produce a specified number of units of electricity at different wind speeds. Until March 2007, the Group provided absolute unit guarantees to most of its WTG customers in India. Since March 2007, the Group has been providing absolute unit guarantees on a case-by-case basis.

The Group also offers O&M services for its WTGs in India and some select international markets, which involves monitoring, maintenance and repair of the WTGs. The Group's standard service package includes preventive and planned maintenance of WTGs, transformers and related structures and includes a warranty on machine availability (an "Availability Warranty"). Such an Availability Warranty typically ranges from 95 per cent. to 97 per cent. availability, as well as warranties relating to the maximum allowable percentages of reactive power and transmission losses. If the Availability Warranty is not met, the Group is liable to its customers for a part or the whole of the annual maintenance fees it receives for each WTG that was not available as warranted. The Group also offers, for a higher fee, a comprehensive service package that includes free repair or replacement of damaged components in addition to the services offered in the standard service package.

Services — International

Internationally, the Group sells its products along with O&M training and project execution supervision. In addition, it has started to provide integrated services in certain international markets depending on prevailing market conditions. It also provides O&M services on a project-specific basis in certain international markets.

Manufacturing Facilities

The following tables set forth information regarding the Group's existing and proposed manufacturing facilities and the installed capacity of each of these facilities, including SEZ units.

Manufacturing Locations

Location	Product	Unit	Quantity[(1)]	Commencement of Operations (Fiscal Year)
India:				
Diu	WTGs	Number of WTGs	100	1997
Daman	WTGs	Number of WTGs	300	2000
Daman	Rotor blades for WTGs	Number of sets of rotor blades	420	2002
Pondicherry	WTGs	Number of WTGs	720	2004
	Rotor blades for WTGs	Number of sets of rotor blades	790	2004
Daman	WTGs	Number of WTGs	600	2004
Maharashtra	Rotor blades for WTGs	Number of sets of rotor blades	300	2006
	Generators	MW capacity	2,000	2006
	Tubular towers	Metric tonnes	26,000	2007
Gujarat	Rotor blades for WTGs	Number of sets of rotor blades	200	2007
	Tubular towers	Metric tonnes	78,000	2005
	Forging and machining	Metric tonnes	70,000	2009
Karnataka	WTG	Number of WTGs	1,500	2009
	Rotor Blades for WTG	Number of sets of rotor blades	1,500	2009
Tamil Nadu	Foundry and machining	Metric tonnes	120,000	2009
	Gearboxes	MW capacity	5,000	2009
	Generators and Panel	MW capacity	3,000	2009
Overseas:				
United States	Rotor blades for WTGs	Number of sets of rotor blades	288	2007
China	WTGs	Number of WTGs	480	2007
	Rotor blades for WTGs	Number of sets of rotor blades	480	2007
	Gearboxes	MW capacity	3,000	2009
Belgium	Gearboxes	MW capacity	7,300	1939[(2)]
Germany	WTGs	MW capacity	1,250	2001[(3)]

Notes:

(1) The installed capacities disclosed in the above table are variable and subject to changes in product mix and utilisation of manufacturing facilities, given the nature of the Group's operations.

(2) The Group acquired the facility in the Fiscal Year 2007.

(3) The Group acquired the facility in the Fiscal Year 2009.

During the past two fiscal years, the Group (excluding REpower and Hansen) has undertaken various expansion plans to add new manufacturing facilities and expand existing facilities. These include the:

- *Expansion of the Group's integrated WTG manufacturing facility in India*: The Group (excluding Repower and Hansen) increased its overall integrated WTG manufacturing capacity by approximately 35 per cent. or 1,500 MW from 2,700 MW as at March 31, 2008 to 4,200 MW as at March 31, 2009. The expansion of the integrated manufacturing facility included the establishment of a new unit in Udupi, India for manufacturing of Wind Turbine Generators and Blades and other unit in Coimbatore, India for the manufacture of panels and generators. Commercialisation of the integrated WTG manufacturing unit occurred in the first half of Fiscal Year 2009.

- *Establishment of a new foundry unit near Coimbatore, India.* The new foundry unit has been constructed in a SEZ near Coimbatore with a manufacturing capacity of 120,000 MT per annum. Commercialisation of the forging unit occurred in the second half of Fiscal Year 2009. See also "The Company's Subsidiaries and the Affiliated Companies — Domestic Subsidiaries".
- *Construction of a new forging unit near Vadodora, India*: The new forging unit has a manufacturing capacity of approximately 42,000 rings (or 70,000 MT) per annum and the ability to produce rings up to 5,000 mm diameter, 600 mm in height and 4 MT in weight. Commercialisation of the forging unit occurred in the second half of Fiscal Year 2009. Full ramp-up is expected to happen in Fiscal Year 2010. See also "The Company's Subsidiaries and the Affiliated Companies — Domestic Subsidiaries".
- *Construction of a new rotor blade testing facility near Vadadora, India.* The new rotor blade testing facility will be the first of its kind in Asia. At present, only a small number of such facilities exist in Europe and the United States. The facility will be capable of conducting complete life cycle tests on rotor blades as well as static tests and is expected to develop advanced types of non-destructive testing methods. The rotor blade testing facility commenced operations in the Fiscal Year 2009.

The Group (excluding REpower and Hansen) may plan to increase the manufacturing capacity of the integrated WTG unit by approximately 1,500 MW to 5,700 MW. The expected full ramp-up of the expansion would be achieved in Fiscal Year 2010.

Manufacturing units in Daman, Pondicherry, Tamil Nadu, Karnataka, Gujarat and Vadodara are currently eligible for various fiscal incentives.

Given (a) the size of the potential market for WTGs in China, (b) the requirements that a certain percentage of a Chinese WTG project's components be sourced from Chinese-based manufacturers and (c) the cost of shipping WTG components from India, the Group has also constructed an integrated WTG manufacturing facility in Tianjin, China that manufactures WTGs and key components such as rotor blades, nacelle covers, generators and control panels. In Minnesota, United States, the Group has constructed a rotor blade manufacturing facility so as to reduce the cost associated with the outsourcing and/or shipping of this key WTG component and to ensure timely supply of WTGs to customers in certain regions of North America. The Group (including REpower) also has manufacturing facilities for WTGs in Germany through its recent acquisition of REpower. The Group also has manufacturing facilities for gearboxes in Belgium, China and India, through its recently acquired subsidiary, Hansen.

The Group's strategy is to take control and/or build relationships with companies which supply all of the key components of WTGs. Currently, the Group has the capacity to manufacture rotor blades, control panels, nacelle covers, tubular towers, generators and gearboxes. In March 2005, the Group began manufacturing a portion of its tubular tower requirements through its 75 per cent. owned subsidiary, Suzlon Structures. The Group also manufactures a significant portion of its generator requirements through its 75 per cent. owned subsidiary, Suzlon Generators. The Group acquired Hansen and has recently begun sourcing approximately one-third of its gearbox requirements from Hansen. Hansen as at March 31, 2009 had a gearbox manufacturing capacity of 7,300 MW per annum, and intends to expand its manufacturing capacity to 14,300 MW by Fiscal Year 2010, with new manufacturing facilities in both China and India. Both the facilities in India and China have started commercial operations in FY 2009.

The remaining components and various small parts are sourced from outside manufacturers either on a purchase order basis or pursuant to negotiated supply agreements. The Group also sources raw materials for rotor blade manufacturing, such as glass fibres, foam and epoxy resin, from outside suppliers. The Group expects to continue to source a portion of its tubular tower, generator and gearboxes requirements from outside suppliers.

Sales and Marketing

In India, the Group (excluding REpower) has an extensive sales and marketing division that reports to the Group's head office in Pune. Internationally, the Group's WTGs are sold primarily through its international sales and marketing team based in Denmark at Suzlon Denmark. The WTGs are supplied by SEL to its respective subsidiaries in various countries (excluding India and China, where WTGs are manufactured by the Group) and they are further sold to the ultimate customers by those subsidiaries. Suzlon Denmark is the international marketing headquarters of the Group.

India

The Group has divided the Indian market according to the states where it has identified suitable sites for wind energy projects, specifically: Maharashtra, Gujarat, Rajasthan, Tamil Nadu, Karnataka, Madhya Pradesh, Andhra

Pradesh and Kerala. Marketing for each state is under the supervision of a senior management executive. The Group also has sales offices in key cities in India.

The marketing team focuses on four types of customers: (a) companies that have manufacturing units with high power consumption; (b) companies with high profitability and/or surplus liquidity that seek investment opportunities with stable returns and that offer tax benefits; (c) power utilities and state nodal agencies; and (d) companies selling "Carbon Emission Receipts". These potential customers are contacted by the Group's marketing team, who introduce them to the Group and the potential benefits of wind power. The Group's marketing team conducts regular follow-up calls and visits and provides potential customers with detailed working and feasibility studies regarding wind power projects. From time to time, the Group also obtains customers through participation in tenders by utilities, state nodal agencies and public sector entities.

See "Risk Factors — Projects included in the Group's order book may be delayed or modified, which could materially harm its cash flow position, financial condition and results of operations".

International Markets

The Group is currently expanding its presence internationally, with an emphasis on the United States, Europe, China, Sri Lanka, South America, Australia and New Zealand. The Group's target customers include: (a) companies interested in investing in renewable energy sources; (b) utilities; (c) wind energy project developers; and (d) in the United States, municipalities, schools and cooperatives interested in establishing captive power facilities. See "Risk Factors — Projects included in the Group's order book may be delayed or modified, which could materially harm its cash flow position, financial condition and results of operations".

The international markets are managed, supported and controlled by the international sales and marketing headquarters, Suzlon Denmark.

United States

In 2001, the Group incorporated SWECO, a subsidiary of Suzlon Denmark, in order to establish a presence in the United States, which is among the top three wind energy markets in the world in terms of cumulative installations.

The Group intends to focus on establishing ongoing business relationships with a core group of key customers, strategic investors and financial investors, with a view to gaining access to wind power projects that these entities propose to undertake, as well as securing exclusive WTG supply agreements with these entities. The Group focuses its direct sales efforts in three main geographic areas: the Midwest, the South (Texas and Oklahoma) and the West (California), which will allow it to concentrate on utilities and independent service operators in areas that it believes have growth potential. The Group may also offer customers assistance in obtaining project finance and also provide technical services relating to the installation and O&M of WTGs.

Europe and South America

The European and South American markets are managed by SWED, a subsidiary of Suzlon Denmark. The following markets are of particular strategic focus: Portugal, Spain, Italy, Greece and Brazil as they constitute growth markets within the world's largest markets for wind power. The Group has established marketing and project offices as subsidiaries of SWEAS in the above-mentioned countries. The Group may also offer customers assistance in obtaining project finance and also provide technical services relating to the installation, EPC and O&M of WTGs.

China

The Group has a representative office in Beijing and a manufacturing unit in Tianjin. As at December 31, 2007, China was among the top ten nations in terms of installed wind power capacity according to the BTM 2008 Report. The Chinese government is encouraging the development of renewable energy sources and has declared its intention to generate 10 per cent. of its electricity from renewable energy sources by 2020. The Group has also incorporated a local subsidiary, Suzlon Energy Tianjin Limited, and constructed a fully-integrated WTG manufacturing facility in China. The manufacturing facility has an annual capacity of 600 MW which commenced operating in July 2006. As the energy market in China is currently dominated by state-owned utilities, the Group expects that these state-owned utilities and their subsidiaries will be its primary customers.

Australia and New Zealand

Marketing activities in Australia and New Zealand are conducted by Suzlon Energy Australia Pty. Ltd., a subsidiary of Suzlon Denmark. The Group believes that both Australia and New Zealand have the natural resources necessary to potentially generate substantial amounts of renewable energy. The Group may also offer customers assistance in obtaining project finance and provide technical services relating to the installation, EPC and O&M of WTGs.

Customers

Since January 26, 2009, significant sales orders for the Group (excluding REpower) include:

- A contract with AGL Energy Limited for an order of 54 WTGs of the S88 — 2.1 MW model to supply 113.4 MW of wind turbine capacity in Australia;
- A contract with Inner Mongolia North Longyuan Wind Power Corporation for an order of 80 WTGs of the S64 — 1.25 MW model to supply 100 MW of wind turbine capacity in the vicinity of Hohhot, Inner Mongolia Autonomous Region, China;
- A contract with Duke Energy, of Charlotte, North Carolina, to provide 20 units of the WTG S88 — 2.1 MW model to be delivered in July 2009 with construction to be completed and turbines online before the end of the Fiscal Year 2009; and
- A contract with AGL Energy Limited in Australia for the turnkey delivery of 63 WTGs of the S88 — 2.1 MW model to supply 132.30 MW of capacity and which includes the engineering, procurement and construction of a wind farm.

Quality Management Certification

The Group's policy is that all design and manufacturing facilities and operation and maintenance services should be certified as ISO 9001:2000 by DNV. DNV is one of the world's leading certification bodies. It is an independent foundation with the purpose of safeguarding life, property and the environment. All of the Group's operations are either certified or in the process of obtaining such certification.

Product Certification

The Group's WTGs are also designed to meet the standards set by independent international agencies such as GL or the International Electrotechnical Commission. Once the Group has completed a WTG design, the design is usually presented for type approval and certification in accordance with the Certification of Wind Energy Conversion Systems laid down by GL. The Group also endeavours to obtain WTG certification from internationally accredited agencies such as GL, DNV and agencies such as CWET (an autonomous body attached to the Indian Ministry of New and Renewable Energy Sources which was associated with the Risø National Laboratory, another internationally-recognised WTG certification agency).

Type tests are conducted on the Group's WTGs by internationally accredited, independent agencies such as Deutsches Wind Energie-Institut GmbH, Germany Windtest, Germany or CWET. The rotor blades also undergo extensive static and fatigue tests conducted by blade testing centres such as the Technical University of Delft. Typically, the type approval and certification process would take anywhere between nine to fifteen months. The Group has established a rotor blade testing centre in Vadodara.

Details of the WTG certificates held or applied for as at June 23, 2009 are contained in the following table:

Type	kW	Rotor Blade Model	Freq(1)	Hub Height	Tower Type(2)	Temp.(3)	Agency(4)	Key Certificate No.	Commencement Date of Certificate
			(Hertz)	(Metres)					
S52 PLATFORM									
S52	600	V2	50	75	LT	STV	GL	TC-GL-020A-2007, Rev. 1	09/10/2009
S6X PLATFORM(5)									
S64	1250	AE31	50	57	TT	STV	GL	TC-GL-003A-2007, Rev. 1	31/10/2008
S64	1250	AE31	50	65	LT	STV	GL	TC-GL-003A-2007, Rev. 1	31/10/2008
S64	1250	AE31	50	65	TT	STV	GL	TC-GL-003A-2007, Rev. 1	31/10/2008
S64	1250	AE31	50	75	TT	STV	GL	TC-GL-003A-2007, Rev. 1	31/10/2008
S6X	1250		50/60	75	TT	LTV	DNV	CPN-2153-1	NA
S66	1250	AE32	50	65	LT	STV	GL	TC-GL-019A-2007	31/10/2008
S66	1250	AE32	50	75	TT	STV	GL	TC-GL-019A-2007	31/10/2008
S82 PLATFORM									
S82	1500	V2	50	78	TT	STV	GL	TC-GL-009A-2007, Rev. 1	31/03/2010
S82	1500	V2	50	78	TT	LTV	DNV	IEC-DE-217101-0	NA
S88 PLATFORM									
S88	2100	V2	60	80	TT	STV	GL	TC-GL-006A-2008	9/10/2010
S88	2100	V2A	50/60	80	TT	LTV	DNV	IEC-DE-220601-0 Rev. 1	NA
S88	2100	V3	50	80	TT	STV	GL	TC-GL-011A-2007, Rev. 3	11/06/2010
S88	2100	V3	60	80	TT	STV	GL	TC-GL-012-2008	21/12/2010
S88	2100	V2+V3	50	80	TT	NA	GL	TC-GL-007A-2008, Rev. 3	
S88	2100	V3A	50/60	80	TT	STV	GL	In process	NA
S88	2100	V3A	50	80	TT	LTV	DNV	In process	NA

Notes:

(1) Frequency measured in Hertz

(2) Tower Type: TT (Tubular Tower) or LT (Lattice Tower)

(3) Temperature at which the type of WTG is designed to operate: LTV (Low Temperature Version) or STV (Standard Temperature Version)

(4) Agency providing certification

During the course of the type certification process, WTG design, prototype performance and systems are independently assessed and verified, which assists in providing assurance to customers regarding the design, performance and safety of the Group's WTGs. Further, banks and other financial institutions often require type certification for the WTGs that the Group's customers propose to acquire to provide financing to its customers for their purchases. In quite a few cases, however, the Group is allowed to sell its WTGs on a "self-certification" basis.

Logistics

The dimensions and weight of WTG assemblies are such that their delivery can be a considerable logistical challenge. These challenges, particularly in terms of transport vehicles and the condition of transport routes, can create considerable problems, particularly in regions of India with less well developed infrastructure. As the Group's operations expand logistical challenges will increase particularly in regard to the shipping of WTGs and WTG components. As a result, the Group conducts site suitability studies not only in terms of available wind resources, but also in terms of accessibility and presence of basic infrastructure. The costs of transport can make the delivery of the Group's sub-MW and multi-MW WTG models substantially more expensive in certain regions.

Suppliers

Raw Materials

Raw materials for rotor blades, such as glass fibre, foam and epoxy resin, are sourced from several suppliers, such as Kush Synthetics Pvt. Ltd., OCV Reinforcement, DOW Chemicals, Aditya Birla Chemicals, Diab Australia Pty Ltd and Gurit Tianjin Composite Material Co Ltd. The Group is able to source them from other suppliers in the event its current suppliers cannot meet the Group's manufacturing needs. The Group purchases rotor blades for its 0.35 MW WTG model solely from a supplier in India. The Group sources castings from two companies which are both located in China. For each of the Fiscal Years 2007, 2008 and 2009 on a standalone basis, the cost of imported raw materials as a percentage of the Company's cost of raw materials was 59 per cent. and 57 per cent. and 66 per cent. respectively.

Components

The Group's strategy is to take control and/or build relationships with suppliers of key components of WTGs. However, the Group still needs to purchase components such as gearboxes, generators, towers, bearings and castings from several different manufacturers. The Group has a strategy of procuring these components from manufacturers who have established themselves as suppliers of components that are compatible with its WTGs and meet its technical and quality standards, either on a purchase order basis or through negotiated supply agreements. In order to minimise the risk regarding availability of key components and of competition, the Group has entered into exclusive supply agreements with some of its suppliers, pursuant to which such suppliers have undertaken to maintain a minimum level of inventory to meet the Group's demand. The Group provides some suppliers with advances on orders, which range from 5 per cent. and 25 per cent. of the value of orders placed, depending on the supplier and the components involved. Otherwise, payment terms are usually on a letter of credit or documents against acceptance basis.

Tubular Towers: The primary supplier of tubular towers for India is Suzlon Tower and Structures Limited ("STSL"), which is wholly owned subsidiary of Suzlon Energy Limited. STSL through Suzlon Structures Limited ("Suzlon Structures"), which is a joint venture with the Kalthia Group designs and manufactures tubular towers for primarily high and heavy WTG installations. STSL provides management support to Suzlon Structures while the Kalthia Group has operational responsibility for Suzlon Structures' manufacturing plant in Gandhidham, Kutch district in the State of Gujarat. Suzlon Structures commenced manufacturing tubular towers in March 2005 and the Group procures a significant portion of its tubular tower requirements from Suzlon Structures. The order requirements for South India are generally met through job work done by Toolfab Engineering Industries (P) Ltd and Jay Engineering Limited, which have been associated with Suzlon for the last five years.

Gearboxes: Gearboxes are currently supplied by Winergy AG, Winergy Drive System India (P) Ltd. and Hansen.

Generators: The main supplier of generators and generator components is Siemens Ltd. of India, however, the Group also manufactures a significant portion of its generator requirements through its subsidiary Suzlon Generators, a joint venture with Elin. Suzlon Generators manufactures slip ring generators required for WTGs. The Group provides management support and procurement services to Suzlon Generators. Elin is responsible for the initial start-up and commissioning of Suzlon Generators' manufacturing plant and providing the necessary technology and know-how required for the manufacture of slip ring generators. Elin is required to share technical information and raw material requirements to facilitate identification of the suppliers and vendors in India.

Gear Rims: The Group purchases gear rims from IMO Momentenlager GmbH and PSM, Korea.

Slewing Rings: The Group purchases slewing rings from IMO Momentenlager GMBH, Schaeffler Group, Germany, Galperti, Italy and Kaydon, United States.

Brake Callipers: Brake callipers are purchased from Svendborg Brakes A/S and yaw and pitch drives from Bonfiglioli Riduttori Spa, Bonfiglioli Getriebe GmbH and Bonfiglioli Transmissions (Pvt) Ltd.

Castings: Castings for WTGs are purchased from several suppliers in India, in each case on a purchase order basis. Castings are also sourced from China from Jiangyin Jixin Machinery Company Limited and Zhejiang Jiali.

As part of its strategy to take control and/or build relationships with the suppliers of its key components for WTGs, the Group may from time to time evaluate the feasibility of entering into similar joint venture agreements with partners that have developed expertise in the manufacture of key WTG components.

Competition

The WTG market is characterised by strong concentration among a small group of manufacturers. For the year ended December 31, 2008, The Top 10 of the world's roughly 20 suppliers of wind turbines are responsible for more than 84 per cent. of total supply in the global market, including the Group. The Group's primary competitors are the Danish manufacturers, Vestas Wind Systems A/S and Bonus Energy (which was acquired by Siemens), the U.S. manufacturer G.E. Wind (which acquired the WTG manufacturer Enron Wind Corp.), Spanish manufacturer Gamesa Eólica and the German companies Enercon GmbH, Nordex AG and REpower (See "— REpower Systems AG"). Based on annual installed capacity during 2008, the Group's (excluding REpower) market share is 9 per cent. (Source: BTM Report 2009).

In the Indian market, the Group's primary competitors include Indian subsidiaries of Vestas Wind Systems A/S and Enercon GmbH, Southern Windfarms and Vestas R.R.B India Ltd. Group (excluding REpower) holds 47% of India market. (Source: BTM Report 2009)

Although the Group has recently acquired REpower, it will remain a competitor of REpower in key markets, including Europe and the United States, unless and until the Domination Agreement is signed by the Company. See "— Acquisition of REpower".

Research and Development

The Group places great emphasis on continued research and development and undertakes its research and development activities primarily through its 100 per cent. owned subsidiaries, SEG and SBT. For more details, see "The Company's Subsidiaries and the Affiliated Companies". The Group (excluding Repower and Hansen) intends to invest significant resources into research and development during the next five years.)It has taken initiatives towards upgrading and increasing the cost-efficiency of its existing WTG models and designing, developing and stabilising new models to optimally extract energy from the wind.

Specifically, the Company has undertaken investments in the following areas of research: (i) aerodynamic performance enhancements; (ii) development of turbine variants for local markets; (iii) increasing reliability and automated operations; and (iv) continued initiatives on innovation projects.

Suzlon has established dedicated centres for gearbox technology in Belgium, technology innovation in Denmark, process engineering in India, aerodynamic development in the Netherlands, and composite wind turbine technology in Germany. The Company has also invested into a new innovation centre in Europe. The Company has also established RETC, as a 50:50 joint venture between the Company's subsidiaries, SEDT and REpower Systems AG, which aims to co-operate strategically in the field of research and technical training in wind energy for the future.

Intellectual Property Rights and Technical Know-How

The Group believes that securing patent and other intellectual property protection in respect of its technology is important to its business and that its future performance will depend in part on its ability to obtain and maintain patents, to maintain confidential information and trade secrets and to avoid infringing third party intellectual property rights. The technology used by the Group is protected through a combination of intellectual property rights owned by the Group, such as patents and trademarks, and procedures regarding confidential information.

The Group has been granted a trademark for the Suzlon circle logo and WTG illustration. As at March 31, 2009, the Company held six German patent applications, two valid German utility models, one European patent application and three worldwide patent applications according to the Patent Corporation Treaty ("PCT").

The Group is entitled to apply for registration of its product designs under the intellectual property laws of various countries. Other than in relation to Hansen, the Group has only made a limited number of applications for registration of any patents. As a result, its employment contracts, particularly those with certain of its employees who have special technical knowledge about its WTGs or its business, contain a general confidentiality undertaking. For employees of the Company's research and development subsidiaries, the confidentiality undertaking extends for a specified period following the termination of employment. In addition to the confidentiality provisions, these employment agreements often contain non-competition clauses.

The Group also requires suppliers of key components to enter into non-disclosure arrangements to limit access to and distribution of its proprietary and confidential information.

Insurance Coverage

The Group has insurance coverage, including for business interruptions, which the Group considers reasonably sufficient to cover all normal risks associated with its operations and which it believes is in accordance with industry standards in India. The Group maintains insurance coverage on all its office premises and its manufacturing units against fire, earthquake and certain other risks. In addition, the Group maintains transit insurance for the transport by rail or by road of all incoming raw materials and outgoing goods to and from locations in India and transit insurance for the transport by sea or by air for all incoming raw materials and outgoing goods from outside India to within India. This transit insurance includes damages that may be caused due to contingencies such as inland transit strikes, riots and civil commotion. The Group is in the process of taking insurance cover during the installation of WTGs in Maharashtra, Gujarat, Rajasthan and Madhya Pradesh. In the case of overseas marketing subsidiaries (subsidiaries of Suzlon Energies A/S, Denmark) the erection is covered under an Erection All Risks ("EAR") policy for the period of erection subject to a specified termination date. If the owner / buyer is executing the erection works, the coverage is limited to cover in relation to the activities provided by the Company, such as supervision, testing or commissioning. It also includes a full 24-month extended maintenance cover from the Take-Over-Certificate (the "TOC") date for any damages after the TOC date due to an incidence occurring during the erection period (excluding, however, the defective part itself) or damages after the TOC date when repairing any defects from the construction period. However, warranty claims and repair costs of goods sold are not covered.

All of the Group's insurance relating to office premises and manufacturing units in India and relating to the transit of goods contain "Agreed Bank Clauses" which provide that any payments made under such policies are made to certain banks and financial institutions that have provided financing for the same.

The Group maintains insurance against any claim that may be made against each of its Directors and officers in their capacity as Directors while acting in that capacity.

The Group's insurance policies are generally for terms of one year.

Human Resources

The Group believes that a combination of its position as a leading wind energy solutions provider, its working environment and competitive compensation programmes allow it to attract and retain talented people. In line with its human resource strategy, the Group has also implemented various initiatives in order to build better organisational capability that the Group believes will enable it to sustain competitiveness in the global market. The Group believes its relationship with its employees is generally good. However, in the past the Group has occasionally experienced work stoppages of production facilities as a result of labour issues. In addition, there is currently a dispute with a past employee of SBT over the non-payment of certain incentives. See "Legal Proceedings" for further details. Other than the employees at the Group's centres at Pondicherry and Satara and those employed by Hansen and REpower, none of its employees belongs to a union.

The following table shows the number of people employed by the Group (excluding Repower and Hansen):

	As at		
	31 March, 2007	31 March, 2008	31 March, 2009
Total number of employees	6,980	9,428	13,093

The Group's compensation policy is performance based and the Group believes it is competitive with industry standards. The Group's compensation packages are generally adjusted annually based on industry salary correction, compensation surveys and individual performance. From time to time, employees who have met or exceeded performance standards are awarded bonuses. The Group also awards long-service bonuses to employees who have completed at least five years of service.

The Group provides residential, medical, recreational and communications facilities, as part of the wind farm infrastructure, for employees forming part of the Group's O&M teams and who are based in remote wind farm sites,.

The Company has instituted a stock option plan to reward and help retain its employees and to enable them to participate in the Group's future growth and financial success. The stock option plan includes provision for the grant of options to employees of the Company and its subsidiaries (except the Company's subsidiaries in the United States). The Company has granted 921,000 options (subsequently adjusted to 4,605,000 options on account of Share split) under the terms of the ESOP-2005 and 103,900 options (subsequently adjusted to 519,500 options on account of share split) under the terms of the ESOP-2006 and 1,878,000 options under the terms of the ESOP-2007, which may be exercised by eligible employees and its subsidiaries within a period of five years from the date of their respective first vesting. Additionally, the Shareholders of the Company have also approved the Special ESOP-2007, however no options have yet been granted under the Special ESOP-2007.

The Group provides all its employees in India with group personal accident and life insurance. The Group also provides medical insurance coverage for all employees in India, including self, spouse and dependent children. The Company has also taken "key man" insurance for two of its directors.

Real Estate and Real Property

The Group's corporate headquarters is currently located at the Godrej Millenium, 5th Floor, 9, Koregaon Park Road, Pune 411 001. However, the Group constructed a new Indian headquarters in Pune during 2009 at an estimated total development cost (including land) of approximately Rs.3,600 million. The Group expects to occupy these premises during the course of this year. The Group's manufacturing facilities are located at Maharashtra, Gujarat, Diu, Daman, Karnataka, Tamil Nadu and Pondicherry (India) and in Trampe, Husum (Germany), Tianjin (China), Minnesota (United States), Edegem and Lommel (Belgium).

The Group has approximately 15 properties located across India that it uses for the purpose of its factories and units, out of which 10 are owned by the Group and five are leased. There are approximately 120 properties located across India that the Group uses as office premises or storage facilities, of which approximately 20 are owned by the Group and approximately 100 are leased. The Group owns the properties located in Germany, China, United States and Belgium that it uses for the purpose of its factories and other units. Further, the Group has approximately 45 leased international offices across the world. Additionally, the Group has leased approximately 23 properties across India for the purposes of wind farms and the Group leases properties across India and outside India for the purpose of temporary accommodation for its employees.

Safety, Health and Environmental Regulation

The Group is subject to extensive, evolving and increasingly stringent occupational safety, health and environmental laws and regulations governing its manufacturing processes and facilities. Such laws and regulations address, among other things, air emissions (particularly volatile organic compounds), waste water discharges, the generation, handling, storage, transportation, treatment and disposal of chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. The Group has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Group has made and expects to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. While the Group believes it is in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless give rise to liabilities to the Indian Government or the relevant State Governments and Union Territories or the relevant authorities in Germany, China, the United States or Belgium where the Group's manufacturing facilities are located. In addition, the Group may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

The Group is committed to maintaining a safe and healthy working environment. The Group has also been awarded an across-the-company single Integrated Management System (ISO: 9001, ISO: 14001 & OHSAS:18001) certification as an umbrella concept. This has replaced the independent company certifications of the different segments leading to synergising the supply chain, and bringing all manufacturing business units under a single certification programme. The Group also has a dedicated, qualified, experienced internal audit team for assessing and evaluating the quality, environment and safety ("QES") management system performance.

Corporate Social Responsibility ("CSR")

The Promoter Group has specially formed "Suzlon Foundation", a non-profit company under Section 25 of the Companies Act, to facilitate inclusive development throughout the Group's business operations. It is determined to go beyond charitable and philanthropic acts. The Suzlon Foundation considers issues such as making money in a responsible way, looking at the Group's business cycle as a whole, and planning inclusive development to guarantee the future of the Group's business. Using the five essential capitals of good business — financial, natural, social, human and physical capital — Suzlon seeks to minimise the negative impacts of its business and promote the positive impacts through sustaining the environment, the community and its business simultaneously. Thus CSR is an integral process and not something that is done in addition to business at Suzlon. Suzlon has identified three levels of CSR: transformative projects to develop the Group's business practices internally; responsive projects to react to impacts and opportunities in the communities in which the Group operates; and proactive projects to address global issues beyond the Group's business.

Product Warranties

The Group provides its customers with various types of warranties and guarantees. These includes free operations and maintenance warranty and performance guarantees, based (a) on the percentage of time (generally 95 to 97 per cent.) per year that a WTG will be available i.e machine availability and / or (b) an absolute unit guarantee on the minimum number of units of electricity that will be generated by the WTG, subject to grid availability (although regardless of fluctuations in wind speed) and / or (c) a power curve guarantee pursuant to which it warrants that a WTG will produce a specified number of units of electricity at different wind speeds. Until March 2007, the Group provided absolute unit guarantees to most of its WTG customers in India. Since March 2007, the Group has been providing absolute unit guarantees on a case-by-case basis. For the Fiscal Years 2009, 2008 and 2007, the Group paid customers Rs.5,953.84 million, Rs.1,332.25 million and Rs.632.31 million, respectively, arising from performance guarantee claims.

The Company has faced certain issues with residents of Dhule and Sangli in Maharashtra, India resulting in disruption of the smooth operations of WTG in these regions, which have in turn resulted in a generation shortfall below the guaranteed generation amounts. The Company has incurred Rs.654.60 million towards restoration costs of these WTGs in Fiscal Year 2008. The generation guarantee liability for the WTGs installed in the regions of Dhule and Sangli has been computed taking into account the events of force majeure and is based on the best estimates of the management.

The Company has announced a retrofit programme to resolve blade crack issues noticed in some of its S88 turbines in the United States and Portugal. The retrofit programme involves the structural strengthening of blades on S88 (2.1MW) turbines. The retrofit programme will be carried out by maintaining a rolling stock of temporary replacement blades to minimise the downtime for operational turbines. In the Fiscal Year 2008 the company made a provision of Rs.1,217.09 million and in Fiscal Year 2009 the company made a provision of Rs.2,215.89 million.

Related Party Transactions

The Group has in the past engaged, and is likely in the future to engage, in transactions with related parties. The Group believes that all transactions with related parties are on terms no less favourable to it than could have been obtained from unaffiliated third parties on an arm's length basis. For details of the Group's related party transactions, see the notes to the Company's financial statements included elsewhere in this Offering Circular.

REpower Systems AG

Acquisition of REpower

The Company indirectly holds 100 per cent. of the shares of SWG (as at March 31, 2009), which was set up as a joint venture vehicle between the Company and Martifer for the acquisition of shares of REpower, a German wind turbine producer.

On February 9, 2007, SWE, announced its intention for a tender offer for the entire outstanding share capital of REpower. The REpower Offer was submitted on February 27, 2007. Following the completion of the REpower Offer, the Company held indirectly 33.85 per cent. as at June 6, 2007 of REpower's share capital through its subsidiaries SWE, and SEDT. The Group has paid approximately €453 million for the aggregate number of REpower shares purchased or subscribed during the REpower Offer. The acquisition of the REpower shares was financed by certain tranches of the Acquisition Facility. The Acquisition Facility was refinanced in part from the proceeds of the issue of FCCBs and an issue of equity shares in the Fiscal Year 2008.

The offer by SWE, for all shares in REpower was a competing offer against a previous public offer announced by Société de Participation du Commissaria a L'Energie Atomique ("AREVA"). However, AREVA abandoned the competing bidding process and entered into a co-operation agreement ("Co-operation Agreement") with the Company and SEDT. AREVA at this point in time held 29.9 per cent. of REpower's share capital and under the Co-operation Agreement committed to vote in accordance with the Company's directions subject to customary minority protection. To accelerate the originally agreed acquisition mechanisms under the Co-operation Agreement, the Company, SEDT and AREVA entered into a share purchase agreement dated June 5, 2008 for the acquisition of AREVA's stake in REpower. This share purchase agreement has been fully closed and there are no outstanding obligations thereunder.

Martifer originally held directly and indirectly through its 100 per cent. owned subsidiary RPW Investments 25.4 per cent. of REpower's shares. On February 9, 2007, SWE, SEDT, Martifer, RPW Investments and the Company entered into a takeover, shareholders' and pooling agreement ("Takeover Agreement"). The main purpose of the Takeover Agreement was (i) to agree on the major terms and conditions of the REpower Offer; and (ii) the reciprocal relations following the completion of the offer. Subsequently, the parties entered into three Amendment Agreements which are dated March 2, 2007, August 29, 2008 and December 15, 2008, respectively. The transfer of the shares thereunder is made in three tranches against a total consideration of approximately €270 million. The first tranche of €65 Million was paid in December 2008, thereby increasing its effective holding in REpower to 73.65 per cent. as at March 31, 2009. Post March 31, 2009 , the second tranche of €30 million and the third tranche of €175 million have been paid and consequently the Company's effective holding in REpower is now 90.72 per cent.

See "Risk Factors — Risks relating to REpower — The management of REpower is not bound to follow the directions of the Company".

Group's intentions for REpower

The Executive Board and Supervisory Board of REpower see opportunities to establish a worldwide group for the development and production of WTGs in conjunction with the Group, thereby taking advantage of additional business opportunities. Further, they have stated that the two companies have strengths in different geographical regions which are expected to make synergies possible. In addition, the Group intends to support REpower by supplying certain components. The Group has also stated that:

The Group intends to expand its existing technology activities in Germany, where most of the Group's R&D activities are already located. For this purpose, the Group, together with REpower, has established a global technology centre for wind power in Hamburg, Germany called RETC. See "Business — Research and Development".

The Group intends to build up a strong partnership and cooperation with REpower and its subsidiaries.

The Group intends to support the development of REpower by assisting the management in further strengthening its marketing and supply chain team. For example, the Group believes that a shift of sourcing in REpower's supply chain from partially low cost manufacturing centre and the Group's supply chain linkages to components such as rotor blades, gear boxes generators, control panels, forging and casting parts and converters, will enable REpower to accelerate its volumes and improve on its margins.

REpower's business

REpower is currently one of the leading WTG producers in the German wind energy sector. REpower focuses on the development, licensing, assembly, installation and service of multi-MW WTGs. REpower was founded in 2001 following the merger of BWU-Brandenburgische Wind und Umwelttechnologien GmbH, Jacobs Energie GmbH and pro + pro Energiesysteme GmbH & Ko. KG and is a stock corporation under German law with registered seat in Hamburg, registered with the commercial register at the local court of Hamburg under HRB 75543.

For the calendar year ended December 31, 2008, REpower was the third largest manufacturer of WTGs in Germany by market share. REpower also has a presence in many of the major growth markets for wind energy in Europe (France, Portugal, Italy, Spain, the UK and Greece) and the United States, in addition to Asia (including Japan, China and India) and Australia. In the period from January 1, 2007 to December 31, 2007, REpower installed and recognised income from 636 WTGs with a total output of 1,297.50 MW.

During the Fiscal Year 2009, REpower installed or delivered 613 WTGs corresponding to a total capacity of 1,253.3 MW and sales of €1,209 million. The breakdown of sales by WTG type for the Fiscal Year 2009 is set out below:

	For the Fiscal Year 2009	
WTG Type	**Number**	**MW**
6 M	2	12.0
5 M	6	30.0
3.XM	1	3.3
MM92	358	716.0
MM82	242	484.0
MM70	4	8.0
MD77	—	—
MD70	—	—
Total	**613**	**1,253.3**

As at March 31, 2009, REpower's order backlog stood at 620 WTGs with a total rated power of 1,317.3 MW; as compared with 696 WTGs and a total output of 1,419 MW as at March 31, 2008. The orders correspond to a potential value of approximately €1,500 million. The breakdown of the order book by WTG Type at March 31, 2009 is set out below:

	As at March 31, 2009	
WTG Type	**Number**	**MW**
6 M	1	6.0
5 M	24	120.0
3.XM	1	3.3
MM92	411	822.0
MM82	183	366.0
MD70	—	—
MD77	—	—
Total	**620**	**1,317.3**

REpower's products and services

Unlike Suzlon, REpower historically has not manufactured the key components of its WTGs, such as towers and rotor blades. It maintains research and design control over key components and has strong relationships with third party suppliers who manufacture the key components to REpower's specifications. As a result, REpower has historically been dependent on these component suppliers. This was evident in the first half of 2007 where, due to a global shortage in certain components (such as gearboxes), delays in the delivery of components resulted in delays in the installation and completion of WTGs. The Group expects that its investment in REpower will improve the availability of key components to REpower, due to improved relationships with suppliers and sourcing of select components from the Group. REpower has recently begun designing and producing its own rotor blades for a number of its WTGs.

REpower's product range comprises several models of WTGs, ranging from outputs of 1.50 MW to 6 MW. REpower also specialises in offshore WTGs.

Type	Rated Power	Rotor Diameter	Power Control	Speed	Range of Application
6 M*	—	—	—	—	—
5 M	5.0 MW	126.0m	Pitch (electrical)	Variable	Onshore/Offshore
MM92	2.0 MW	92.5m	Pitch (electrical)	Variable	Onshore
3.XM*	3.3 MW	104.0m	Pitch (electrical)	Variable	Onshore
MM82	2.0 MW	82.0m	Pitch (electrical)	Variable	Onshore
MD70	2.0 MW	70.0m	Pitch (electrical)	Variable	Onshore
MD77	1.5 MW	76.5m	Pitch (electrical)	Variable	Onshore

* Under development; currently in testing phase

REpower has recently announced that it has completed the assembly of its first three 6 MW WTGs, which are currently undergoing a comprehensive testing programme and further checks required for certification.

REpower intends to expand its offshore capabilities through its 5 MW and 6 MW WTGs. The Group expects that the offshore sector is an area where REpower's advanced technology and quality products can be best utilised. Therefore, it expects offshore WTG sales to contribute a greater proportion to REpower's overall WTG sales in the future.

A focus on design and quality control at all stages of the development and assembly process is of key importance to REpower's business. The output of REpower's WTGs for similar rated models is greater than that of some of its competitors. According to REpower's management, WTGs have historically satisfied quality controls and power generation specifications. In addition, there have been no material claims by customers under the operating availability or power curve guarantees provided by REpower on all of its WTGs.

REpower undertakes the construction of windparks, including all of the necessary construction requirements for infrastructure, the planning and realisation of the network connection, the design and development of the electrical network technology, construction requirements for the infrastructure and, in some cases, the evaluation of the potential location and the configuration of the windpark.

REpower also provides a range of services in relation to its WTGs including technical maintenance and 24-hour remote monitoring. All of REpower's WTGs in Germany are connected to the "Permanent Monitoring System" which enables remote monitoring of all facilities from the service headquarters in Husum, Germany. REpower has established a network of service locations throughout Germany to provide effective service to wind farm sites. REpower's logistics system allows it to source the necessary spare parts and components and to install them on site at short notice.

REpower is not generally involved in land acquisition or wind farm development activities.

Production facilities

In Germany, REpower has existing production facilities in the port of Husum and the city of Trampe. It also operates development centres in Osnabrück and Rendsburg. REpower has started production of its 5 MW offshore WTGs in two new production facilities at Bremerhaven and Osterrönfeld.

Due to the large size of the 5 MW WTGs, transportation of completed WTGs can be expensive and cause logistical problems. REpower usually engages third-party contractors for the transportation of WTGs within Germany and overseas. In addition, REpower also uses mobile production sites for the assembly of its 5 MW WTGs. It is currently operating a mobile production site in Buttel, Germany for the construction of 5 MW WTGs for a wind farm on the site.

Outside of Germany, REpower has production facilities in China (operated by its joint venture REpower North (China) Co). REpower is currently planning to establish an assembly facility in Portugal as a consortium headed by Galp Energia and REpower won a bid for a government tender in Portugal to provide a wind energy project with a projected capacity of 500MW.

REpower as at March 31, 2009 had a manufacturing capacity of 1,250 MW per annum, and intends to expand its manufacturing capacity by approximately 450 MW by Fiscal Year 2010.

Sales and marketing

REpower operates its sales and marketing division through decentralised teams in its key markets. Numerous subsidiaries and Affiliated Companies in France, Spain, Italy, UK, Portugal, Greece, Australia, China and the United States represent REpower in the international markets. In China, REpower is also represented through its licensees Zhejiang Windey Engineering Ltd. and Dongfang Steam Turbine Works and, in Japan, through its sales partner Meiden (See "REpower's subsidiaries, joint ventures and partners" below).

Customers

REpower has a limited number of customers, which typically include utilities and power companies. Long term relationships exist with most of its major customers. Purchase agreements with customers typically include the provision of WTGs over a number of years. Framework agreements entered into with customers commit them to accept a certain number of WTGs within certain timeframes. Under the framework agreements, REpower commits to providing such WTGs at an agreed price. Details for specific projects and the required WTG specifications must then be notified to REpower within time periods specified in the framework agreement. Only notified projects are included in REpower's order book and not the capacity included in the framework agreements.

Suppliers and inputs

REpower attempts to retain at least three different suppliers for each key component. Long term relationships have been developed with key suppliers. As REpower undertakes all R&D, suppliers plan and cooperate with REpower to produce components at the required specifications. Before REpower enters into any supply arrangements with new suppliers, extensive testing and quality control is undertaken.

Some suppliers include price escalation clauses in their supply contracts. Where possible, price increases are passed on through price escalation clauses in purchase agreements with customers. However, REpower is not fully protected from price increases in key inputs.

As with Suzlon, key components for REpower's assembly process include rotor blades, generators, gearboxes, control panels and towers. Recently, WTG suppliers, including Suzlon and REpower, have experienced supply shortages of certain key components such as WTG towers and gearboxes due to the inability of component suppliers to match the demand. In certain instances, this has also led to delay in supplying and commissioning of WTGs which delays the timing of booking of sales. This occurred to REpower in the first half of 2007 where delays in the delivery of key WTG components resulted in delays in the installation and completion of WTGs.

During 2009, Suzlon shall commence supplying rotor blades to REpower from its facilities in India and China.

Competition

REpower's primary competitors are the same as those for Suzlon and include Vestas Wind Systems A/S, G.E. Wind, Gamesa Eolica, Enercon GmbH and Nordex AG. The Group expects REpower to continue to compete directly with Suzlon in some key markets, including Europe and the United States unless it is decided in the future that a Domination Agreement will be executed.

Research and Development

R&D is a core part of REpower's business. REpower believes one of its strengths is its advanced WTG technology. In order to maintain this advantage, R&D is focused on improving power and efficiency of the existing WTGs and, in particular, improving and expanding REpower's offshore capabilities.

RETC has been established as a global technology centre for wind power in Hamburg. As at March 31, 2009, the Company's subsidiaries, SEDT and REpower each had an equal 50 per cent. ownership interest in RETC. RETC does not include the transfer of any existing technology or knowledge from any of the Company's subsidiaries and there is currently no specific product development planned. It is expected that RETC will undertake advanced research on specific areas of WTG materials, construction and operations. RETC aims to develop innovative technology that will influence the next generation of wind turbines. Among other things, RETC aims to undertake strategic development in the field of research and technical training in the future. Orders for research will be placed by either REpower or Suzlon and will be paid for by the requesting party.

Intellectual Property Rights

Securing patent and other intellectual property protection in respect of its technology is important to the Group's business and that its future performance will depend in part on its ability to obtain and maintain patents, to maintain confidential information and trade secrets, and to avoid infringing third party intellectual property rights. The technology used by REpower is protected through a combination of intellectual property rights that it owns, such as patents and trademarks, and procedures regarding confidential information. REpower is not currently involved in any disputes, nor is it aware of any pending action against it, relating to intellectual property disputes.

The technologies developed by REpower are also offered as licensed products. License agreements exist for the 1.5 MW WTGs (models MD7O and MD77) as well as for the smaller 48/600 and 48/750 model WTGs, with the following licensing parties:

Licensor	Model	Location	Exclusivity	Term
Fuhrländer AG, Waigandsheim/ Westerwald	MD7O/MD77	Germany, Italy, Spain, Portugal, Brazil	No	Unlimited
Sudwind Energy GmbH (Nordex Gruppe), Norderstedt	MD7O/MD77	Worldwide (with the exception of France, Luxembourg, Belgium and Japan)	No	Unlimited
Goldwind Science & Technology Stock & Co., China	48/600, 48/750	China	No	Unlimited
Zhejang Windey Technology Co., China	48/600, 48/750	China	No	Unlimited
Dongfang Steam Turbine Works, China	MD7O/MD77	China	No	Unlimited
Essar Group, India	MD77	India, Maldives	Yes	Until 2017

Human resources

REpower has offices in Germany in the cities of Hamburg, Rendsburg, Husum, Osnabrück and Trampe. Subsidiaries and Affiliated Companies in France, Spain, UK, Greece, Australia, China, Portugal, Italy and other countries represent REpower in the international markets.

REpower's relationship with its employees is good with a low turnover of staff and no incidences of employee strikes or work stoppages.

Litigation

Neither REpower nor any of its subsidiaries is a party to, and none of their respective property is subject to, any pending legal proceedings which the REpower considers to be potentially material to its business.

REpower's Share Capital and Management

On March 31, 2009, the share capital (*Grundkapital*) of REpower as stated in the commercial register amounted to €9,177,039 and was divided into 9,177,039 non-par-value bearer common shares (*Inhaber-Stammaktien*) with a calculated value in the share capital (*rechnerischer Anteil am Grundkapital*) of €1.00 per share.

REpower shares are traded in the regulated market (*Geregelter Markt*) in the sub-sector Prime Standard at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) under securities identification code ISIN DE0006 177033 and over-the-counter (*Freiverkehr*) at the stock exchanges in Munich, Berlin, Düsseldorf, Hamburg, Hannover and Stuttgart.

Members of the management board of REpower are currently Per Hornung Pedersen (CEO), Pieter Wasmuth (CFO), Matthias Schubert (CTO) and Lars Rytter Kristensen (CSCO).

Members of the supervisory board of REpower are currently Tulsi R. Tanti (Chairman), Dr. Christof Maria Fritzen, Girish Tanti, Kai Trede, Kirtikant Vagadia and Alf Trede.

The supervisory board of REpower is subject to employee co-determination according to the One-Third Participation Act (*Drittelbeteiligungsgesetz*), according to which one third of the supervisory board members of REpower are elected by the employees, whereas the other two thirds are elected by the shareholders at the general meeting of REpower.

REpower's Recent Announcements

Some recent developments relating to REpower include the following:

April 17, 2009: REpower announced the addition of the 6M turbine to its product portfolio. The 6M is designed for operation with a continuous power output of 6,150 kilowatts.

May 26, 2009: REpower announced that it had signed an agreement with a consortium of banks for a syndicated loan of €600 million. In total, twelve German and international banks and loan insurance companies participated in the syndicate. €500 million of the loan proceeds are to be used for the provision of warranties and guarantees, and the remaining €100 million is to be used for working capital purposes.

June 16, 2009: REpower announced that it had inaugurated the first of two planned wind farms in Rzeszow, near Krakow, in south east Poland. The project is a collaboration with international project developer Martifer Renewables, a subsidiary of the Portuguese Martifer Group. The project comprises five REpower MM92 turbines, each with a rated output of two megawatts. The total generation capacity of the project is 10 megawatts.

July 1, 2009: REpower announced that it had signed an agreement with Valorem, a French wind farm developer, regarding the supply and construction of 21 wind turbines. The REpower MM92 turbines are intended for five wind farm projects in the Vendée and Loire Atlantique regions in the west of France, and are to be supplied and erected between March and June 2010.

REpower's Subsidiaries, Joint Ventures and Partners

As at March 31, 2009, REpower's subsidiaries which were consolidated in the Company's audited consolidated condensed financial statements for the year ended March 31, 2009 were:

	REpower Share in the Nominal Capital (Per cent.)
Sales Corporations	
REpower Espana S.L., Madrid, Spain	100
REpower S.A.S., Courbevoie, France	100
REpower Wind Systems, Beijing, People's Republic of China	100
REpower Italia SRL., Mailand, Italy	100
REpower Australia Pty. Ltd., Melbourne, Australia	100
REpower Diekat S.A., Athens, Greece	60
REpower UK Ltd., Edinburgh, U.K.	67
REpower USA Corp., Portland/Oregon, U.S.	100
REpower Canada Inc., Montreal, Canada	100
REpower Benelux b.v.b.a., Brussels, Belgium	100
REpower Wind Systems Trading (China) Ltd	100
PowerBlades SA, Olivera des Frades, Portugal	90

	Group Share in the Nominal Capital (Per cent.)
Production and services companies	
PowerBlades GmbH, Bremerhaven, Germany:	51
WEL Windenergie Logistik GmbH; Schloß Holte-Stukenbrock, Germany:	100
Project Companies	
REpower Betriebs-und Beteiligungs GmbH, Rendsburg, Germany:	100
REpower Investitions-und Projektierungs GmbH & Co. KG, Rendsburg, Germany:	100

Joint ventures in which REpower is currently involved include:

- REpower North (China) Co. Ltd is a joint venture established with North Heavy Industry Corporation and Honiton Energy in which REpower holds 50.01 per cent. It is based in Baotou, China and has been established to take advantage of wind farm opportunities in China.

- REpower and Suzlon have established RETC, a global technology centre for wind power in Hamburg. See "— Research and Development"

- REpower Portugal — Sistemas eolicos, S.A. was founded in June 2005 and is a joint venture between REpower and Martifer. Both companies possess 50 per cent. of the shares in REpower Portugal. REpower Portugal's operations will involve the construction and marketing of WTGs. The joint venture is headquartered in Portugal in the city of Oliveira de Frades near Porto.

REpower also has a number of partners outside Europe who sell REpower's technology in their domestic markets with a number of them also producing REpower WTGs under license. Key partners include:

- Meiden — a blue chip company in the Japanese electrical engineering sector which operates in four main areas: energy, the environment, IT and industrial systems. It markets REpower's multi-MW technology in Japan.

- Zhejiang WINDEY Engineering Ltd. — a Chinese company formed by Zhejiang Institute of Mechanical & Electrical Engineering and Zhejiang Mech & Ele Group Ltd. Its business activities include production under licence and the sale of some of REpower's WTGs, plus technical development, erection and after-sales service.

- Dongfang Steam Turbine Works — one of the leading Chinese manufacturers of steam and gas turbines. In November 2004, a licence agreement was entered into between Dongfang Steam Turbine Works and REpower for the production of certain WTGs.
- The Essar Group — one of India's largest industrial enterprises that operates mainly in the steel production, construction and power-plant construction industries. A licence agreement was entered into in 2006 which enables the Essar Group to produce REpower's 1.5 MW technology in India.

REpower's Recent Reported Financial Performance

REpower's fiscal year used to be from January 1 until December 31. However, at the Extraordinary General Meeting of REpower which took place on October 17, 2007, its shareholders resolved to change the fiscal year end date from December 31 to March 31. As a result, the three-month period from January 1, 2008 to March 31, 2008 has been audited.

The Group's consolidated financial statements for the Fiscal Year 2009 incorporates the financials of REpower.

THE COMPANY'S SUBSIDIARIES AND THE AFFILIATED COMPANIES

The following discussion contains brief details about the Company's subsidiaries and the Affiliated Companies. For the purpose of brevity, only material subsidiaries and Affiliated Companies are discussed in the following sections.[(1)]

Shareholdings set out in these sections are as at 31 March 2009.

Domestic Subsidiaries

SISL, a 100 per cent. owned subsidiary of the Company, was incorporated on July 27, 1998 in the state of Gujarat. The registered office of SISL is presently situated in the state of Maharashtra. It is engaged in the business of providing O&M services for WTGs and also infrastructure development, civil foundation, erection, installation and commissioning of WTGs and manufacturing of transformers. SISL recorded turnover of Rs.10,263.55 million for the Fiscal Year 2009, an decrease of 1 per cent. compared to Rs.10,386.74 million for the Fiscal Year 2008. After providing for tax, SISL recorded a profit of Rs.30.36 million in the Fiscal Year 2009 against a loss of Rs.419.64 million in the Fiscal Year 2008.

STSL, a 100 per cent. owned subsidiary of the Company, was incorporated on January 25, 2000 in the state of Gujarat. It is engaged in the business of independent power projects and manufacturing and dealing in tubular towers for WTGs. STSL recorded turnover of Rs.6,758.11 million for the Fiscal Year 2009, an decrease of 13 per cent. compared to Rs.7,7738.00 million for the Fiscal Year 2008. After providing for tax, STSL recorded a profit of Rs.197.86 million in the Fiscal Year 2008 against a profit of Rs.679.92 million in the Fiscal Year 2008, an decrease of 71 per cent.

Suzlon Generators, a subsidiary of the Company, was incorporated on April 29, 2004 in the state of Maharashtra. Suzlon Generators is a joint venture between the Company and Elin, in which the Company owns 75 per cent. of the equity. It is engaged in the business of manufacturing generators for WTGs. Suzlon Generators recorded turnover of Rs.2,189.97 million for the Fiscal Year 2009, an increase of 7 per cent. compared to Rs.2,046.58 million for the Fiscal Year 2008. After providing for tax, Suzlon Generators recorded a profit of Rs.36.30 million in the Fiscal Year 2009 against a profit of Rs.51.33 million in the Fiscal Year 2008, a decrease of 29 per cent.

Suzlon Structures, a subsidiary of the Company, was incorporated on May 25, 2004 in the state of Gujarat. Suzlon Structures is a joint venture between the Company and the Kalthia Group in which the Company owns 75 per cent. of the equity. It is engaged in the business of designing and manufacturing tubular towers. Day-to-day operations are the responsibility of the Kalthia Group, but overall control rests with the Group. Suzlon Structures recorded turnover of Rs.5,873.64 million for the Fiscal Year 2009, an increase of 14 per cent. compared to Rs.5,149.68 million for the Fiscal Year 2008. After providing for tax, Suzlon Structures recorded a loss of Rs.8.87 million in the Fiscal Year 2009 against a profit of Rs.170.39 million in the Fiscal Year 2008, an decrease of 105 per cent.

SGWPL, a 100 per cent. owned subsidiary of the Company, was incorporated on July 5, 2004 in the state of Gujarat. It is engaged in the business of development of wind farm projects, including the acquisition of land for setting up wind farms and power evacuation facilities. SGWPL recorded turnover of Rs.453.70 million for the Fiscal Year 2009, an decrease of 60 per cent. compared to Rs.1,132.31 million in the Fiscal Year 2008. After providing for tax, SGWPL recorded a loss of Rs.251.65 million in the Fiscal Year 2009 against a profit of Rs.259.44 million in the Fiscal Year 2008, an decrease of 197 per cent.

Suzlon Wind International Limited ("SWIL"), a 100 per cent. owned subsidiary of the Company, was incorporated on December 12, 2006 in the state of Karnataka. It is engaged in the business of manufacturing WTGs and commenced commercial production in September 2008. SWIL recorded turnover of Rs.15,930.54 million for the Fiscal Year 2009, compared to Rs.84.73 million in the Fiscal Year 2008. After providing for tax, SWIL recorded a profit of Rs.5,550.40 million in the Fiscal Year 2009 against a loss of Rs.9.82 million in the Fiscal Year 2008.

SE Electricals Limited ("SEEL") (formerly known as Suzlon Electricals International Limited), a 100 per cent. owned subsidiary of the Company, was incorporated on 12 December 2006 in the state of Karnataka. It is engaged in the business of manufacturing generators and control panels and commenced commercial production in September

(1) The amounts of turnover and profit/loss after providing for tax disclosed in this section are as per the statement pursuant to Section 212 (8) of the Companies Act. These amounts are as per the accounting policies of these subsidiaries as per their respective GAAPs and accordingly are before inter-company eliminations and before any adjustments that are required for alignment of accounting policies of these companies with that of the Group.

2008. SEEL recorded turnover of Rs.1,067.71 million for the Fiscal Year 2009. After providing for tax, SEEL recorded a profit of Rs.27.24 million in the Fiscal Year 2009.

SE Composites Limited ("SECL"), a 100 per cent. owned subsidiary of the Company, was incorporated on December 12, 2006 in the state of Karnataka. It is engaged in the business of manufacturing rotor blades and commenced commercial production in September 2008. SECL recorded turnover of Rs.3,762.91 million for the Fiscal Year 2009. After providing for tax, SECL recorded a profit of Rs.160.54 million in the Fiscal Year 2009.

Suzlon Power Infrastructure Limited ("SPIL"), a 100 per cent. owned subsidiary of the Company, was incorporated on June 10, 2004 in the state of Tamil Nadu. It is engaged in the business of building infrastructure for extracting and transmitting of power from wind power projects. SPIL recorded turnover of Rs.1,225.71 million for the Fiscal Year 2009, an increase of 149 per cent. compared to Rs.492.83 million for the Fiscal Year 2008. After providing for tax, SPIL recorded a profit of Rs.1.39 million in the Fiscal Year 2009 against loss of Rs.76.64 million in the Fiscal Year 2008. It has also made an application for a transmission license to the Gujarat Electricity Regulatory Commission.

SE Forge, a subsidiary of the Company, was incorporated on June 26, 2006 in the state of Gujarat. It is engaged in the business of forging and foundry. On October 17, 2008 SE Forge raised equity investment of Rs.4,000.00 million from IDFC Private Equity Fund III pursuant to a Shareholders' Agreement and Share Subscription Agreement dated September 27, 2008 entered into between SE Forge, SEL, Tulsi R. Tanti, Vinod R. Tanti, Jitendra R. Tanti and Girish R. Tanti (collectively the Sponsor Group) and the IDFC Private Equity Fund III. As at December 31, 2008, the Company holds 82.9 per cent. of the equity share capital of SE Forge. The Group has given SE Forge the objective of undertaking manufacturing and machining of large forging and casting products catering primarily to the wind power industry. The forging unit, set up in an SEZ near Vadodara, is expected to manufacture forged rings for WTGs, namely flanges for tubular towers, gear rim, ring gear for gearboxes and bearing rings which will be supplied to WTG and/or WTG component manufacturers. In phase one, the forging unit is establishing a capacity of approximately 42,000 rings per annum and can produce rings up to 5,000 mm diameter, 600 mm in height and 4 MT in weight. The facility is also suitable for manufacturing forged ring products for other industries like power, petrochemicals and material handling. SE Forge has also established a foundry unit in an SEZ near Coimbatore, the capacity of which is planned to be expanded up to 120,000 MT per annum. This unit will manufacture ductile iron castings of weights ranging from 1 to 25 MT per piece, though it can also produce castings of larger sizes. Initially serving the wind industry, the foundry unit will produce large castings like hub, rotor shaft, main frame and bearing housing used in manufacturing WTGs. The foundry unit also plans to cater to the needs of other industries like diesel engines, machine tools and engineering equipments. Both the foundry and the forging units of SE Forge started commercial production during the Fiscal Year 2009. SE Forge recorded turnover of Rs.171.82 million for the Fiscal Year 2009. After providing for tax, SE Forge recorded a loss of Rs.548.37 million in the Fiscal Year 2009 against a loss of Rs.82.10 million in the Fiscal Year 2008.

Research and Development Subsidiaries

AERH is a holding company of SBT, Suzlon Energy B.V. ("SEBV"), SEDT and Hansen. SBT is a 100 per cent. owned subsidiary of AERH incorporated on March 1, 2001 which is engaged in R&D activities relating to rotor blade technology, a critical component of WTGs, including the development of moulds and tooling used for rotor blade construction. SBT has developed designs for rotor blades for the Group's 0.60 MW, 1.25 MW, 1.5 MW and 2.10 MW WTGs and coordinates its activities with the Group's rotor blade manufacturing team in India. Moulds and prototypes for rotor blades are designed by SBT, which are then built by the Group's engineering teams in India and used in its manufacturing facilities. SBT provides on-line support to the Group's mould, rotor blade and nacelle cover manufacturing units in India and conducts various training programmes in the Netherlands and in India for the Group's employees. SEBV was incorporated on April 23, 2001 as a 100 per cent. owned subsidiary of AERH for the purpose of marketing the Group's WTGs in the Netherlands. On standalone basis, AERH recorded turnover of Rs.64.72 million for the Fiscal Year 2009, compared to Rs.Nil for the Fiscal Year 2008. After providing for tax, AERH recorded a profit of Rs.112.05 million in the Fiscal Year 2009 against a loss of Rs.2,603.11 million in the Fiscal Year 2008.

SEG, is a 100 per cent. owned subsidiary engaged in developing and launching new WTG models, as well as in upgrading and increasing the cost-efficiency of the Group's existing WTG models. The Group's SEG team developed the design for its sub-MW and multi-MW WTGs. SEG focuses on increasing energy generation at lower cost without sacrificing product quality. The Group has been able to develop and commercially manufacture its 0.60 MW, 1.25 MW, 1.50MW and 2.10MW WTG models through SEG. SEG is currently engaged in developing higher capacity, direct drive WTGs. SEG is also involved in customising the various WTG components to suit different climates. SEG is also involved in customising the various WTG components to suit variations in climate.

SEG recorded turnover of Rs.1,289.10 million for the Fiscal Year 2009, an increase of 80 per cent. compared to Rs.717.08 million for the Fiscal Year 2008. After providing for tax, SEG recorded a profit of Rs.42.83 million in the Fiscal Year 2009 against a loss of Rs.52.86 million in the Fiscal Year 2008.

SEG (into which SWK was merged in November 2008) is involved in the design and development of WTGs, including mechanical and electronic aspects of design and development. In addition, the Group has incorporated a 100 per cent. owned subsidiary in Germany, SEDT, as a R&D subsidiary for the design, development and manufacture of WTGs and WTG components. This company, although not currently active in research and development, is a holding and investment company and is the holding company of REpower.

REpower and Suzlon have established RETC, a global technology centre for wind power in Hamburg. See "Business — REpower Systems AG — Research and Development".

Overseas Managing and Demonstration Companies

AERH is a holding company of SBT, SEBV, SEDT and Eve Holding N.V., Belgium. Eve Holding N.V., Belgium was acquired as a 100 per cent. owned subsidiary on May 9, 2006 by AERH for a consideration of €431.43 million and was the holding company of Hansen. All the shares of Hansen have been transferred from Eve Holding N.V. to AERH and Eve Holding N.V. has been voluntarily liquidated. The Group has since October 2007, begun sourcing a limited part of its gearbox requirements from Hansen. Hansen ranks number one in the large size gearbox market.

Windpark Olsdorf Watt GmbH & Co., KG ("WOWG"), a joint venture between SEG and Suzlon Windpark Management GmbH ("SWMG"), is engaged in the business of setting-up and operating demonstration WTGs. WOWG was incorporated on September 3, 2002 in Germany. WOWG recorded turnover of Rs.20.68 million for the Fiscal Year 2009, a decrease of 27 per cent. compared to Rs.28.28 million for the Fiscal Year 2008. After providing for tax, WOWG recorded a profit of Rs.5.72 million in the Fiscal Year 2009 against a loss of Rs.46.88 million in the Fiscal Year 2008.

SWMG was incorporated as a 100 per cent. owned subsidiary on August 23, 2005 in Germany. This company has been incorporated to undertake the management of WOWG. SWMG has not recorded any turnover during the Fiscal Year 2009 or Fiscal Year 2008. After providing for tax, SWMG recorded a loss of Rs.0.21 million in the Fiscal Year 2009 against a loss of Rs.0.16 million in the Fiscal Year 2008.

Suzlon Energy Limited Mauritius ("SELM") was incorporated on March 17, 2006 as a 100 per cent. owned subsidiary, in Mauritius, to engage in the business of investment and holding as well providing turnkey solutions for the setting up of windfarm projects. SELM has not recorded any turnover during the Fiscal Year 2009 or Fiscal Year 2008 After providing for tax, SELM recorded a loss of Rs.541.61 million in the Fiscal Year 2009 against a loss of Rs.876.28 million in the Fiscal Year 2008.

Suzlon Wind Energy Limited ("SWEL") was incorporated in the United Kingdom, on April 7, 2006 as a 100 per cent. owned subsidiary of SELM, to engage in the business of investment and holding. SWEL has not recorded any turnover during the Fiscal Year 2009 or Fiscal Year 2008. After providing for tax, SWEL recorded a loss of Rs.2.48 million in the Fiscal Year 2009 against a profit of Rs.64.90 million in the Fiscal Year 2008.

Suzlon Windenergie GmbH ("SWE") was incorporated on 4 December 2006. It was acquired by the Group on 12 January 2007 and is 100 per cent. owned by SEDT. For more information, see "Business — REpower Systems AG". SWE has not recorded any turnover during the Fiscal Year 2009 or Fiscal Year 2008. After providing for tax, SWE recorded a profit of Rs.2.77 million in the Fiscal Year 2009 against a profit of Rs.2.81 million in the Fiscal Year 2008.

SEDT was incorporated on 16 July 2005 in Germany and is a 100 per cent. owned subsidiary of AERH. This company, although not currently active in research and development, is an investment and holding company and is the holding company of REpower. SEDT recorded turnover of Rs.13.83 million for the Fiscal Year 2009, compared to Rs.19.61 million for the Fiscal Year 2008. After providing for tax, SEDT recorded a loss of Rs.1,574.03 million in the Fiscal Year 2009 against a profit of Rs.54.09 million in the Fiscal Year 2008.

THBV was acquired by the Group in June 2008 as a 100 per cent. owned subsidiary of Suzlon Wind Energy Limited to engage in the business of investment and holding.

SNA was incorporated in Hong Kong and is a 100 per cent. owned subsidiary of Suzlon Denmark. SNA is an investment and holding company.

Overseas Manufacturing companies

Suzlon Rotor Corporation ("SRC"), was incorporated on August 10, 2005 as a 100 per cent. owned subsidiary, in the United States in order to reduce the logistics costs of supply of the Group's products to these markets. The company has commenced commercial operations of its manufacturing facilities for rotor blades in January 2007. SRC recorded turnover of Rs.3,202.22 million for the Fiscal Year 2009, an increase of 143 per cent. compared to Rs.1,316.22 million for the Fiscal Year 2008. After providing for tax, SRC recorded a profit of Rs.10.64 million in the Fiscal Year 2009 against loss of Rs.694.64 million in the Fiscal Year 2008.

Suzlon Energy Tianjin Limited ("SETL") was incorporated on January 4, 2006 as a 100 per cent. owned subsidiary, in China in order to comply with the local regulations and to cater to the China market. The company commenced commercial operations of its integrated manufacturing facilities for WTGs, rotor blades, nacelle covers, control panels and generators in the second quarter of the Fiscal Year 2007. SETL recorded turnover of Rs.12,083.02 million for the Fiscal Year 2009, and recorded turnover of Rs.4,804.72 million for the calendar year 2008. After providing for tax, SETL recorded a profit of Rs.605.90 million in the Fiscal Year 2009 and a loss of Rs.116.49 million in the calendar year 2008.

Hansen was acquired by the Group as a 100 per cent. owned subsidiary in May 2006. AERH completed the purchase of 100 per cent. of the share capital of Eve Holding N.V. for a consideration of €431.43 million after having received all requisite approvals for the acquisition. The acquisition was financed by debt. The Group entered into a €450 million facility with ICICI Bank Limited, State Bank of India, Deutsche Bank AG and Barclays Bank PLC (which has since been refinanced by a new loan from ABN AMRO Bank N.V. and ICICI Bank Limited) for which the Company has provided its corporate guarantee as security. Hansen listed its shares on the London Stock Exchange in December 2007. The holding of the Company in Hansen stood at 71.28 per cent. as at December 31, 2008. Hansen has an independent management and operates on an arm's length basis.

In accordance with an agreement dated December 31, 2008 with funds managed by Ecofin Limited, the Group sold, on January 26, 2009, a 10 per cent. shareholding, equal to 67,010,421 shares, in Hansen to such funds managed by Ecofin and, pursuant to this sale, the Group's voting and economic interest in Hansen decreased to 61.28 per cent.

The terms of the relationship agreement entered into between Hansen and the Company give the Company the right to appoint two non-executive directors to the Board of Hansen for so long as its shareholding in Hansen is at least 26 per cent. Under the terms of the agreement entered into with Ecofin, the Company has granted Ecofin the right to nominate one such director for so long as Ecofin's shareholding in Hansen is at least 8 per cent. Ecofin has exercised its right to nominate a director, and on June 25, 2009 a resolution to appoint the director was passed at Hansen's Annual shareholders meeting.

In June 2009, in response to media speculation, the Company made the following announcement to the London Stock Exchange — "With regard to the recent media speculation, Suzlon wishes to state that as part of its financing strategy, it considers on an ongoing basis various alternatives with respect to the future course of the company. Amongst other things, it is evaluating alternatives regarding its shareholding in Hansen and this may or may not lead to Suzlon disposing of some or all of its stake in Hansen to a third-party. These considerations are at an early stage and may or may not lead to any transaction. A further announcement will be made if appropriate."

As per Belgian GAAP, Hansen recorded turnover of Rs.40,414.34 million for the Fiscal Year 2009, compared to Rs.25,322.81 million for the Fiscal Year 2008. As per Belgian GAAP, after providing for tax, Hansen recorded a profit of Rs.2,912.76 million for the Fiscal Year 2009 and Rs.1,918.05 million for the Fiscal Year 2008.

Hansen manufactures sophisticated high performance standardised gearboxes for medium and heavy industrial applications that require specialised solutions. For the Fiscal Year 2009, 85 per cent. of Hansen's revenue was derived from sales of gearboxes to WTG manufacturers. Hansen's key products include WTG gearboxes and industrial gearboxes. Hansen also supplies drive package solutions for its industrial customers, comprising gearboxes, coupling, motors and housing.

Hansen's main manufacturing facilities are located in Edegem and Lommel, both in Belgium, and are supported by assembly facilities for the industrial gearbox sector in the UK, the United States, Australia, China and South Africa. Hansen is also undertaking projects to build fully-integrated manufacturing facilities in Coimbatore, India and in China for the manufacture of WTG gearboxes.

Hansen's manufacturing facility at its headquarters in Edegem (with a total surface area of approximately 50,000 square metres and factory building of approximately 30,000 square metres) currently produces both WTG and industrial gearboxes. This facility provides research and development, engineering, manufacturing, assembly, servicing, and sales services for Hansen's WTG and industrial gearboxes.

Hansen's dedicated WTG gearbox manufacturing facility at Lommel, Belgium is its primary WTG gearbox manufacturing facility. Hansen's Lommel facility currently has a manufacturing output of 6,000MW per annum.

In addition, Hansen has built an integrated WTG gearbox manufacturing plant in Coimbatore, India modelled on its facility at Lommel. The plant will cover a total surface area of approximately 220,000 square metres and a factory area of approximately 95,000 square metres. Manufacturing at the site is primarily focused on the important local and international WTG manufacturers located in the Asia Pacific region. The site in Coimbatore focuses on the assembly of WTG gearboxes and started production during the Fiscal Year 2008.

Hansen has also constructed an additional manufacturing facility for the production of WTG gearboxes in Tianjin, China. The site commenced assembly and testing of WTG gearboxes in September 2008. It is expected that the site will have an annual manufacturing capacity of 3,000 MW by April 2011, when it reaches its full manufacturing capacity.

In addition to its manufacturing plants, Hansen has assembly centres in Huddersfield (UK), Verona (Italy), Virginia (U.S.), Melbourne (Australia), Boksburg (South Africa) and Tianjin (China) for its industrial gearboxes. The facilities also provide refurbishment and repair services, application engineering and full technical support services to Hansen's industrial customers. Hansen also has a service centre serving its industrial customers in Schoten, Belgium.

See "Business — REpower Systems AG".

Marketing Subsidiaries

Suzlon Denmark is a 100 per cent. owned subsidiary that has been incorporated as the Group's global headquarters for international marketing worldwide. It is a management company to all the overseas marketing subsidiaries of the Company. Suzlon Denmark recorded turnover of Rs.6,611.58 million for the Fiscal Year 2009, an increase of 288 per cent. compared to Rs.1,703.84 million for the Fiscal Year 2008. After providing for tax, Suzlon Denmark recorded a loss of Rs.2,890.65 million in the Fiscal Year 2009 against a loss of Rs.890.07 million in the Fiscal Year 2008.

SWECO, is a 100 per cent. owned subsidiary of Suzlon Denmark that markets and sells WTGs in the United States. SWECO recorded turnover of Rs.57,057.74 million for the Fiscal Year 2009, an increase of 149 per cent. compared to Rs.22,937.64 million for the Fiscal Year 2008. After providing for tax, SWECO recorded a profit of Rs.299.74 million in the Fiscal Year 2009 against a loss of Rs.1,559.29 million in the Fiscal Year 2008.

Suzlon Energy Australia Pty. Ltd. ("SEAP"), is a 100 per cent. owned subsidiary of Suzlon Denmark that was incorporated in January 2004 in order to give the Group a presence in the emerging Australian market for WTGs. SEAP recorded turnover of Rs.24,340.57 million for the Fiscal Year 2009, an increase of 147 per cent. compared to Rs.9,867.98 million for the Fiscal Year 2008. After providing for tax, SEAP recorded a profit of Rs.479.32 million in the Fiscal Year 2009 against a profit of Rs.52.93 million in the Fiscal Year 2008.

SWED, is a 100 per cent. owned subsidiary of Suzlon Denmark. It was incorporated in June 2006, in order to carry out marketing activities in Europe and Latin America. It also acts as a holding company to the Company's subsidiaries in the European and Latin American regions, engaged in marketing and selling WTGs in their respective countries. It has secured orders in Italy, Portugal and Brazil. SWED recorded turnover of Rs.7,395.15 million for the Fiscal Year 2009, an increase of 258 per cent. compared to Rs.2,068.26 million for the Fiscal Year 2008. After providing for tax, SWED recorded a loss of Rs.1,395.44 million in the Fiscal Year 2009 against a loss of Rs.168.53 million in the Fiscal Year 2008.

Suzlon Energy Italy Srl ("SEIS"), is a 100 per cent. owned subsidiary of SWED. It was incorporated in November 2006, in order to undertake marketing and sales activities in Italy. SEIS recorded turnover of Rs.301.23 million for the Fiscal Year 2009, which was a decrease of 51 per cent. compared to Rs.609.63 million for the Fiscal Year 2008. After providing for tax, SEIS recorded a profit of Rs.1.57 million in the Fiscal Year 2009 against a profit of Rs.20.36 million in the Fiscal Year 2008.

Suzlon Energy Portugal Energia Eolica Unipressol Lda ("Suzlon Portugal"), is a 100 per cent. owned subsidiary of SWED. Incorporated in September 2006, its role is to undertake marketing and sales activities in Portugal. Suzlon Portugal recorded turnover of Rs.1,631.64 million for the Fiscal Year 2009, compared to Rs.4,698.87 for the Fiscal Year 2008. After providing for tax, Suzlon Portugal recorded a loss of Rs.24.52 million in the Fiscal Year 2009 against a loss of Rs.70.39 million in the Fiscal Year 2008.

Suzlon Energia Eolica do Brasil Ltda ("Suzlon Brazil"), is a 100 per cent. owned subsidiary of SWED. Incorporated in September 2006, it undertakes marketing and sales in Brazil. Suzlon Brazil recorded turnover of

Rs.2,244.33 million for the Fiscal Year 2009, compared to Rs.6,845.61 million for the Fiscal Year 2008. After providing for tax, Suzlon Brazil recorded a loss of Rs.372.41 million in the Fiscal Year 2009 against a profit of Rs.875.44 million in the Fiscal Year 2008.

Suzlon Energy Korea Co., Ltd ("Suzlon Korea"), is a 100 per cent. owned subsidiary of Suzlon Denmark, which was incorporated in September 2006 to undertake marketing and sales activities in Korea. Suzlon Korea recorded turnover of Rs. Nil for the Fiscal Year 2009 and Fiscal Year 2008. After providing for tax, Suzlon Korea recorded a loss of Rs.0.32 million in the Fiscal Year 2009 against a loss of Rs.4.17 million in the Fiscal Year 2008.

Suzlon Wind Energy Espana S.L. ("SWEE") is a 100 per cent. owned subsidiary of SWED, which was incorporated in 2008, to undertake marketing and sales activities in Spain. SWEE recorded turnover of Rs.9,015.19 million for the Fiscal Year 2009 and Rs.9,172.60 million for the Fiscal Year 2008,. After providing for tax, SWEE recorded a profit of Rs.3.04 million in the Fiscal Year 2009 against a profit of Rs.7.29 million in the Fiscal Year 2008.

Summary of Material Subsidiaries

The details of the Company's material subsidiaries as at March 31, 2009 are as follows (information relating to portion of capital held by the Company are stated as at March 31, 2009, unless otherwise stated):

Subsidiary	REpower Systems AG
Registered office	Überseering 10, D-22297, Hamburg, Germany
Main object	Development, production and sale of regenerative energy products, particularly wind turbines, and to perform related services of all kinds
Field of activity	Development, production and sale
Paid-up share capital	€9.18 million
Portion of capital held by Company	Indirect Holding — 90.72% (as at June 30, 2009)
Reserves	€297.19 million (additional paid-in capital); −€0.17 million (currency translation); €12.76 million (change in fair value of cash flow hedges) and €89.38 million (retained earnings)
Profit/(loss) arising from ordinary activities after tax, for the last financial year	€51.94 million
Value at which we show share held in its accounts	Nil
Amount still to be paid up on shares held	Nil
Amount of dividends received in course of last financial year in respect of shares held	Nil
Amount of debts owed to us with regard to subsidiary	Nil
Amount of debts owed by us with regard to subsidiary	Nil

Subsidiary	Hansen Transmissions International NV
Registered office	Leonardo dv Vincilaan 1, B-2650 Edegem, Belgium
Main object	Design, manufacture and supply of wind turbine gearboxes and industrial gearboxes
Field of activity	Manufacturing
Paidup share capital	€17.97 million
Portion of capital held by company	Indirect Holding — 61.28% (as at June 30, 2009)
Reserves	€565.86 million
Profit/(loss) arising from ordinary activities after tax, for the last financial year	€45.04 million
Value at which we show share held in its accounts	Nil
Amount still to be paid up on shares held	Nil
Amount of dividends received in course of last financial year in respect of shares held	Nil
Amount of debts owed to us with regard to subsidiary	Nil
Amount of debts owed by us with regard to subsidiary	Nil

Subsidiary	Suzlon Wind International Limited
Registered office	806, Prestige Towers, 100, Residency Road, Bangalore
Main object	Manufacturing and sale of Wind Turbine Generators and its parts
Field of activity	Manufacturing
Paidup share capital	Rs.100,000,000 divided into 10,000,000 equity shares of Rs.10 each and Rs.1,082,655,000 divided into 10,826,550 preference shares of Rs.100 each
Portion of capital held by company	Direct Holding — 100%
Reserves	Rs.5,460.63 million
Profit/(loss) arising from ordinary activities after tax, for the last financial year	Rs.5,550.40 million
Value at which we show share held in its accounts	Rs.1,182.66 million
Amount still to be paid up on shares held	Nil
Amount of dividends received in course of last financial year in respect of shares held	Equity Dividend — Nil. Preference Share Dividend book Rs.67.66 million
Amount of debts owed to us with regard to subsidiary	Rs.1,899.71 million
Amount of debts owed by us with regard to subsidiary	Nil

Subsidiary	Suzlon Wind Energy Corporation
Registered office	8750 West Bryn Mawr, Suite 720 Chicago, Illinois 60631 USA.
Main object	The nature of business or purpose to be conducted or promoted is to engage in any lawful act of activity for which corporations may be organized under the General Corporation Law of Delaware
Field of activity	Marketing and project execution of Wind Turbine Generators
Paidup share capital	USD1,000 divided into 1,000 equity shares of USD1 each.
Portion of capital held by company	Direct Holding — Nil, Indirect Holding — 100%
Reserves	(USD38.06 million)
Profit/(loss) arising from ordinary activities after tax, for the last financial year	USD5.91 million
Value at which we show share held in its accounts	Nil
Amount still to be paid up on shares held	Nil
Amount of dividends received in course of last financial year in respect of shares held	Nil
Amount of debts owed to us with regard to subsidiary	Nil
Amount of debts owed by us with regard to subsidiary	Nil

Subsidiary	Suzlon Energy Australia Pty. Ltd.
Registered office	Level 42 80 Collins Street Melbourne 3000
Main object	Marketing and project execution of Wind Turbine Generators
Field of activity	Marketing and project execution of Wind Turbine Generators
Paidup share capital	AUD5,550,001 divided into 5,550,001 equity shares of AUD1 each.
Portion of capital held by company	Direct Holding — Nil, Indirect Holding — 100%
Reserves	AUD9.17 million
Profit/(loss) arising from ordinary activities after tax, for the last financial year	AUD13.65 million
Value at which we show share held in its accounts	Nil
Amount still to be paid up on shares held	Nil
Amount of dividends received in course of last financial year in respect of shares held	Nil
Amount of debts owed to us with regard to subsidiary	Nil
Amount of debts owed by us with regard to subsidiary	Nil

Subsidiary	Suzlon Energy (Tianjin) Limited
Registered office	No. 15, Hi-Tech North Road, Huayuan Industrial Area Hi-Tech Industry Park, Tianjin 300384, China
Main object	Manufacturing and sale of Wind Turbine Generators and its parts
Field of activity	Manufacturing
Paidup share capital	USD55,000,000 (RMB408.42 million)
Portion of capital held by company	Direct Holding — 100%
Reserves	RMB126.00 million
Profit/(loss) arising from ordinary activities after tax, for the last financial year	RMB81.65 million
Value at which we show share held in its accounts	Rs.2,333.04 million
Amount still to be paid up on shares held	Nil
Amount of dividends received in course of last financial year in respect of shares held	Nil
Amount of debts owed to us with regard to subsidiary	Nil
Amount of debts owed by us with regard to subsidiary	Nil

Affiliated Companies

Together with the Affiliated Companies, the Group offers integrated wind power solutions to customers in India. No member of the Group holds any equity and/or preference interest in any of the Affiliated Companies. No member of the Group has any ownership or exercise any control over the business activities of any Affiliated Companies. Members of the Group provide financing to and guarantee the obligations of the Affiliated Companies pursuant to arm's-length transactions as set forth in the terms of agreements for services which members of the Group have entered into with such Affiliated Companies. All loans and guarantees to Affiliated Companies are unsecured. As such, they are subordinate to the Group's secured third-party debt. As at March 31, 2009, there were outstanding loans to Affiliated Companies of Rs.1,162.50 million and there were no outstanding guarantees to the Affiliated Companies. Members of the Group also lease certain properties to the Affiliated Companies.

SRL, is primarily engaged in acquiring land for wind farm projects. After the Group has conducted wind resource assessments and land surveys of sites suitable for development of wind farms, SRL, at the Group's request, acquires land from owners either by way of purchase or lease. SRL then holds such land until a customer has executed a purchase order with the Group for the supply of WTGs. Thereafter, SRL sells/leases/sub-leases portions of such land to such customers. Under the terms of an agreement for services between the Group and SRL, land acquired by SRL will be exclusively offered to the Group's customers.

SIL is primarily engaged in developing various infrastructure requirements of the Group and also SEZ development. The activities relating to infrastructure development and installation of WTGs are now being conducted by a 100 per cent. owned subsidiary of the Company, SISL, with effect from April 1, 2007, which were being undertaken by SIL.

Shubh Realty (South) Private Limited is primarily engaged in acquiring land for wind farm projects in Southern India.

From time to time, the Group also enters into agreements to supply WTGs and WTG components to the Affiliated Companies and other members of the Promoter Group. It is the Group's policy to negotiate and enter into these agreements on an arm's-length basis.

OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN INDIA

The following description is a summary of the relevant regulations and policies, as prescribed by the central or certain state governments in India, which are applicable to the Company. The regulations set out below may not be exhaustive, and are only intended to provide general information to investors and are not intended to be a substitute for professional legal advice. Additionally, the subsidiaries of SEL are governed by various other regulations, including other regulations and policies governing SEL and its subsidiaries outside India.

For the purpose of its business, SEL is regulated by various general and sector-specific laws and regulations and policies in India, and is required to obtain certain licenses and approvals under the prevailing laws and regulations as applicable.

Introduction

The wind power programme in India was initiated towards the end of the sixth plan in 1983-84. India has an exclusive Ministry of New and Renewable Energy ("MNRE"), previously known as the Ministry of Non-Conventional Energy Sources. In 1980, the Commission on Alternative Sources of Energy ("CASE") was set up to look into the feasibility of tapping sources of renewable energy. In 1982, the Department of Non-Conventional Energy Sources ("DNES") was created under the aegis of Ministry of Energy for promoting activities relating to development, trial and induction of variety of renewable energy technologies for use in different sectors. In 1992, the MNRE started functioning as a separate Ministry to develop all areas of renewable energy. Policy guidelines were issued by the MNRE to all the states during the mid-nineties with a view to promote commercial development and private investment in this sector. The guidelines pertain to areas such as provision of facilities for wheeling, banking, third party sale, and buy-back of electricity. Thirteen states in the country have introduced renewable energy policies following the MNRE's Guidelines.

Ministry of New and Renewable Energy, Government of India

The mandate of the MNRE includes research, development, commercialisation and deployment of renewable energy systems and devices for various applications in rural, urban, industrial and commercial uses.

In order to ensure quality of wind farm projects and equipment, the MNRE introduced the "Guidelines for wind power projects" (the "MNRE Guidelines") in July 1995 for the benefit of SEBs, manufacturers, developers and end-users of energy to ensure proper and orderly growth of the wind power sector. The MNRE Guidelines are periodically updated. The MNRE Guidelines, *inter alia*, make provision for proper planning, siting, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNRE Guidelines seek to create awareness in various stakeholders about planned development and implementation of wind power projects.

In 1987, MNRE established the Indian Renewable Energy Development Agency Limited (the "IREDA"), a financial institution to complement the role of MNRE and make finance available to renewable energy projects. IREDA functions under administrative control of MNRE. IREDA is involved in extending financial assistance and related services to promote deployment of renewable energy systems in India.

In addition, MNRE has established various specialised technical institutions to carry out its mandate. In relation to the wind energy sector, the Centre of Wind Energy Technology (the "C-WET") at Chennai, India is the major specialised technical institution, *inter alia*, looking into technology development, testing and certification. In addition, it has also been playing vital role in the wind resource assessment programme of the country.

Manufacture of wind turbine generators and setting up of wind farms

The company is required to obtain all generic approvals for setting up a manufacturing facility in India like any other manufacturing facility in India. In addition, renewable energy generated product manufacturers are required to be registered with MNRE as an approved manufacturer of WTG.

The MNRE Guidelines set out the conditions that are required to be met for establishing wind farms and manufacturing and supplying equipment for wind power projects. These conditions include submission of detailed project reports, approval of sites for wind power installations, type certification by independent testing and certification agencies and performance monitoring to ensure quality of the WTGs manufactured. Further, it is also stipulated that the manufacturing facilities should obtain third party certification from DNV or Lloyds in relation to either product inspection or the ISO 9000 series of standards for internal quality control in manufacture (normally ISO 9001 or 9002) and for field installations. In addition, manufacturers and developers are also required to provide their technical capability and infrastructure.

For testing and certification, C-WET has evolved a Type Approval — Provisional Scheme 2000 ("TAPS — 2000") for India, as amended in 2003, which is in line with international certification schemes for wind turbines. TAPS-2000 provides for provisional certification and corresponding requirements of provisional type testing and measurements until the formation and issue of final Type Approval Scheme ("TAS") and formal accreditation. In May 1999, MNRE removed the requirement of certification by foreign agency and allowed the manufacturers to offer WTG on self-certification basis. Under the self-certification scheme, the manufacturer is required to certify on its own about the quality and performance of WTG supplied by it. This self-certification scheme has been extended from time to time and the current scheme is effective until September 2009 for wind turbine models which are already under testing and certification by C-WET and other models that may be ordered and are taken up for this purpose.

Generation Based Incentive Scheme, 2008

On July 23, 2008, the MNRE issued a Generation Based Incentive Scheme (the "GBI") to provide a level playing field to attract new independent power producers and investors, who are unable to absorb the benefit of accelerated depreciation and to expose the wind power industry to the market forces and competitive pressures to reduce the cost of the wind power equipment. The incentive is linked to the actual generation and not commissioning of the plant.

Grid interactive wind power generation plants of a minimum installed capacity of 5 MW will be eligible for GBI. The GBI would be available only for projects commissioned and synchronized to the grid and certified by the concerned utility. It will be provided only for projects installed at wind potential site validated by C-WET. The scheme will be applicable only to those independent power producers, whose capacities are commissioned for sale of power to the grid.

The MNRE will provide, through IREDA, the generation based incentive of Rs.0.50 per unit (kwh) of electricity for a period of ten years to the eligible project promoters, over and above the tariff as determined by the respective State Regulatory Commissions. IREDA would disburse the GBI to the generators through their designated bank account on a half-year basis through e-payment. The GBI will not be provided to those who set up capacities for captive consumption, third party sale, merchant plants and who avail the benefits of accelerated depreciation under the Income Tax Act.

Infrastructure development for wind power projects

Land

The land used for setting up wind power projects may be private land, revenue land (Government owned) or forest land. Private land is purchased directly from the owners and in the event such land is agricultural land, such land is converted into non-agricultural land, if so required by the Government.

In case of land owned by the Government, it is made available by the respective state governments on long-term lease or outright sale basis as per the prevailing policies of the concerned State Government. Certain State Governments like, Karnataka, Gujarat and Rajasthan have special policies for allotment of revenue lands for wind power projects.

The Karnataka Renewable Energy Policy, 2009 provides for identified lands to be developed by Karnataka Renewable Energy Development Limited ("KREDL") to facilitate setting up of various renewable energy projects expeditiously. Certain funds established under this policy will be utilized to develop the land. KREDL is to sub-contract the land to renewable energy developers for 30 years and the rent is to be as per the prime lending rate over the current market price subject to land availability and financial limits.

In Rajasthan, for example, allotment of land is carried out only after an application is submitted for the same to the state nodal agency, Rajasthan Renewable Energy Corporation Limited ("RRECL"). The evaluation of the application for allotment of land is done by an empowered committee constituted by the state government. This application is evaluated on grounds such as amount of land already allotted to the particular developer, micrositing drawing of proposed land, likely date of commissioning of the project on the land applied for. The RRECL recommends allotment and on basis of the report submitted by the local tehsildar and other local officials, the district revenue authorities make the allotment.

The government of Gujarat has announced a special policy for allotment of revenue land for the purposes of setting up wind farm projects. Under the said policy, a maximum of one hectare of land per WTG is allotted to the applicants by the district revenue authorities on the basis on applications made in accordance with the said policy.

The said land is allotted on a long-term basis, usually for a period of twenty years at a fixed rent of Rs. 10,000 per annum per hectare.

In the case of forest land, the Ministry of Environment and Forest announced a special policy in November 2003, which is updated from time to time, elaborating the procedures and guidelines for diversion of the forest lands under the Forest (Conservation) Act, 1980 for the purpose of establishing wind power projects. The said guidelines, *inter alia*, provide for the following:

- Areas like national parks and sanctuaries, areas of outstanding natural beauty, natural heritage sites, sites of archaeological importance and sites of special and scientific interests and other important landscapes cannot be considered for wind power projects;
- Wind power projects are required to be located at a safe distance (1 km or more) from these sites;
- Distance from the industrial coasts is required to be a minimum of 3.5 km;
- Specific guidelines in order to protect the natural habitats of birds and animals are required to be observed;
- To ensure optimal use of forest land, it has been stipulated that WTGs of capacity of at least 1 MW should be allowed as a matter of policy; and
- NOC from local bodies is also mandatorily required.

Power Evacuation

In order to evacuate the power generated by the wind power project, creation of proper power evacuation facilities in form of internal lines, external high voltage lines and substations becomes essential. These infrastructures are created either by the manufacturer or developer on a case-by-case basis with a proper permission and payment of requisite fees by and to SEB/ state nodal agencies.

Other clearances

Depending upon the location of the wind power project, we are required to take additional permissions/ authorizations. For example, additional permissions may be required in the event that a wind power project is being set up close to an air force base.

Wind power generation

Under the Electricity Act 2003, which repealed all the earlier enactments pertaining to this sector, the activity of generating power does not require any license or permission. Persons engaged in the generation of electricity from wind power are required to register the project being undertaken with the relevant state nodal agency and obtain permission for inter-grid connectivity from the utility.

The electricity generated from the wind power project can be used for captive consumption, sale to utilities or for transaction under open access as per prevailing state policy and regulatory orders, if any. Various Indian state commissions have mandated a certain percentage of energy procurement from renewable energy sources, and have also set tariffs for such procurement by various distribution companies.

The tariffs are based on relevant tariff orders/regulations passed by different regulatory commissions for specific states. Charges for captive users and sales to third party consumers, along with cross subsidy surcharge are at times independent of the tariff orders/regulations passed by the commission for specific technology. In this regard, the rates for captive/third party sales may change from year to year, or may be fixed (if specified in the purchase contract for the wind energy generator).

Further, the Electricity Act, 2003 also mandates that all regulatory commissions should procure certain percentage of power generation from renewable energy sources by all distribution companies.

As far as the tariff and wheeling charges are concerned, it is stipulated that they should be decided by respective regulatory commissions as provided under the Electricity Regulatory Commissions Act, 1998.

Direct Taxes

Under the provisions of the Income Tax Act, 1961 and the Rules made thereunder, specific concessions have been made available to non-conventional energy sector, including wind energy. Accelerated 80 per cent. depreciation has been provided on specified renewable energy based devices/ projects including wind mill and devices that run on wind mills.

Section 80-IA of the Income Tax Act, 1961 provides for deduction for ten consecutive assessment years, from the total income of an assessee, of an amount equal to 100 per cent. of the profits derived from an undertaking set up in any part of India for the generation or generation and distribution of power, which begins to generate power during the period between April 1, 1993 and March 31, 2010. This deduction is subject to payment of MAT.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

General

Foreign investment in securities issued by Indian companies is regulated by the Foreign Exchange Management Act, 1999 of India as amended (the "FEMA") and the rules, regulations and notifications issued by the Reserve Bank of India ("RBI") thereunder and the Department of Industrial Policy & Promotion.

A person resident outside India can subscribe to, acquire or sell any security of an Indian company or any other security to an Indian resident only under the terms and conditions specified in the FEMA and the rules and regulations made thereunder or as permitted by the RBI. An Indian company may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only in the manner specified in the FEMA and the rules and regulations made thereunder or as permitted by the RBI.

The issue of the GDRs is primarily regulated by the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, as amended from time to time (the "Depository Receipt Scheme") and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000, as amended from time to time (the "Security Regulations").

Issue of GDRs

The relevant regulations, including the Depositary Receipt Scheme and the Security Regulations, provide that an Indian company may issue GDRs to persons resident outside India, without the approval of the Ministry of Finance, Government of India ("MOF"), Foreign Investment Promotion Board ("FIPB") and RBI, except in certain cases. Any Indian company issuing GDRs is required to comply with certain reporting requirements prescribed by the RBI. For details, see "Indian Regulatory Approvals and Filings".

An Indian company, which is not otherwise ineligible to issue shares to persons resident outside India under the Security Regulations may issue GDRs under the automatic route (i.e. without prior regulatory approval) subject to compliance with the Security Regulations and the Deposit Receipts Scheme.

GDR proceeds may not be used for investment in stock markets or for the buying and selling of real estate or for trading in transferable development rights. GDR proceeds are, however, permitted to be used for townships, housing, built-up infrastructure and construction development projects. There are no other end-use restrictions on the use of GDR proceeds and there is no monetary limit up to which an Indian company can raise GDRs.

Pending repatriation or utilization of the proceeds, the Indian company can invest the funds in the prescribed manner.

The price of GDRs may be decided by the Indian company in consultation with the joint bookrunner to the issue, where the pricing for the issue of the shares underlying the GDRs may not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date. For the purpose of computing the price, the relevant date is the date of the meeting in which the Board of Directors, or the committee of directors duly authorized by the Board of Directors, decides to open the proposed issue of GDRs.

Investors acquiring GDRs in this Offering do not require to seek specific approval from the Government of India to purchase, hold or dispose off GDRs.

Transfer of GDRs by non-residents

The MOF has granted general permission for the transfer of GDRs outside India and has also permitted non-resident holders of GDRs to surrender GDRs in exchange for the underlying shares. There are, however, limitations on re-deposits of withdrawn shares under the Deposit Agreement.

The RBI has permitted the re-conversion of shares of Indian companies into GDRs, subject to the following conditions:

(i) the Indian company has issued GDRs;

(ii) the shares of the Indian company are purchased by a registered stockbroker in India in the name of the Depositary, on behalf of the non-resident investor who wishes to convert such shares into GDRs;

(iii) the shares are purchased on a recognized stock exchange;

(iv) the shares are purchased with the permission of the custodian of the GDRs of the Indian company and are deposited with the custodian;

(v) the custodian has been authorized by the company to accept shares from non-resident investors for re-issuance of GDRs;

(vi) the number of shares so purchased does not exceed the GDRs converted into underlying shares, and is in compliance with the sectoral caps applicable under the FDI regime; and

(vii) the non-resident investor, broker, custodian and the overseas depository comply with the provisions of the depositary receipt mechanism and the guidelines issued thereunder from time to time.

The RBI has prescribed that the domestic custodian is the entity required to ensure compliance with the RBI guidelines and to file reports with the RBI from time to time. The domestic custodian is also required to perform certain functions, including the following:

(a) provide a certificate to the RBI and SEBI stating that the sectoral caps for foreign investment in the relevant company have not been breached;

(b) monitor the total number of GDRs that have been converted into underlying shares by non-resident investors and maintain record of GDRs issued, redeemed and sold in the domestic market;

(c) liaise with the RBI to ensure that the foreign investment restrictions, if any, are not being breached; and

(d) file a monthly report with the RBI and SEBI about the GDR transactions under the two-way fungibility arrangement.

Fungibility of GDRs and Sponsored GDRs

In March 2001, the RBI amended the Security Regulations and established two alternative methods to allow equity shares to be converted into and sold as GDRs.

First, a registered broker in India can purchase shares of an Indian company that has issued GDRs on behalf of a person resident outside India, for the purposes of converting the shares into GDRs. However, such conversion of equity shares into GDRs is possible only if the following conditions are satisfied:

- the shares are purchased on a recognized stock exchange;
- the shares are purchased with the permission of the custodian to the GDR offering of the Indian company and are deposited with the custodian;
- the shares purchased for conversion into GDRs do not exceed the number of shares that have been released by the custodian pursuant to conversions of GDRs into equity shares under the Deposit Agreement; and
- the non-resident investor, broker, the custodian and the overseas depository comply with the provisions of the 1993 Scheme and any related guidelines issued thereunder from time to time.

Further, the RBI requires the domestic custodian to ensure compliance with the guidelines issued by the RBI and to file reports with the RBI from time to time and to perform the following functions:

- monitor the reissuance of shares underlying the GDRs and provide a certificate to the RBI and the SEBI stating that the sectoral caps for foreign investment in the relevant company have not been breached;
- monitor the total number of GDRs that have been converted into underlying shares by non-resident investors;
- liaise with the company to ensure that the sectoral cap on foreign investment in the relevant company, if any, if not being breached; and
- file a monthly report about the GDR transactions under the two-way fungibility arrangement with the RBI and the SEBI.

By notification dated March 2, 2001 and circular dated November 23, 2002, the RBI has permitted Indian companies to sponsor GDR issues against the block of existing shares of the Indian company offered for disinvestment by its Shareholders, subject to *inter alia* the following conditions:

- the facility to sell the shares would be available *pari passu* to all categories of shareholders of the company whose shares are being offered for divestment in the overseas market;

- the sponsoring company whose shareholders propose to divest existing shares in the overseas market through issue of GDRs will give an option to all its shareholders indicating the number of shares to be divested and the mechanism of determining the price under the GDR norms. If the shares offered for divestment are more than the pre-specified number to be divested, shares would be accepted for divestment from the existing shareholders in proportion to their existing shareholdings;
- the proposal for divestment of the existing shares in the GDR market would have to be approved by a special resolution of the company and by the Foreign Investment Promotion Board; and
- the proceeds of the GDR issue raised abroad must be repatriated into India within a period of one month from the closure of the issue.

Foreign Direct Investment

The Government of India, pursuant to its liberalization policy, set up the FIPB under the MOF to regulate together with the RBI all investments by way of subscription and / or purchase of securities of an Indian company by a person resident outside India or foreign direct investment ("FDI") into India. Further, pursuant to Press Note 2 of 2009, investments by FIIs, Non-Resident Indians, ADRs, GDRs, FCCBs, FDI, convertible preference shares and convertible currency debentures are required to be taken together for calculating the foreign investment in a company. The following investments also require the prior permission of the FIPB:

- investments in excess of specified sectoral caps or in sectors in which FDI is not permitted or in sectors which specifically require approval of the FIPB or in proposals which do not comply with the applicable pricing guidelines;
- investments by any foreign investor who had any existing joint venture or technology transfer or trademark agreement in India (as on January 12, 2005) in the same field the company in which the investment is proposed to be made. However, no prior approval is required if: (a) the investor is a venture capital fund registered with SEBI, or (b) in the existing joint venture, investment by either of the parties is less than 3 per cent., or (c) the existing joint venture or collaboration is defunct or sick;
- investment being more than 24 per cent. in the equity capital of units manufacturing items reserved for small scale industries;
- proposals for acquisition of shares in an existing Indian company in the financial services sector and where the Takeover Code is applicable in cases where approvals are not required from the RBI / SEBI / Insurance Regulatory and Development Authority; and
- the shares or convertible debentures are issued by an Indian company with a view to acquiring existing shares of another Indian company.

The Government has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, the RBI would be the primary agency for the purposes of monitoring and regulating foreign investment. On February 13, 2009, the Indian Government issued two press notes setting out guidelines for foreign investment in India. Press Note 2 of 2009 prescribes the guidelines for the calculation of total foreign investment (direct and indirect) in Indian companies. Press Note 3 of 2009 prescribes the transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities. Additionally, Press Note 4 of 2009 issued on February 25, 2009 clarifies the guidelines on downstream investments by Indian companies. The prescribed applicable norms with respect to determining the price at which shares may be issued by an Indian company to a non resident investor and the price at which shares may be sold by a resident to a non-resident or by a non-resident to a resident would need to be complied with and a declaration in the prescribed form, is required to be filed with the RBI once the issuance / transfer of shares of the Indian company is complete.

The Government of India has set up the Foreign Investment Implementation Authority (the "FIIA") in the Department of Industrial Policy and Promotion. The FIIA has been mandated to (a) translate foreign direct investment approvals into implementation, (b) provide a pro-active one-stop after-care service to foreign investors by helping them obtain necessary approvals, (c) deal with operational problems, and (d) meet with various Government of India agencies to find solutions to foreign investment problems, and maximize opportunities through a partnership approach.

Foreign Direct Investment in the Power Sector

As per the Policy on Foreign Direct Investment, March 31, 2009, 100 per cent. foreign direct investment through the automatic route is allowed in companies falling under the power sector.

Investment by Foreign Institutional Investors

Pension funds, mutual funds, investment trusts, insurance or reinsurance companies, endowment funds, university funds, foundation or charitable trusts or charitable societies who propose to invest on their own behalf and asset management companies, nominee companies, institutional portfolio managers, trustees, power of attorney holders, banks who propose to invest their proprietary funds or on behalf of "broad based" funds or on behalf of foreign corporate entities and individuals may register with SEBI as Foreign Institutional Investors ("Foreign Institutional Investors" or "FIIs").

Investments made by FIIs are governed by the Portfolio Investment Scheme under the Security Regulations. As per the Portfolio Investment Scheme, Foreign Institutional Investors registered with SEBI may buy or sell securities of Indian companies on stock exchanges in India through registered stock brokers. FIIs are also permitted to purchase shares and convertible debentures of an Indian company, subject to the percentage limits specified either through:

- a public offer, where the price of the shares to be issued is not less than the price at which the shares are issued to Indian residents; or
- a private placement, where the price of the shares to be issued is not less than the price according to the terms of the relevant SEBI guidelines or the guidelines issued by the former Controller of Capital Issues as applicable.

Foreign investors are not necessarily required to register with SEBI as Foreign Institutional Investors and may invest in securities of Indian companies pursuant to the FDI route. Foreign investors wishing to generally invest and trade in Indian securities in India as a FII are required to register with SEBI and obtain a general permission from the RBI. However, since SEBI provides a single window clearance, a single application must be made to SEBI.

FIIs who are registered with SEBI are required to comply with the provisions of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 ("Foreign Institutional Investor Regulations"). A registered FII may, subject to the pricing and ownership restrictions discussed below, freely buy and sell securities issued by any Indian company, realize capital gains on investments made through the initial amount invested in India, appoint a domestic custodian for custody of investments made and repatriate the capital, capital gains and dividends that they may receive or make.

Subject to the terms and conditions set out in the Foreign Institutional Investor Regulations, and subject to any sectoral restrictions that may be applicable to FIIs under the foreign investment regime in India, a registered FII or a sub-account of a FII may buy or sell equity shares or debentures of Indian companies through stock exchanges in India at the ruling market price and also buy or sell shares or debentures of listed or unlisted companies other than on a stock exchange in compliance with the applicable SEBI / RBI pricing norms. A FII is not permitted to hold more than 10 per cent. of the total issued capital of an Indian company; a corporate or individual sub-account of the FII is not permitted to hold more than 5 per cent. of the total issued capital of an Indian company, and a broad based fund or proprietary fund sub-account is not permitted to hold more than 10 per cent. of the total issued capital of an Indian company. The total holding of all FIIs in an Indian company is subject to a cap of 24 per cent. of the total issued capital of the company which may be increased up to the percentage of sectoral cap on FDI in respect of the said company with the passing of a special resolution by the shareholders of the company in a general meeting.

On May 22, 2008 SEBI issued the (Foreign Institutional Investors) (Amendment) Regulations, 2008 ("Amendment Regulations") which amended which prohibited a FII to issue or otherwise deal in offshore derivative instruments, directly or indirectly, unless certain prescribed conditions were satisfied.

By a press release dated October 6, 2008 and clarifications dated October 7, 2008 the SEBI communicated its decision to do away with restrictions on issue of participatory notes by FIIs against securities, including derivatives as underlying effective from close of market hours on October 7, 2008, and that amendments to the Foreign Institutional Investor Regulations would be effected in due course.

Portfolio Investment by Non-Resident Indians

A variety of methods for investing in shares of Indian companies are available to non-resident Indians ("NRI" or "Non-resident Indians"). Under the Portfolio Investment Scheme, NRIs can purchase up to 5 per cent. of the paid-up value of the shares issued by an Indian company subject to the condition that the aggregate paid-up value of shares purchased by all NRIs does not exceed 10 per cent. of the paid-up capital of the company. This aggregate ceiling of 10 per cent. may be raised to 24 per cent. of the total issued capital of the company with the passing of a special resolution by the shareholders of the company in a general meeting. In addition to portfolio investments in

Indian companies, Non-Resident Indians may also make investments in Indian companies pursuant to the FDI route discussed above.

Overseas corporate bodies, at least 60 per cent. of which are owned by Non-Resident Indians ("OCB" or "Overseas Corporate Bodies") are no longer recognized as a class of investor entity in India with effect from September 16, 2003.

Transfer of Shares of an Indian Company by a person Resident outside India

Subject to what is stated below, a person resident outside India may transfer the shares held by him in an Indian company in accordance with the Security Regulations. A person resident outside India (other than NRI and OCB), is generally permitted to transfer by way of sale the shares held by him to any other person resident outside India (including NRIs) without the prior approval of the RBI. NRIs are generally permitted to transfer by way of sale the shares held by them to other NRIs without the prior approval of the RBI. However, in both the above cases, FIPB approval would be required if the person acquiring the shares has an existing venture or tie-up in India (as on January 12, 2005) in the same field in which the company whose shares are being transferred is engaged. This restriction is however, not applicable to the transfer of shares to international financial institutions and to transfer of shares of a company engaged in the information technology sector.

A person resident outside India is generally permitted to transfer any security held by him in an Indian company to a person resident in India by way of a gift. A person resident outside India is also generally permitted to sell the shares of an Indian company held by him on a recognized stock exchange in India through a registered broker. Further, the RBI has granted, by master circular dated July 1, 2008, general permission for the transfer of shares by a person resident outside India to a person resident in India, subject to compliance with certain terms, conditions and reporting requirements. A resident who wishes to purchase shares from a non-resident must, pursuant to the relevant notice requirements, file a declaration with an authorized dealer in the prescribed Form FC-TRS, together with the relevant documents and file an acknowledgment thereof with the Indian company to effect transfer of the shares. Pursuant to the RBI circular dated April 22, 2009, the sale consideration in respect of equity instruments purchased by a person resident outside India, remitted into India through normal banking channels, shall be subjected to a KYC check by the remittance receiving AD Category-I bank at the time of receipt of funds. Further, the form FC-TRS should be submitted to the AD Category-I bank, within 60 days from the date of receipt of the amount of consideration. The onus of submission of the form FC-TRS within the given timeframe would be on the transferor / transferee, resident in India.

Except in cases listed below, a person resident in India is generally permitted to transfer the shares of an Indian company held by him by way of sale under a private arrangement to a person resident outside India, subject to compliance with certain terms, conditions and reporting requirements. Transfers by a person resident in India to a person resident outside India requires prior approval of the RBI in the following cases:

(i) transfer of shares in a company in the financial services sector such as banks, non-banking financial companies, asset reconstruction companies, insurance companies, and stock exchanges;

(ii) transfers which attract the provisions of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, as amended ("Takeover Code"); and

(iii) transfer of shares of companies engaged in sectors in which FDI is prohibited or where transfer of shares results in the FDI sectoral caps being breached.

A person resident outside India is not permitted to purchase shares of an Indian company on a stock exchange, unless such person is registered as a FII.

Any person resident outside India seeking to sell shares received upon surrender of GDRs or otherwise transfers such shares, whether or not through a stock exchange, should seek advice of their Indian legal advisers as to the applicable requirements.

INDIAN REGULATORY APPROVALS AND FILINGS

Approvals

In the event that the Offering related expenses (covering both fixed expenses like selling commissions, legal expenses and other reimbursable expenses) exceed the ceiling of four per cent. of the total GDR offering, the Company will have to obtain prior RBI approval.

Filing

The Company is required to provide the RBI, within 30 days of the date of closing of this Offering, details of its capital structure before and after the Offering. The Company is required to furnish a statement, in the prescribed form, to the Foreign Exchange Department of the RBI, within 30 days from the date of closing of this Offering, providing full particulars of the Offering such as the number of GDRs issued, the number of underlying new Shares issued, listing arrangements, total proceeds of the Offering, any proceeds of the Offering retained abroad and other relevant details relating to the launching and initial trading of the GDRs. The Company is required to inform the RBI of any repatriation of issue proceeds held abroad, immediately upon such repatriation. The Company is required to furnish to the RBI a quarterly return within 15 days of the close of each calendar quarter.

Approvals Received by the Company

Although an application for obtaining "in-principle" approval for listing the Shares underlying the GDRs has been made to the BSE and the NSE, the actual approval will not be given until all other relevant documents authorising the issuing of Shares are submitted. There is no guarantee that such Shares will be admitted to listing on the Indian Stock Exchanges. There could also be a delay in the listing of the Shares on the Indian Stock Exchanges.

Other Approvals

The Board of Directors and the Shareholders of the Company have approved the Offering by resolutions dated May 20, 2008 and July 30, 2008, respectively, and no other approval is required under the Companies Act. However, a copy of this Offering Circular will be filed with the RBI, the Registrar of Companies, Gujarat, the BSE and the NSE, for record purposes only.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials by SEBI, BSE and NSE, and has not been prepared or independently verified by the Company or the Joint Bookrunners or any of their respective affiliates or advisors. Each prospective purchaser is required to consult its advisors about the particular consequences to it of investment in GDRs.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulations

India's stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act 1956 (the "SCRA") and the Securities Contracts (Regulation) Rules 1957 ("SCRR"). The SCRA and SCRR along with the rules, byelaws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act 1992 (the "SEBI Act") provided for the establishment of SEBI to protect the interests of investors in securities market and to promote, develop and regulate the Indian securities market. The SEBI Act granted powers to SEBI to, among other things, regulate the Indian securities market, including stock exchanges and other financial intermediaries in the capital market, to promote and monitor self regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading, to regulate substantial acquisitions of shares and takeovers of listed companies, to call for information, to undertake inspections and conduct enquiries and audits of stock exchanges, self-regulatory organisations, intermediaries and other persons associated with the securities market.

SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buy back of securities, delisting of securities, employees stock option schemes, stock brokers, merchant bankers, underwriters, mutual funds, FIIs, credit rating agencies and other capital market participants.

SEBI has set up a committee for the review of Indian securities laws, which has proposed a draft Securities Bill. The draft, if enacted in its present form, may result in a substantial revision in the laws relating to securities transactions in India.

Listing

The listing of securities on a recognised Indian stock exchange is regulated by the Companies Act, the SCRA, the SCRR, listing agreements of the respective Stock Exchanges and various guidelines issued by SEBI. Under the standard terms of the listing agreements, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of the Company's obligations under such agreement, subject to the Company receiving prior notice of the intent of the exchange. SEBI has power to amend the terms of the listing agreements and direct the stock exchanges to amend their bye-laws. Any amendment of bye-laws by the stock exchanges on their own requires the prior approval of SEBI.

All listed companies must maintain, on a continuous basis, a public shareholding of at least 25 per cent. of the total number of issued shares of a class or kind, for every such class or kind of its shares which are listed. Where the company offers or has in the past offered a particular class or kind of its shares to the public to the extent of at least 10 per cent. of the issue size in terms of Rule 19(2)(b) of the Securities Contracts (Regulations) Rules, 1957, such a listed company must maintain, on a continuous basis, a public shareholding of at least 10 per cent. of the total number of issued shares of such class or kind. However, where the number of outstanding listed shares of any class or kind of a listed company are 20 million or more and the market capitalization of such company in respect of shares of such class or kind is Rs. 10,000 million or more, such a listed company must maintain, on a continuous basis, a public shareholding of at least 10 per cent. of the total number of issued shares of such class or kind. The provisions of this circular are not applicable to Government companies, infrastructure companies, and companies pending reference before the Board for Industrial and Financial Reconstruction.

Pursuant to a circular dated April 8, 2008 SEBI has amended Clause 49 of the listing agreement to state that if the non-executive chairman of a listed company is a promoter or is related to promoters of the company or persons occupying management positions at the board level or at one level below the board, at least one half of the board of the company should consist of independent directors.

Delisting of Securities

SEBI has, pursuant to a notification dated June 10, 2009, notified the SEBI (Delisting of Equity Shares) Regulations, 2009 ("Delisting Guidelines").

The Delisting Guidelines are applicable to: (i) voluntary delisting of securities by promoters of a company; (ii) any acquisition of shares of a company (either by a promoter or by any other person) or a scheme or arrangement, consequent to which the public shareholding in such company falls below the minimum limits specified in the listing conditions or listing agreement that may result in delisting of securities; (iii) promoters of companies who voluntarily seek to delist their securities from some or all stock exchanges on which the security is listed; (iv) cases where a person in control of the management is seeking to consolidate his holdings in a company in a manner that would result in the public shareholding in the company falling below the limit specified in the listing conditions or in the listing agreement that may have the effect of company being delisted; and (v) companies which may be compulsorily delisted by the stock exchanges on account of, among other things, violation of stock exchange by-laws. Following a compulsory delisting, a company, its whole time directors, its promoters and the firms promoted by any of them cannot directly or indirectly access the securities market or seek listing of any equity shares for a period of 10 years from the date of such delisting.

No company can apply for permission to delist: (i) pursuant to a buy back of equity shares or preferential allotment made by a company; or (ii) unless a period of three years has elapsed since the listing of that class of equity shares on any recognized stock exchange. Furthermore, if any instruments issued by the company which are convertible into the same class of equity shares that are sought to be delisted, are outstanding, delisting is disallowed.

The Delisting Guidelines allow a company to delist its equity shares from all or only recognized stock exchanges on which they are listed, provided an exit opportunity is given to shareholders. However they provide that an exit opportunity need not be given to the shareholders in cases where the securities continue to be listed on a stock exchange having nationwide trading terminals. Presently, only the BSE and the NSE have nationwide trading terminals. When an exit option is required, the Delisting Guidelines require a promoter or an acquirer intending to delist securities of a company to obtain the prior approval of the shareholders by a special resolution, make a public announcement in the manner provided for in the Delisting Guidelines and make an in-principle application to and obtain final approval of the stock exchanges within one year of the passing of the shareholders resolution for delisting. A proposed delisting where no exit option is required to be given, does not require a shareholders resolution and a resolution of the board of directors is sufficient.

The floor price for delisting will be determined by calculating the average of the weekly high and low of the closing prices during the last 26 weeks or two weeks preceding the date on which the recognized stock exchanges were notified. The offer must fulfil the criteria prescribed in the Delisting Guidelines to be successful. Upon closure of the open offer process, all shareholders whose equity shares are verified will be paid the final price stated in the public announcement within 10 working days.

Further, the Ministry of Finance has, on June 10, 2009, proposed certain amendments to the Securities Contracts (Regulation) Rules, 1957 ("MoF Notification") in relation to voluntary and compulsory delisting, to bring them in line with the Delisting Guidelines. The MoF Notification shall become effective from the date that it is published in the Official Gazette. Due to their recent issuance, the applicability of the Delisting Guidelines and MoF Notification have not been tested in any manner and hence it is possible that some of the clauses may be amended to make either the Delisting Guidelines or the MoF Notification more effective or clarify any ambiguities contained therein. Investors are also requested to consult their advisors before taking any steps under the Delisting Guidelines.

To restrict abnormal price volatility, SEBI has instructed the stock exchanges in India to apply the following price bands calculated at the previous day's closing price (there are no restrictions on price movements of index stocks):

Market Wide Circuit Breakers

- In order to restrict abnormal price volatility in any particular stock, SEBI has instructed the stock exchanges, *vide* its Circular Ref. SMDRPD/Policy/Cir-35/2001 dated June 28, 2001, that it had decided to apply daily circuit breakers with effect from July 2, 2001, which do not allow transactions beyond certain price volatility.

An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and the circuit breakers are applied to the market for movement by 10 per cent., 15 per cent. and 20 per cent. for two prescribed market indices: the BSE Sensex for BSE and the Nifty for the NSE (the "NSE Nifty"), whichever is earlier. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market wide circuit breakers would be triggered by the movement of either the BSE SENSEX or the NSE Nifty whichever is breached earlier.

- In the case of a 10 per cent. movement of either of these indices, there would be a one-hour market halt if the movement takes place before 1p.m. In case the movement takes place at or after 1p.m. but before 2.30p.m. there will be a trading halt for half-an-hour. In case the movement takes place at or after 2.30p.m. there will be no trading halt at the 10 per cent. level and the market will continue trading.
- In the case of a 15 per cent. movement of either index, there will be a two-hour market halt if the movement takes place before 1p.m. If the 15 per cent. trigger is reached on or after 1p.m. but before 2p.m., there will be a one-hour halt. If the 15 per cent. trigger is reached on or after 2p.m. the trading will halt for the remainder of the day.
- In the case of a 20 per cent. movement of the index, the trading will be halted for the remainder of the day.

These percentages would be translated into absolute points of index variations on a quarterly basis and at the end of each quarter these absolute points of index variations would be revised and made applicable for the next quarter.

Price Bands

- Price bands are circuit filters of 20 per cent. movements either up or down, and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products.

In addition to the market-wide index based circuit filters, there are currently in place varying individual scrip wise bands with a circuit filter of 20 per cent. either way for all other scrips. The circuit filters are reduced to 10 per cent. or 5 per cent. or 2 per cent. as the case may be the in the case of illiquid scrips or as a price containment measure. No circuit filters are applicable on scrips on which derivative products are available and scrips which are liquid and included in indices on which derivative products are available. However, a dummy circuit filter is imposed on these scrips to avoid punching errors, if any. A circuit filter of 20 per cent. is applicable on other scrips which are not included in the above-mentioned category. Circuit breakers are not applicable to certain stocks listed in the "A" category of BSE, on which stocks, futures and options are traded. The stock exchanges can also exercise the power to suspend trading during periods of market volatility. At the discretion of the stock exchanges and under instructions from SEBI, the stock exchanges can also impose *ad hoc* margins on the stockbrokers, for specific stocks in the event of extreme volatility in price movements.

Disclosures under the Companies Act and Security Regulations

Under the Companies Act, a public listing of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI DIP Guidelines, and be filed with the registrar of companies having jurisdiction over the place where a company's registered office is situated, which in the case of the Company, is currently the Registrar of Companies, Gujarat at Ahmedabad. Apart from what is stated above, it may be noted that a company may also be listed (without filing any prospectus) through a merger under Rule 19(2)(b) of the Securities Contracts (Regulations) Rules, 1957. A company's directors and promoters may be subject to civil and criminal liability for misstatements in a prospectus. The Companies Act along with guidelines promulgated by SEBI also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. Pursuant to the provisions of the SEBI Act, the SEBI has issued detailed guidelines concerning disclosures by public companies and investor protection.

All companies, including public limited companies, are required under the Companies Act to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts, which comply with the disclosure requirements specified in the Companies Act. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreements with the stock exchanges and SEBI regulatory requirements. The companies are also required to publish unaudited reviewed financial statements (albeit subject to a limited review by the company's auditors), on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price sensitive information. The Companies Act further requires mandatory compliance with accounting standards issued by the Institutes of Chartered Accountants of India

("ICAI"). The ICAI has recently announced that all listed companies and public entitled have to comply with International Financial Reporting Standards ("IFRS") from April 1, 2011.

Indian Stock Exchanges

There are currently 19 recognized stock exchanges in India. Most of the stock exchanges are self-regulate. The BSE and NSE hold prominent positions among the stock exchanges in terms of number of listed companies, market capitalisation and trading activity.

BSE

The BSE is one of the stock exchanges in India on which the Company's Shares are listed. Established in 1875, it is the oldest stock exchange in India. It is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of SEBI, the BSE has been corporatised and demutualised and is now a company under the Companies Act. The BSE has switched over to an on-line trading network ("BOLT") since May 1995 and has today expanded this network to over 350 cities in India.

Derivatives trading commenced on the BSE in 2000. The BSE has both wholesale and retail, debt trading categories. Retail trading in Government securities commenced in January 2003. The BSE Sensitive Index, or Sensex, consists of listed shares of 30 companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. Sensex was first compiled in 1986 with the Fiscal Year ended March 31, 1979 as its base year. The BSE 100 Index (formerly the BSE National Index), introduced in January 1989, contains listed shares of 100 companies including the 30 in Sensex with fiscal 1984 as the base year.

As of March 31, 2009, the BSE had 1007 members comprising 175 individual members, 809 Indian companies and 23 foreign institutional investors. As of March 31, 2009, there were 4,929 companies trading on the BSE and the estimated market capitalization of stocks trading on the BSE was Rs.30,860,760 million (approximately US$602,410 million). The average daily turnover on the BSE as of March 31, 2009 was Rs.34,890 million (approximately US$680 million).

NSE

The NSE is one of the stock exchanges in India on which the Company's Shares are listed. The NSE was established by financial institutions and banks to serve as a national exchange and provide nationwide on-line satellite-linked screen-based trading facilities with electronic clearing and settlement for securities including Government securities, debentures, public sector bonds and units. The NSE does not categorise shares into groups as in the case of the BSE, except in respect of the trade-to-trade category.

On its recognition as a stock exchange under the Securities Contracts (Regulation) Act 1956 in 1993, the NSE commenced operations in the wholesale debt market segment in 1994 and operations in the derivatives segment commenced in 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. NSE trading terminals are situated in over 300 cities across India. The NSE offers a fully-automated screen based trading system known as the National Exchange for Automated Trading, which operates on a price and time priority basis and enables members from across the country to trade various types of securities efficiently.

As of March 31, 2009, there were 1,291 companies trading on the NSE and the estimated market capitalization of stocks trading on the NSE was Rs.2,896,190 million (approximately US$564,900 million). The average daily turnover on the NSE as of March 31, 2009 was Rs.101,400 million (approximately US$1,980 million).

Trading Hours

Trading on both the BSE and the NSE occurs normally Monday through Friday, between 9:55 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays.

Takeover Code

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 1997, as amended (the "Takeover Code") prescribes certain thresholds or trigger points in respect of acquisition of shares of a listed company in India that give rise to certain obligations under the Takeover Code. The Takeover Code requires disclosure of the aggregate shareholding or voting rights in a listed company to be made by any acquirer who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him or persons acting in concert with him) entitle him to more than 5 per cent., 10 per cent., 14 per cent., 54 per cent. or 74 per cent. of the shares or voting rights in that company. Unless specifically exempted, the Takeover Code also requires the making of a public announcement to acquire, generally speaking and subject to the provisions discussed below, a minimum of 20 per cent. of the voting capital of a company when:

(a) any acquirer who, along with persons acting in concert with him, acquires or agrees to acquire 15 per cent. or more of the shares or voting rights in the company;

(b) any acquirer who, together with persons acting in concert with him, has acquired, in accordance with the provisions of law, 15 per cent. or more but less than 55 per cent. of the shares or voting rights in the shares of the company and who acquires additional shares or voting rights entitling him to exercise more than 5 per cent. of the shares or voting rights in any financial year ending 31 March;

(c) any acquirer who, together with persons acting in concert with him, has acquired, in accordance with the provisions of law, 55 per cent. or more but less than 75 per cent. of the shares or voting rights in the shares of the company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10 per cent. of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90 per cent. of the shares or voting rights in the company) and who acquires any additional share or voting rights;

(d) any acquirer who, together with persons acting in concert with him, holds 55 per cent. or more, but less than 75 per cent. of the shares or voting rights of the company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10 per cent. of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90 per cent. of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by its listing agreements with the stock exchanges; or

(e) any acquirer acquires control over the company (directly or indirectly), irrespective of whether there has been any acquisition of shares or voting rights in the company.

However, in the event a public offer is made pursuant to paragraph (d) above, the minimum size of the public offer to acquire the voting capital of the target company is required to be the lesser of (i) 20 per cent. of the voting capital of the company; or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription of the offer, enable the acquirer, together with persons acting in concert with him, to increase his holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in its listing agreements with the stock exchanges.

In addition, pursuant to the amendments to the Takeover Code issued on October 30, 2008, SEBI has specified that in relation to an acquisition under paragraph (c) above, such acquirer may, without making a public announcement, acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights entitling him up to 5 per cent. voting rights in the company, subject to the following conditions:

- the acquisition is made through open market purchase in normal segment on the stock exchange but not through bulk deal/ block deal/ negotiated deal/ preferential allotment; or the increase in the shareholding or voting rights of the acquirer is pursuant to a buyback of shares by the company; and
- the post acquisition shareholding of the acquirer together with persons acting in concert with him does not increase beyond 75 per cent.

Further, if the acquisition of voting capital of a target company made by an acquirer pursuant to a public offer results in the public shareholding in the target company being reduced below the minimum level required in its listing agreements with the stock exchanges for the purpose of continuous listing, the acquirer is required to take necessary steps to facilitate compliance of the target company with the relevant provisions of such listing agreements, within the time period mentioned in such listing agreements.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are "frequently" or "infrequently" traded (as defined in the Takeover Code). Further, the Takeover Code contains penalties for the violation of any provision.

Subject to certain conditions specified in the Takeover Code, the Takeover Code exempts certain specific acquisitions from the requirement of making a public offer. The obligation to make an open offer in terms of the Takeover Code does not arise pursuant to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into shares carrying voting rights.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations 1992, as amended ("Insider Trading Regulations"), have been notified by SEBI to prohibit and penalise insider trading in India. The Insider Trading Regulations prohibit an "insider" from dealing either on his behalf or on behalf of any other person, in the securities of a listed company on the basis of "unpublished price sensitive information," communication of such information or the counsel or procurement of any other person to deal in securities on the basis of such information. The term "insider" was defined as any person who is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company. The definition of the term "insider" has been broadened to include any person who has received or has had access to unpublished price sensitive information of the company.

The Insider Trading Regulations require any person who holds more than 5 per cent. shares or voting rights in any listed company to disclose to the company, the number of shares or voting rights held by such person and any change in the shareholding or voting rights, on becoming such holder, within two working days of:

(i) the receipt of intimation of allotment of shares; or

(ii) the acquisition or the sale of the shares or voting rights, as the case may be.

On a continuing basis, any person who holds more than 5 per cent. shares or voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and change in shareholding or voting rights, even if such change results in shareholding falling below 5 per cent., if there has been change in such holdings from the last disclosure made, provided such change exceeds two per cent. of total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of:

(i) the receipt of intimation of allotment of shares; or

(ii) the acquisition or sale of shares or voting rights, as the case may be.

The listed company is required to further disclose to the Stock Exchanges, information received as above, within two days of receipt of the same. All directors, officers and substantial shareholders in a listed company in India are required to make periodic disclosures of their shareholdings as specified in the Insider Trading Regulations.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse thereof. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading, which is to be implemented by all listed companies and other such entities. Listed companies are required to establish an internal code of conduct without diluting in any manner the model code specified in the Insider Trading Regulations.

The model code has been amended to prohibit all directors, officers, and other designated employees who buy or sell any number of shares of the company from entering into an opposite transaction i.e. a sale or purchase of any number of shares during the next six months following the prior transaction. All directors, officers, and other designated employees have also been prohibited from taking positions in derivative transactions in shares of the company at any time. In relation to subscription in the primary market (initial public offers), the aforesaid persons are required to hold their investments for a minimum period of 30 days. The holding period would commence when the securities are actually allotted. Further, certain provisions of the model code have been also extended to dependants of directors, officers, and other designated employees of the company.

Derivatives (Futures and Options)

Trading in derivatives in India is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended by the Securities Laws (Amendment) Act, 1999, with effect from February 22, 2000 and derivative contracts were included within the term "securities," as defined in the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on separate segments of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI. Derivative products were introduced in four phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act which provides a legal framework for the establishment of depositories to record ownership details and effectuate transfers in book entry form. SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 which provide for, among other things, the registration of depositories and participants, the rights and obligations of the depositories, participants, companies and the beneficial owners, creation of pledge of securities held in dematerialised form, and procedure for dematerialisation of shares held in physical form.

The depositary system has significantly improved the operations of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by a Company has the option to receive the security certificate or hold the securities with the Depositary. The National Securities Depository Limited and Central Depositories (India) Limited are the two depositories that provide electronic depository facilities for trading in equity and debt securities in India. Trading of securities in book-entry form commenced towards the end of 1996. In January 1998, SEBI notified scrips of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and subsequently notified scrips in which dematerialised trading is compulsory for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all investors. The SEBI DIP Guidelines provide that no company shall make a public or rights issue or an offer for sale of securities unless the company enters into an agreement with a depository for dematerialization of securities already issued or proposed to be issued to the public or existing shareholders and the company gives an option to subscribers, shareholders or investors to receive the security certificates or hold securities in dematerialised form with a depository.

Transfers of shares in book-entry form require both the seller and the purchaser of the shares to establish accounts with depository participants registered with the depositaries established under the Depositories Act. Charges for opening an account with a depository participant, transaction charges for each trade, and custodian charges for securities held in each account vary depending upon the practice of each depository participant and must be borne by the account holder. Upon delivery, the shares are registered in the name of the relevant depository in the Company's books and this depository enters the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner is entitled to all rights and benefits and subject to all liabilities in respect of its securities held by a depository.

MANAGEMENT AND CORPORATE GOVERNANCE

The Company's Articles of Association provide that the minimum number of directors shall be three and the maximum number of directors shall be twelve. Currently, the Company has six directors. The Company may, subject to the provisions of the Articles of Association and the Companies Act, alter the minimum or the maximum number of directors by approval of its Shareholders.

Not less than two-thirds of the total number of directors shall be elected directors who retire by rotation. At the Company's annual general meeting, one-third of the directors for the time being who are liable to retire by rotation, shall retire from office. A retiring director is eligible for re-election. The Company's Articles of Association permit certain financial institutions which are its lenders to appoint executive or non-executive directors to the Board while any amount is outstanding to them from the Company. The Company does not currently have any such appointees on the Board. The quorum for meetings of the Board is one-third of the total number of directors, subject to a minimum of two directors.

Board of Directors

The following table sets forth details regarding the Company's Board of Directors as at the date of this Offering Circular:

Name, Nationality and Designation of Directors	Nationality	Designation
1. Mr. Tulsi R. Tanti	Indian	Chairman & Managing Director
2. Mr. Girish R. Tanti	Indian	Executive Director
3. Mr. Ajay Relan	Indian	Independent Director
4. Mr. Ashish Dhawan	Indian	Independent Director
5. Mr. Pradip Kumar Khaitan	Indian	Independent Director
6. Mr. V. Raghuraman	Indian	Independent Director

The business addresses of the directors are set out in the following table:

Name	Address
1. Mr. Tulsi R. Tanti	Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune — 411001
2. Mr. Girish R. Tanti	Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune — 411001
3. Mr. Ajay Relan	C-121, Defence Colony, New Delhi — 110003
4. Mr. Ashish Dhawan	55A, Jor Bagh, New Delhi — 110003
5. Mr. Pradip Kumar Khaitan	Khaitan & Co., Emerald House, 1B, Old Post Office Street, Kolkata — 700001
6. Mr. V. Raghuraman	Confederation of Indian Industry, 249F, Sector 18, Udyog Vihar, Gurgaon — 122 015

Brief Biography of Our Directors

Mr. Tulsi R. Tanti is the founder of the Company and been the Chairman and Managing Director since its inception in 1995. Under Mr. Tulsi R.Tanti's stewardship, the Company has ranked as the 5th leading Wind Turbine Manufacturer in the world. Mr. Tulsi R.Tanti is a commerce graduate and holds a diploma in mechanical engineering. He is responsible for the overall strategic direction of the Company and has received a number of awards in recognition for his leadership of the wind energy industry, his business achievements and stewardship of the renewable energy cause. The awards include "Champion of the Earth 2009" award by United Nations Environment Program (UNEP); "Global Indian Award 2009" by Canada India Foundation, "Hero of the Environment Award" by TIME Magazine, "Rajiv Gandhi Award 2007" for the most successful industrialist in India; "Ernst & Young Entrepreneur of the Year 2006" award by Ernst & Young; "India Business Leader Award 2006" by the television channel CNBC TV18 in the category "The most promising entrant into the big league", "Terialumni Award" for outstanding "Entrepreneurship in Energy — Environment Technologies 2006" by The Terialumni Trust; Best Renewable Man of the Decade" which is a lifetime achievement award from the Foundation of Indian Industry and Economists in 2005; "World Wind Energy Award 2003" by World Wind Energy Association, "Business Leadership Award 2002" by Solar Energy Society of India, etc.

Mr. Girish R. Tanti is one of the Promoters and an executive director of the Company. He is the brother of Mr. Tulsi R. Tanti. He is an entrepreneur with over 11 years of experience in business management. Mr. Girish Tanti has been involved at the strategic and operational level since the formation of Suzlon Energy Limited in 1995. Mr. Girish Tanti is an engineer with a Master's in Business Administration from the UK. He played an active role in the growth of the business, leading critical functions like identifying new business opportunities, fostering and managing international partnerships, global sourcing, sales and marketing, global human resource management, internationalization of Suzlon's operations, developing and building Suzlon brand and information technology initiatives like the SAP implementation. Mr. Girish Tanti now works in a strategic, supervisory role as a mentor and member of the Board.

Mr. Ajay Relan, one of the founding directors of CX Advisors Private Limited, which provides investment advisory services to Private Equity firms, has over twenty-five years of corporate and investment banking experience in India, Saudi Arabia, Tunisia and Switzerland; prior to co-founding the Indian Sub-Advisor, Mr. Relan was the head of CVCI in India, a position that he held since the inception of that business in India in 1995. Prior to this, Mr. Relan worked with several financial firms in multiple geographies, starting with Citi in 1976 and the last being the CEO of a Citi-affiliated brokerage firm, Citicorp Securities & Investments Ltd. Mr. Relan has served on the boards of several CVCI portfolio companies, such as Suzlon, HT Media, Yes Bank, i-FLEX and Progeon, among others. Mr. Relan earned a Masters in Business Administration from the Indian Institute of Management, Ahmedabad and a B.A. in Economics from St. Stephen's College, Delhi University where he was top ranked in the university. He was appointed on board of the Company as a nominee of Citicorp International Finance Corporation Inc. on April 19, 2004. He ceased to be a nominee on January 29, 2007 and was appointed as an independent director on the Board with effect from January 29, 2007.

Mr. Pradip Kumar Khaitan has a degree in a B.Com, LL.B. and is an Attorney-at-Law (Bell Chambers Gold Medallist). He is a well-known lawyer and partner of Khaitan & Company, Advocates. He is a member of the Bar Council of India and Indian Council of Arbitration, New Delhi. His areas of specialisation are commercial and corporate laws, tax laws, arbitration, joint ventures, mergers and acquisition, restructuring and de-mergers. He was appointed to the Board with effect from August 25, 2004.

Mr. V. Raghuraman is currently the Principal Advisor and Chief Co-ordinator — Energy, Environment and Natural Resources of the Confederation of Indian Industry (CII) Energy Program. He is an internationally recognised specialist in energy management, energy efficiency, energy policy, and related regulatory and technology issues. He is a member of the Study Group on Nuclear Energy — An Indian Perspective (2000) of Indian National Academy of Engineering (INAE) and convener of the CII — USIIBC Working Group on Civil Nuclear Cooperation. Mr. V. Raghuraman is a Chemical Engineer by qualification and worked as a Consultant, Trainer, Researcher in National Productivity Council (NPC) and rose up to Deputy Director General. Subsequently he served as a Secretary General of the Associated Chamber of Commerce and Industry (ASSOCHAM). He also served as the Chairman of South Asian Regional Energy Co-operation (SAREC). He was appointed to the Board with effect from October 29, 2005.

Mr. Ashish Dhawan is the Senior Managing Director of ChrysCapital and is based in New Delhi. He is the co-founder of ChrysCapital, a private equity fund that manages approximately US$2,250 million across five funds. ChrysCapital's investment strategy focuses on investing in export-oriented outsourcing services and high growth domestic services. Mr. Ashish Dhawan holds a masters degree in Business Administration with distinction from Harvard University and holds a dual Bachelors Degree (B.S. / B.A.) in applied mathematics and economics from Yale University. He was appointed on the board of the Company as a nominee of Chryscapital III, LLC on August, 10 2004. He ceased to be a nominee on December 22, 2005 and was appointed as an independent director to the Board with effect from December 28, 2005.

Corporate Governance

There are five Board Level Committees in the Company, which have been constituted and function in accordance with the relevant provisions of the Companies Act and the listing agreements entered into by the Company with the NSE and the BSE (the "Listing Agreements"): (i) audit committee; (ii) remuneration committee; (iii) investors' grievance committee; (iv) securities issue committee; and (v) ESOP committee. The Company is in compliance with the corporate governance requirements under each of the Listing Agreements.

Details of each Committee, its scope, composition and meetings for Fiscal Year 2009 is given below:

(i) Audit Committee

Members

• Mr. Ashish Dhawan (Chairman)

• Mr. Pradip Kumar Khaitan

• Mr. V. Raghuraman

The broad terms of reference includes the following as is mandated in Clause 49 of each of the Listing Agreements and Section 292A of the Companies Act, 1956:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

(a) matters required to be included in the directors' responsibility statement to be included in the Board's report in terms of clause 2AA of Section 217 of the Companies Act, 1956,

(b) changes, if any, in accounting policies and practices and reasons for the same,

(c) major accounting entries involving estimates based on the exercise of judgement by management,

(d) significant adjustments made in the financial statements arising out of the audit findings,

(e) compliance with listing and other legal requirements relating to financial statements,

(f) disclosure of any related party transactions, and

(g) qualifications in the draft audit report,

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (including a public issue, rights issue, or preferential issue), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.

7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure overage and frequency of internal audit.

9. Discussion with internal auditors any significant findings and follow-up thereon.

10. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

12. To look into the reasons for substantial defaults in the payment to the depositors, debenture- holders, shareholders (in case of non-payment of declared dividends) and creditors.

13. To review the functioning of the whistle blower mechanism, in case the same is existing.

14. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Audit Committee met four times during Fiscal Year 2009.

Remuneration Committee

Members

- Mr. Ashish Dhawan
- Mr. Pradip Kumar Khaitan
- Mr. V. Raghuraman

The broad terms of reference includes the following:

1. to determine of the remuneration of the directors of the Company; and

2. for effective implementation and operations of various existing and future employee stock option plans of the Company to do all such acts, deeds, matters and things including but not limiting to:

(a) determining the number of options to be granted to each employee and in the aggregate and the times at which such grants shall be made;

(b) determining the eligible employee(s) to whom options be granted;

(c) determining the eligibility criteria(s) for grant of options;

(d) determining the performance criteria(s), if any for the eligible employees;

(e) laying down the conditions under which options vested in optionees may lapse in case of termination of employment for misconduct, etc.;

(f) determining the exercise price which the optionee should pay to exercise the options;

(g) determining the vesting period;

(h) determining the exercise period within which the optionee should exercise the options and that options would lapse on failure to exercise the same within the exercise period;

(i) specifying the time period within which the optionee shall exercise the vested options in the event of termination or resignation of the optionee;

(j) laying down the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues, sub-division, consolidation and other corporate actions;

(k) providing for the right to an optionee to exercise all the options vested in him at one time or at various points of time within the exercise period;

(l) laying down the method for satisfaction of any tax obligation arising in connection with the options or such shares;

(m) laying down the procedure for cashless exercise of options, if any;

(n) providing for the grant, vesting and exercise of options in case of employees who are on long leave or whose services have been seconded to any other Company or who have joined any other subsidiary or other company at the instance of the employer company;

The Remuneration Committee met twice during Fiscal Year 2009.

Investors' Grievance Committee

Members

- Mr. Pradip Kumar Khaitan
- Mr. Tulsi R. Tanti and
- Mr. Girish R. Tanti

The broad terms of reference includes the following:

1. Redressal of Shareholder and investors' complaints including but not limited to transfer of Shares and issue of duplicate share certificates, non-receipt of balance sheet, and non-receipt of declared dividends etc.; and

2. Monitoring transfers, transmissions, dematerialisation, rematerialisation, splitting and consolidation of Shares.

The Investors' Grievance Committee met four times during Fiscal Year 2009.

Securities Issue Committee

Members

- Mr. Tulsi R. Tanti
- Mr. Girish R. Tanti

The broad terms of reference includes the following:

1. Approval of issuance of fresh issue of shares, GDRs, ADRs, FCCBs, SPNs and/or such other securities convertible into or linked to shares;

2. To do all such acts, deeds, matters and things as might be required in connection with the issue of the securities; and

3. To allot equity shares of the Company, as may be required to be allotted to such bondholders of the zero coupon foreign currency convertible bonds on exercise of the conversion rights, as per the terms and conditions of the offer and issue of US$300 million and US$200 million zero coupon foreign currency convertible bonds due 2012 and to do all such other acts, deeds, matters and things as may be incidental and ancillary upon exercise of the conversion rights by such bondholders.

The Securities Issue Committee met four times during Fiscal Year 2009.

ESOP Committee

Members

- Mr. Tulsi R. Tanti
- Mr. Girish R. Tanti

The broad terms of reference of the ESOP committee includes allotment of shares pursuant to exercise of options granted in terms of various employee stock option plan to the employees of the Company and its subsidiary companies as may be declared by the Company from time to time.

The ESOP Committee met three times during Fiscal Year 2009.

Compensation of the Company's Directors

The following tables set forth all compensation paid by the Company to the Company's directors for the Fiscal Year 2009.

A. Non-Executive Directors

The non-executive directors are not paid any remuneration except sitting fees for attending the meetings of the Board of Directors and/or committees thereof. As regard payment of sitting fees to non-executive directors, the same is within the limits prescribed by the Companies Act. The Company does not have material pecuniary relationship or transactions with its non-executive directors. The details of the sitting fees paid, stock options granted and Shares held by the non-executive directors are as under:

Name of Non-Executive Director	Sitting Fees (Rs.)	Stock Options Granted	Shareholding in the Company
Mr. Ajay Relan	—	—	—
Mr. Ashish Dhawan	240,000	—	—
Mr. Pradip Kumar Khaitan	160,000	—	—
Mr. V. Raghuraman	220,000	—	—

* Since Mr. Ajay Relan had expressed his unwillingness to accept sitting fees, he has not been paid any sitting fees for attending the meeting of board of directors of the Company.

B. Executive Directors

Remuneration to the executive directors is decided based on the years of experience and contribution made by the respective executive directors and is consistent with the existing industry practice.

Name of the Director	Salary	Superannuation	Commission/ Bonus/ Stock Options	Total	Service Contract[1]	Notice Period
Mr. Tulsi R. Tanti . . . . Chairman & Managing Director	12,332,651	2,160,950	—	14,493,601	Three years up to March 31, 2011	Three months
Mr. Girish R. Tanti . . . . Wholetime Director (Designated as Executive Director)	4,933,056	864,380	—	5,797,436	Three years up to March 31, 2011	Three months

(1) Note: Mr. Tulsi R. Tanti and Mr. Girish R.Tanti have been appointed as Managing Director and Wholetime Director (designated as Executive Director) of the Company respectively on revised terms and conditions for a further period of three years with effect from April 1, 2008, as recommended by the Board of Directors of the Company in its meeting held on January 29, 2008 and approved by the shareholders on May 22, 2008.

In terms of the special resolution approved by the members of the Company, the Company has been authorised to pay remuneration to the managerial personnel within the limits as prescribed under Section II (B) of Part II of Schedule XIII of the Act in case of loss or inadequacy of profits. Accordingly the Company has paid remuneration as per these limits and the excess remuneration paid has been recovered from the directors. The remuneration paid to the executive directors after refund of excess amount stands reduced as under:

Name of the Director	Salary	Superannuation	Bonus/ Commission/ Stock Options	Total	Service Contract	Notice Period
Mr. Tulsi R. Tanti.	4,800,000	1,188,000	—	5,988,000	Three years up to March 31, 2011	Three months
Mr. Girish R. Tanti	4,800,000	864,380	—	5,664,380	Three years up to March 31, 2011	Three months

Terms of appointment of the Managing Director, Mr. Tulsi Tanti

The Company, in terms of the approval granted by the Board and Shareholders at their respective meetings held on January 29, 2008 and May 22, 2008, has entered into an agreement dated July 30, 2008 ("MD Agreement") with Mr. Tulsi R. Tanti, appointing him as the Managing Director of the Company for a term of three years commencing from April 1, 2008. Under the terms of the MD Agreement, Mr. Tulsi R. Tanti shall manage the affairs of the Company and shall exercise and perform such powers and duties as the Board may from time to time determine, and subject to the overall superintendence, control and direction of the Board, he shall have powers to do and perform all acts, deeds and things which in the ordinary course of business he may consider necessary or proper or in the interests of the Company. According to the terms of the MD Agreement, Mr. Tulsi R. Tanti is entitled to a remuneration consisting of salary of Rs.1.25 million per month and certain other perquisites.

The perquisites and allowance payable to Mr. Tulsi R. Tanti, according to the MD Agreement, shall include medical benefits for him and his family, personal accident and keyman insurance, leave travel allowance for him and his family, encashment of leave, membership fee of up to two clubs, car(s) with driver, telephone, and contribution to the superannuation fund to a ceiling of 27 per cent. of his salary. However, total remuneration payable to Mr. Tulsi R. Tanti shall not exceed the limits prescribed under Section 198 and Section 309 of the Companies Act.

During the continuance of the MD Agreement, Mr. Tulsi R. Tanti shall not in any way engage in any other business of a similar nature or competitive with that carried on by the Company. In addition to the terms and conditions specified in the MD Agreement, Mr. Tulsi R. Tanti's services will be governed by the Company's existing service conditions as may be issued to him from time to time. Mr. Tulsi R. Tanti shall not be liable to retire by rotation.

Terms of appointment of the Executive Director, Mr. Girish Tanti

The Company, in terms of the approval granted by the Board and Shareholders at their respective meetings held on January 29, 2008 and May 22, 2008, has entered into an agreement dated July 30, 2008 ("WTD Agreement") with Mr. Girish R. Tanti, appointing him as Whole Time Director designated as Executive Director of the Company for a term of three years commencing from April 1, 2008. Under the terms of the WTD Agreement, Mr. Girish R. Tanti shall manage the affairs of the Company and shall exercise and perform such powers and duties as the Board may from time to time determine, and subject to the overall superintendence, control and direction of the Board, Mr. Girish R. Tanti shall have powers to do and perform all acts, deeds and things which in the ordinary course of business he may consider necessary or proper or in the interests of the Company. According to the terms of the WTD Agreement, Mr. Girish R. Tanti is entitled to a remuneration consisting of salary of Rs.0.5 million per month and certain other perquisites.

The perquisites and allowance payable to Mr. Girish R. Tanti, according to the WTD Agreement, shall include medical benefits for him and his family, personal accident and keyman insurance, leave travel allowance for him and his family, encashment of leave, membership fee of up to two clubs, car(s) with driver, telephone, and contribution to the superannuation fund to a ceiling of 27 per cent. of his salary. However, total remuneration payable to Mr. Girish R. Tanti shall not exceed the limits prescribed under Section 198 and Section 309 of the Companies Act.

During the continuance of the WTD Agreement, Mr. Girish R. Tanti shall not in any way engage in any other business of a similar nature or competitive with that carried on by the Company. In addition to the terms and conditions specified in the WTD Agreement, Mr. Girish R. Tanti's services will be governed by the Company's existing service conditions as may be issued to him from time to time. Mr. Girish R. Tanti shall not be liable to retire by rotation.

Shareholding of the Directors of the Company

The following table details the shareholding of the Directors in their personal capacity as at the date of this Offering Circular.

Name of Directors	Number of Shares Prior to the Offering
Tulsi R. Tanti	10,962,000
Girish R. Tanti	116,082,000
Ajay Relan	—
Pradip Kumar Khaitan	—
V. Raghuraman	—
Ashish Dhawan	—

Note: Tulsi R.Tanti also holds Shares as karta of Tulsi Ranchhodbhai HUF, as karta of Ranchhodbhai Ramjibhai HUF and jointly with Vinod R. Tanti and Jitendra R. Tanti and Girish R.Tanti also holds Shares as karta of Girish Ranchhodbhai HUF.

Loans and guarantees to directors and management

There is no loan granted to any directors. As at March 31, 2009 outstanding balance of loans granted to affiliated companies was Rs.1,162.50 million, outstanding balance of deposits granted to affiliated companies was Rs.1,223.67 million and outstanding balance of guarantee given was Rs. Nil.

Unusual transactions

There have been no transactions during the last audited financial year of the Company between any of the directors, or the key executives listed below, and the Company which, because of their unusual nature or the circumstances in which they have been entered into, are or will be required to be disclosed in the Company's accounts or approved by its Shareholders.

Borrowing Powers of our Board

The Articles of Association authorise the Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. The Shareholders at a Shareholder meeting dated December 6, 2007, held by way of postal ballot, authorised the Board to borrow to an extent of Rs.70,000 million over and above the aggregate of the paid-up capital and free reserves of the Company.

Senior Management Personnel of the Group

The details of the Company's Senior Management Personnel of the Group are as follows:

	Name	Designation
1.	Mr. Sumant Sinha	Chief Operating Officer
2.	Mr. Robin Banerjee	Chief Financial Officer
3.	Mr. Vinod R. Tanti	Head — SCM
4.	Mr. Kirti Vagadia	Head — Finance
5.	Mr. Thomas Flower	Head — Technology
6.	Mr. Shailesh Ghorpade	Head — Strategy & Planning
7.	Mr. Vivek Kher	Head — Corporate Communications
8.	Ms. Semantinee Khot	Head — CSR
9.	Dr. V.V. Rao	Head — Quality
10.	Mr. I.C. Mangal	Head — India
11.	Mr. Erik Winther Pedersen	Head — EU and Rest of World
12.	Mr. Andris E. Cukurs	Head — United States
13.	Mr. Paulo Fernando Soares	Head — China
14.	Mr. Dan Kofoed Hansen	Head — Australia and New Zealand
15.	Mr. Samir Shah	Head — Corporate Finance
16.	Mr. Simon Chau	Group Controller

The following Senior Management Personnel of the Group are permanent employees of the Group:

Mr. Sumant Sinha — Chief Operating Officer

Sumant Sinha is currently the Chief Operating Officer of the Company. He has a B.Tech from the Indian Institute of Technology, an MBA from the Indian Institute of Management and a masters degree from Columbia University's School of International and Public Affairs.

Mr. Robin Banerjee — Chief Financial Officer

Mr. Banerjee is a Chartered Accountant and has worked across a variety of sectors holding various corporate positions throughout his career, including the positions of Managing Director and Chief Financial Officer of Mittal Steel (Arcelor-Mittal) in Germany. Mr. Banerjee has also worked for TMD Friction GmbH and came to the Group from Essar Steel Holdings Ltd, where he held the position of Chief Financial Officer. Mr. Banerjee is a former Chairman of the International Trade Committee of Bombay Chamber of Commerce and Industries.

Mr. Vinod R. Tanti — Head — SCM

Mr. Tanti is a civil engineer with over 20 years of experience in business, initially in the infrastructure planning sector before moving to the wind energy industry. Mr. Tanti has extensive experience of the wind power industry and has managed various business units including installation and commissioning, operations and maintenance, wind resource mapping and land procurement. Mr. Tanti is a civil engineer.

Mr. Kirti Vagadia — Head — Finance

Mr. Vagadia is a chartered accountant with over 20 years of experience in the areas of corporate finance, accounting, mergers and acquisitions and taxation. He is a key member of the senior management team of the Group and the Group Supervisory Counsel.

Mr. Thomas Flower — Head — Technology

Mr. Flower has over 17 years of international experience in the power generation sector. Prior to joining the Group, Mr. Flower worked for Siemens AG in Germany for 11 years. He has a PhD from Rheinisch-Westfälische Technische Hochschule Aachen University, the largest university of technology in Germany.

Mr. Shailesh Ghorpade — Head Strategy & Planning

Mr. Ghorpade has 16 years of experience primarily in consulting, financial services, planning and strategy and business excellence in various industries with over a year's experience in the wind energy industry. Mr. Ghorpade holds a master's degree in business administration.

Mr. Vivek Kher — Head — Corporate Communications

Mr. Kher heads the Company's corporate communications function based out of its global headquarters in Pune, India. With a post-graduate degree in Business Management, he has over 25 years of experience with media and advertising agencies, working with various blue-chip Indian and multinational corporate brands. He joined the Company in 2004 and manages internal and external communications.

Ms. Seemantinee Khot — Head — CSR

Ms. Khot has 27 years of experience in various international organisations, primarily responsible for heading up large multi-location projects for sustainable development. Ms. Khot also holds consultancy positions for international development and United Nations organisations. Ms. Khot has a master's degree in rural development.

Dr. V.V. Rao — Head — Quality and Information Technology

Dr. Rao has over 18 years of experience in the field of practical business solutions, specialising in enterprise resource planning, IT strategy, human resources and quality management; Dr. Rao has developed such systems for approximately 60 companies during his career.

Mr. I. C. Mangal — Head — India

Mr. Mangal, has 14 years of experience in Marketing and Project management. He is a B.E. Mechanical and has a Diploma in Export — Import Management. He has worked with Rana Group and Shree Ganesh Group prior to joining Suzlon. He has presently been elevated to the position of President, India Business and has been entrusted with the responsibility of leading the India Business Unit of Suzlon Energy Limited.

Mr. Erik Winther Pedersen — Chief Executive Officer — EU and Rest of World

Mr. Pedersen has 25 years of international experience in project sales and project execution, of which the last eight years have been in the wind energy industry. Mr. Pedersen is a mechanical engineer.

Mr. Andris E. Cukurs — Chief Executive Officer — USA

Mr. Cukurs has over 22 years of experience in engineering, construction and project management, with the last six years in the wind energy industry as chief executive officer of NEG Micon's operations in the United States and Canada.

Mr. Paulo Fernando Soares — Chief Executive Officer — China

Mr. Soares has experience in the wind power sector and is responsible for developing the Group's business in China.

Mr. Dan Kofoed Hansen — Chief Executive Officer — Australia and New Zealand

Mr. Hansen has 18 years of experience in the international general contracting industry, including 10 years in the wind industry. In his former position with NEG Micon in Australia and the United States, Mr. Hansen secured approximately 300 MW of wind energy projects and entered into preliminary agreements for a further 1,000 MW potential in Australia. Mr. Hansen joined the Company in June 2004 to establish the Group in Australia and New Zealand.

Mr. Samir Shah — Head — Corporate Finance

Mr. Shah is a chartered accountant with over 20 years of experience in the areas of corporate finance & strategy and global investor relations. In Suzlon he is currently the head of Investor Relations and also looks at various Corporate Finance activities for the company. He is a key member of senior management team.

Mr. Simon Chau — Group Controller

Mr. Chau has over 28 years of international experience in the automotive industry primarily responsible for various finance functions. Prior to joining the Group, Mr. Chau worked for Visteon Corporation for 8 years. He holds a Bachelor (Honours) degree in Economics and Social Administration for Newcastle University, United Kingdom.

Compensation of the Company's Senior Management Personnel of the Group

The Company paid to the Company's Senior Management Personnel an aggregate compensation (including benefits in kind) of Rs.198,480,749 during the Fiscal Year 2009.

Shareholding of the Company's Senior Management Personnel of the Group

The Company has granted to the Company's Senior Management Personnel under the employees stock option scheme an aggregate of 889,599 options.

The aggregate shareholdings held by the Company's Senior Management Personnel (excluding Mr. Vinod R. Tanti) in their personal capacity as at the date of this Offering Circular is approximately 344,000 Shares. See "Principal Shareholders" for the shareholdings held by Mr. Vinod R. Tanti.

PRINCIPAL SHAREHOLDERS

The shareholding pattern of the Company as at May 29, 2009 is as follows:

Category of Shareholders	Shareholding Pattern as on May 29, 2009	
	No. of Shares	Percentage
Promoters and Promoter Group	896,268,000	59.82%
Banks, Financial Institutions, Insurance Companies	15,396,151	1.03%
Foreign Institutional Investors	251,216,796	16.77%
Mutual Funds / UTI	76,004,401	5.07%
Private Corporate Bodies	49,361,081	3.29%
Indian Public	166,088,679	11.09%
NRIs / Foreign Nationals	14,234,518	0.95%
Clearing Members	29,663,096	1.98%
Trusts	62,678	0.00%
Total	**1,498,295,400**	**100.00%**

* As at March 31, 2009, the Issuer has the following ESOPs outstanding: 379,000 Options in terms of Employee Stock Option Plan-2005 and 441,500 Options in terms of Employee Stock Option Plan-2006 and the following FCCBs outstanding: (i) U.S.$300,000,000 zero coupon convertible bonds due 2012 issued in June 2007 convertible into Shares of Rs.2 each at a pre-determined price of Rs.359.68 per share at any time until June 5, 2012 at the option of the bondholders; (ii) U.S.$200,000,000 zero coupon convertible bonds due 2012 issued in October 2007 convertible into Shares of Rs.2 each at a pre-determined price of Rs.371.55 per share at any time until October 4, 2012 at the option of the bondholders. The anti-dilution provisions contained in the terms and conditions of such FCCBs may be triggered by this Offering and require additional securities to be issued upon exercise of conversion rights by the bondholders.

Details of the shareholding of the Promoters and Promoter Group and directors in the Company as at May 29, 2009 are as follows:

Name of Entities	Percentage of Total No. of Shares	No. of Shares
Tanti Holdings Limited	8.70	130,329,000
Girish R. Tanti	7.75	116,082,000
Lina J. Tanti	4.68	70,182,000
Sangita V. Tanti	4.68	70,182,000
Gita T. Tanti	4.31	64,512,000
Vinod R. Tanti as Karta of Vinod Ranchhodbhai HUF	4.20	63,000,000
Brij J. Tanti Through F/G. Jitendra R. Tanti	4.03	60,417,000
Pranav T. Tanti	3.94	59,067,000
Tulsi R. Tanti J/W. Vinod R. Tanti J/W Jitendra R. Tanti	2.85	42,660,000
Tulsi R. Tanti as Karta of Ranchhodbhai Ramjibhai HUF	2.84	42,570,000
Girish R. Tanti as Karta of Girish Ranchhodbhai HUF	2.64	39,500,000
Tulsi R Tanti as Karta of Tulsi Ranchhodbhai HUF	1.28	19,188,000
Jitendra R. Tanti as Karta of Jitendra Ranchhodbhai HUF	1.28	19,188,000
Rajan V. Tanti Through F/G. Vinod R. Tanti	1.11	16,605,000
Trisha J Tanti Through F/G. Jitendra R. Tanti	1.01	15,120,000
Nidhi T. Tanti	1.00	15,052,000
Jitendra R. Tanti	0.83	12,447,000
Vinod R. Tanti	0.76	11,367,000
Tulsi R. Tanti	0.73	10,962,000
Sugati Holdings Private Limited	0.29	4,275,000
Sanman Holdings Private Limited	0.29	4,275,000
Suruchi Holdings Private Limited	0.29	4,275,000
Samanvaya Holdings Private Limited	0.29	4,275,000
Rambhaben Ukabhai	0.05	738,000
Total	**59.82**	**896,268,000**

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The Global Depositary Receipts ("GDRs") represented by this certificate are each issued in respect of four equity Shares of par value Rs.2 each (the "Shares") in Suzlon Energy Limited (the "Company") pursuant to and subject to an agreement dated on or about July 24, 2009, and made between the Company and Deutsche Bank Trust Company Americas as depositary (the "Depositary") (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed ICICI Bank Limited, Mumbai Branch as Custodian (as defined below) to receive and hold on its behalf the Share certificates in respect of certain Shares (the "Deposited Shares") and all rights, securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold Deposited Shares for the benefit of the Holders (as defined below) as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued. In these terms and conditions (the "Conditions"), references to the "Depositary" are to Deutsche Bank Trust Company Americas and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to ICICI Bank Limited or any other Custodian from time to time appointed under the Deposit Agreement and references to the "Office" mean, in relation to the Custodian, its office at ICICI Bank Limited, Securities Markets Service, 1st Floor Empire Complex 414 Senapati Bapat Marg, Lower Parel, Mumbai 400 013 India (or such other office as from time to time may be designated by the Custodian with the approval of the Depositary).

GDRs may take the form of GDRs evidenced by one or more Master GDRs (each a "Master GDR") registered in the name of a common nominee for, and held by the Common Depositary for, Clearstream, Luxembourg and Euroclear, and held for the account of accountholders in Clearstream, Luxembourg or Euroclear, as the case may be, exchangeable in certain circumstances, at the option of the Holder (as defined below) of such Master GDR and at the expense of any person shown in the records of Clearstream, Luxembourg or Euroclear as the owner of a GDR (as defined below) and upon delivery to the Depositary of either (i) a certificate substantially in the form of Schedule 3 Part A of the Deposit Agreement or (ii) an electronic certification through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part A, by or on behalf of such person for a certificate in definitive registered form in respect of GDRs evidencing all or part of the beneficial interest of such person in such Master GDR.

If at any time when Deposited Shares are evidenced by a Master GDR, the Holder of such Master GDR is unwilling or unable to continue as a Common Depositary and a successor Common Depositary is not appointed within 90 calendar days or the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Company, the Depositary or its Agent would be required to make any deduction or withholding (in respect of any tax or governmental charges) from any payment in respect of the GDRs which would not be required were the GDRs represented by certificates in definitive registered form, the Depositary will make available certificates in definitive form in respect of GDRs. If at any time when Deposited Shares are evidenced by a Master GDR, either Clearstream, Luxembourg or Euroclear is closed for a period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention to cease business or does in fact do so, the Company will consult with the Depositary regarding other arrangements for book-entry settlement of interests in such Master GDR. If no alternative clearing system satisfactory to the Depositary is available within 45 calendar days, the Company will instruct the Depositary to make available certificates in definitive registered form in respect of GDRs.

Under the terms of the GDRs, each purchaser of GDRs is deemed to have represented and agreed, among other things, that (a) the GDRs have not been and will not be registered under the Securities Act and may be offered, sold, pledged or otherwise transferred only in a transaction exempt from the registration requirements of the Securities Act and (b) the GDRs may not be offered, sold, pledged or otherwise transferred to any person located in the Company's Jurisdiction, residents of the Company's Jurisdiction, or to, or for the account or benefit of, such persons. Each GDR will contain a legend to the foregoing effect. For a description of the restrictions on the transfer of GDRs see "Transfer Restrictions" and "Plan of Distribution".

References in these Conditions to the "Holder" of any GDR shall mean the person registered as Holder on the books of the Depositary maintained for such purpose. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificate in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Office of the Custodian. Holders are deemed to have notice of and be bound by all of the provisions of the Deposit Agreement. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement.

1. Deposit of Shares and Other Securities

(A) After the initial deposit of Shares by the Company in respect of each GDR, unless otherwise agreed by the Depositary and the Company and permitted by applicable law, only the following may be deposited under the Deposit Agreement in respect of such GDR:

(i) Shares issued as a dividend or free distribution on Deposited Shares pursuant to Condition 5;

(ii) Shares subscribed or acquired by Holders from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 7;

(iii) securities issued by the Company to the Holders in respect of Deposited Shares as a result of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10. References in these Conditions to "Deposited Shares" or "Shares" shall include any such securities, where the context permits; and

(iv) (to the extent permitted by applicable law and regulation) any other Shares in issue.

(B) In accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form approved by the Depositary) and, if required by the Depositary, either (i) a duly executed certificate substantially in the form of Schedule 3 Part B of the Deposit Agreement by or on behalf of any investor who is to become the beneficial owner of the GDRs or (ii) an electronic confirmation through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part B by or on behalf of such person, the Depositary will from time to time issue GDRs in respect of Shares accepted for deposit under this Condition. Such further GDRs will have the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement, shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs. Under the Deposit Agreement, the Company must inform the Depositary if any Shares issued by it which may be deposited under this Condition do not, by reason of the date of issue or otherwise, rank *pari passu* in all respects with the other Deposited Shares. Subject to the provisions of Conditions 5, 7 and 10, if the Depositary accepts such Shares for deposit it will arrange for the issue of temporary GDRs in respect of such Shares which will form a different class of GDRs from the other GDRs until such time as the Shares which they represent become fully fungible with the other Deposited Shares.

Shares may not be deposited by persons located in the Company's Jurisdiction, residents of the Company's Jurisdiction or for, or on the account of, such persons (except by the Company and the Custodian).

Subject to the terms and conditions of the Deposit Agreement and applicable law, upon (i) physical delivery to the Custodian of Shares, (ii) delivery to the Depositary of either (a) a certificate substantially in the form of Schedule 3 Part B of the Deposit Agreement and available from the Depositary or the Custodian or (b) an electronic certification through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part B by or on behalf of such person, (iii) payment of necessary taxes, governmental charges (including transfer taxes) and other fees, expenses and charges as set forth in Condition 16 and the Deposit Agreement, the Depositary will adjust its records for the number of GDRs issued in respect of the Shares so deposited and will notify the Common Depositary, as the case may be, as to the increase in the number of GDRs evidenced by a Master GDR. Each person receiving a GDR or interest therein will be deemed to make the representations, covenants and acknowledgements set forth under "Transfer Restrictions".

(C) The Depositary will refuse to accept Shares for deposit whenever it is notified in writing by the Company that the Company has restricted the transfer of such Shares to comply with ownership restrictions under applicable laws of the Company's Jurisdiction or that such deposit would result in any violation of any applicable laws of the Company's Jurisdiction or governmental or stock exchange regulations. The Depositary may also refuse to accept Shares for deposit in certain other circumstances as set out in the Deposit Agreement.

(D) Subject to the limitations set forth in the Deposit Agreement, the Depositary may (but is not required to) issue GDRs prior to the delivery to it of Shares in respect of which such GDRs are to be issued.

2. Withdrawal of Deposited Property

(A) Deposited Property may not be withdrawn until the Depositary has received a written confirmation from the Company that the Shares are listed on a Share Stock Exchange. The Depositary shall notify the Holders of such listings in accordance with Condition 23 as soon as is practically possible after receiving such written confirmation.

Subject as set out above and to Condition 2(B) to 2(E) below, at any time, any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of evidence satisfactory to the Depositary that all necessary filings applicable to such Holder have been made and approvals have been obtained (or in each case, have been properly waived) under the laws of the Company's Jurisdiction and such evidence that such person is the Holder of, and entitled to, the relevant GDR and such other evidence as the Depositary may reasonably require at the specified office of the Depositary or any Agent accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Office of the Custodian, or (at the request, risk and expense of the Holder) at the specified office from time to time of the Depositary or any Agent (located in the Company's Jurisdiction or such other place as permitted under applicable law from time to time) to, or to the order in writing of, the person or persons designated in such order;

(ii) either (a) a certificate substantially in the form of Schedule 3 Part C of the Deposit Agreement and available from the Depositary or the Custodian or (b) an electronic certification through Euroclear or Clearstream, Luxembourg, as the case may be, in lieu of such certification set forth in Schedule 3 Part C;

(iii) the payment of such fees, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement; and

(iv) the surrender (if appropriate) of GDR certificates in definitive registered form to which the Deposited Property being withdrawn is attributable.

(B) Certificates for withdrawn Deposited Shares will contain such legends, including the legends described under "Transfer Restrictions", and withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws and the Constitutive Documents.

The Board of Directors of the Company may in certain circumstances refuse to register the transfer of Deposited Shares from the name of the Depositary, the Custodian or a nominee of either the Depositary or the Custodian. See "Description of the Shares — Transfer of Shares".

A stamp duty of 0.25 per cent. of the market value of Shares is currently charged in respect of any transfer of Shares in physical form. This duty is payable by the relevant Holder. Currently, in accordance with Indian regulations, the delivery of underlying Shares of GDRs shall only be in the dematerialised form and stock exchanges may not accept delivery of underlying Shares of GDRs in physical form. In addition, (i) a person resident outside India can transfer any security to a person resident in India by way of gift; and (ii) a person resident outside India can sell the shares & convertible debentures of an Indian company on a recognised stock exchange in India through a registered broker. Holders are advised to seek independent legal advice in relation to transfer and requirement of approval issues.

(C) Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph (A) of this Condition, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at its Office to, or to the order in writing of, the person or persons designated in the accompanying order:

(i) a certificate for, or other appropriate instrument of title to, the relevant Deposited Shares, registered in the name of the Depositary, the Custodian or a nominee of either the Depositary or the Custodian and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid,

provided that the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(a) will direct the Custodian to deliver the certificates for, or other instruments of title to, the relevant Deposited Shares in the name of the Depositary, the Custodian or a nominee of either the Depositary or the Custodian and any document relevant thereto and any other documents referred to in paragraph (C)(i) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its Agent and is attributable to such Deposited Shares); and/or

(b) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied by such instruments of transfer in blank or to the person or persons specified in such order and such other documents, if any, as are required by law for the transfer thereto),

in each case to the specified office from time to time of the Depositary or, if any, any Agent (located in the Company's Jurisdiction or such other place as is permitted under applicable law from time to time) as designated by the surrendering Holder in such accompanying order as aforesaid.

(D) Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

(E) The Depositary may suspend the withdrawal of all or any category of Deposited Property during any period when the register of shareholders or other relevant holders of other securities of the Company is closed, generally or in one or more localities, or in order to comply with any applicable laws of the Company's Jurisdiction or governmental or stock exchange regulations. The Depositary shall restrict the withdrawal of Deposited Shares whenever it is notified in writing that such withdrawal would result in a breach of ownership restrictions under applicable law in the Company's Jurisdiction.

3. Transfer and Ownership

GDRs are in registered form each issued in respect of four Shares. Title to the GDRs passes by registration in the records of the Depositary. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in a violation of applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Deposit Agreement defines: the "owner of GDRs" as, in respect of any GDR represented by a Master GDR, such person whose name appears in the records of Clearstream, Luxembourg or Euroclear as the owner of a particular amount of GDRs and, in respect of any GDR in definitive form, the Holder thereof; "Holder" as the person recorded in the Register as holder for the time being of a GDR; and "beneficial owner of GDRs" as such person who holds beneficial title to such GDRs or interests therein. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder, owner or beneficial owner of GDRs.

There are restrictions on the offer and sale of the GDRs and the Shares. See "Transfer Restrictions" and "Plan of Distribution".

4. Cash Distributions

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary, its Agent or Custodian shall as soon as practicable convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; provided that:

(a) in the event that the Depositary is aware that any Deposited Shares shall not be entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16(A)(iv).

5. Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend in, or free distribution or bonus issue of, Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such dividend or distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs evidenced by the Master GDR or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell such Shares so received (either by public or private sale and otherwise at its discretion, subject to the laws and regulations of the Company's Jurisdiction) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions Other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell the securities or property so received, or any part thereof, (either by public or private sale and otherwise at its discretion, subject to the laws and regulations of the Company's Jurisdiction) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders in accordance with Condition 23 of such offer or invitation specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, give details of how the Depositary proposes to distribute the rights or the proceeds of sale. The Depositary will deal with such rights in the manner described below:

(i) if at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable and, to the extent that it is so satisfied, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Rupees or other currency (where appropriate) together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and in the case of Shares so subscribed or acquired to distribute them to the Holders entitled thereto by an increase in the numbers of GDRs evidenced by the Master GDR or an issue of certificates in definitive form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

(ii) if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable and to the extent that it is so satisfied, the Depositary shall distribute such securities or other assets by way of rights or the rights themselves to the Holders entitled thereto in proportion to the number of Deposited Shares represented by the GDRs held by them respectively in such manner as the Depositary may at its discretion determine; or

(iii) if and in so far as the Depositary is not satisfied that any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders is lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or is so satisfied that it is unlawful, the Depositary (a) will, provided that Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to the laws and regulations of the Company's Jurisdiction) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold, and in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto except to the extent prohibited by applicable law.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in (i), (ii) or (iii) above the Depositary shall permit the rights to lapse. In the absence of its own wilful default, gross negligence or bad faith the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to any Holders or owners of GDRs in general or to any Holder or owner of a GDR in particular.

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and, if requested, use all reasonable endeavours (subject to the next paragraph) to facilitate any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Condition 4, 5, 6, 7 or 10.

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law or regulation of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate, in order for the Depositary to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities represented by such rights, the Depositary will not offer such rights or distribute such securities or other property to Holders or owners of GDRs unless and until the Company procures at the Company's expense, the receipt by the Depositary of an opinion from counsel satisfactory to the Depositary that the necessary registration has been effected or that the relevant offer, distribution or sale of such rights, securities or property to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank, by sale or in any other manner that it may determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary, with the assistance of the Company, shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may consider necessary. If at any time the Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may in its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance on non-interest bearing accounts for the account of, the Holders entitled thereto and notify the Holders accordingly.

9. Distribution of any Payments

(A) Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to those Holders who are Holders of record on the record date established by the Depositary (which shall be the same date as the corresponding record date set by the Company or, if different from the record date set by the Company, shall be set after consultation with the Company and shall be as near as practicable to any record date set by the Company) for that purpose and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars or, in the case of the Master GDR, according to usual practice between the Depositary and Clearstream Banking *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Conditions, the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relevant Deposited Property.

(B) Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the entitled Holder, subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of twelve (12) years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company, which remains unclaimed for such period as aforesaid, when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganisation

Upon any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders in accordance with Condition 23 and, at its discretion, may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6, 7 and 9 with respect thereto or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change or may adopt more than one of these courses of action.

11. Taxation and Applicable Laws

(A) Payments to Holders of dividends or other distributions made to Holders on or in respect of the Deposited Shares will be subject to deduction of applicable taxes in the Company's Jurisdiction and other withholding taxes, if any, at the applicable rates.

For a description on Indian taxes with respect to dividends on Deposited Shares and capital gains realised on sale of Deposited Shares, see "Taxation — Indian Taxation". Under the current Indian Law, any Holder or owner of a GDR resident in a country which has the benefit of a favourable tax treaty with India must withdraw the Deposited Property attributable to its GDRs in order to take advantage of it.

(B) If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in the Company's Jurisdiction in order for the Depositary to receive from the Company Shares or other rights, securities, property and cash to be deposited under the Conditions or in order for Shares, other rights, securities, property or cash to be distributed under Condition 4, 5, 6 or 10 or to be subscribed for or acquired under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company will apply for such authorisation, consent, registration or permit or file such report on behalf of the Depositary within the time required under such law and the Depositary shall co-operate with the Company in this regard. The Depositary shall not distribute GDRs representing such Shares, rights, securities or other property or cash to be deposited under these Conditions or make any offer of any such rights or sell any securities represented by any such rights with respect to which it has been informed in writing that such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duty to obtain any such authorisation, consent or permit or to file any such report except in circumstances where the same may only be obtained or filed by the Depositary without, in the opinion of the Depositary, unreasonable burden or expense.

12. Voting Rights

Holders of GDRs will have no voting rights with respect to the Deposited Shares. The Depositary will not exercise any voting rights in respect of the Deposited Shares unless it is required to do so by law. If so required, the Depositary will, at the direction of the Board of Directors of the Company (subject to the advice of legal counsel taken by the Depositary and the Company at the expense of the Company), either vote as directed by the Board of Directors of the Company or give a proxy or power of attorney to vote the Deposited Shares in favour of a Director of the Company or other person or vote in the same manner as those shareholders designated by the Board of

Directors of the Company. A valid corporate decision of the Company will bind the Depositary and the Holders notwithstanding these restrictions on voting rights.

Shares which have been withdrawn from the depositary facility and transferred on the Company's register of shareholders to a person other than the Depositary, the Custodian or a nominee of either the Depositary or the Custodian may be voted by the holders thereof. However, Holders or owners of GDRs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the Shares and vote at such meetings.

13. Documents to be Furnished, Recovery of Taxes, Duties and Other Charges

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depositary may, for the account of the Holder, discharge the same out of the proceeds of sale and subject to the laws and regulations of the Company's Jurisdiction, of an appropriate number of Deposited Shares (being an integral multiple of the number of Shares in respect of which a single GDR is issued) or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

14. Liability

(A) In acting hereunder (i) the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and (ii) other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or the owners of GDRs or any other person except that any funds received by the Depositary for the payment of any amount due, in accordance with these Conditions, on the GDRs shall, subject to Condition 9(B) be held by it in trust for the relevant Holder until duly paid thereto.

(B) None of the Depositary, the Custodian, the Company, nor any of their agents, officers, directors or employees nor any Agent shall incur any liability to any other of them or to any Holder or owner of a GDR, beneficial owner of a GDR or any person with an interest in a GDR if, by reason of any provision of any present or future law or regulation of the Company's Jurisdiction or any other country or of any relevant governmental authority or by reason of the interpretation or application of any such present or future law or regulation or any change therein or by reason of any other circumstances beyond their control or, in the case of the Depositary, the Custodian, any of their agents, officers, directors or employees or any Agent, by reason of any provision, present or future, of the Constitutive Documents, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor (save in the case of wilful default, gross negligence or bad faith) shall any of them incur any liability to any Holder or owner of a GDR, beneficial owner of a GDR or any person with an interest in any GDR by reason of any non-performance or delay, caused as aforesaid, in performance of any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed, or by reason of any exercise of, or failure to exercise, caused as aforesaid, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement or these Conditions. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

(C) Neither the Depositary, the Custodian nor any Agent shall be liable (except by reason of its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of a GDR, beneficial owner of a GDR or any person with an interest in a GDR by reason of having accepted as valid or not having rejected any document relating to Shares, or any certificate or document relating to GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic (except as aforementioned) or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

(D) The Company, the Depositary and any of their respective agents shall not be liable to Holders or owners of GDRs for any indirect, special, punitive or consequential damages which arise in connection with the Deposit Agreement or these Conditions.

(E) The Depositary and each of its Agents (and any holding, subsidiary or associated company of the Depositary) may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank or in any other capacity other than as Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and any sales of property) without accounting to any Holder or owner of a GDR, beneficial owner of a GDR or any person with an interest in a GDR or any other person for any profit arising therefrom.

(F) The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Condition 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be possible. In the absence of its own wilful default, gross negligence or bad faith the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to Holders in general or to any Holder in particular pursuant to Condition 7.

(G) The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of, its obligations under or in connection with, the Deposit Agreement or these Conditions.

(H) Neither the Company nor the Depositary shall, subject to all applicable laws, have any responsibility whatsoever to the other party hereto, any Holder or owner of a GDR beneficial owner of a GDR or any person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

(I) In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement or these Conditions, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for any Holders, any owner of a GDR, beneficial owner of a GDR or a person with an interest in a GDR or any other person.

(J) Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its reasonable opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation having notified the Company of anything to be done in pursuit of such compliance if not expressly provided in these Conditions or in the Deposit Agreement.

(K) Unless specifically required by law and regulations in the Company's Jurisdiction and then to the extent possible, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable law in the Company's Jurisdiction as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any deposit of Shares against issue of GDRs if notified by the Company, or if the Depositary becomes aware of the fact, that such transfer or issue would be in violation of the limitations set forth above or any other applicable laws.

(L) The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate, share extracts or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof. Any such advice, opinion, certificate, share extracts or information may be sent or obtained by letter, telex, facsimile transmission or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate, share extracts or information purported to be conveyed by any such letter, telex, facsimile transmission or cable although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.

(M) The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, share extracts, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by the Board of Directors of the Company or by a person duly authorised by a the Board of Directors of the Company or such other certificate or share extracts from persons specified in Condition 14(M) above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate or share extracts.

(N) The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, gross negligence or bad faith.

(O) The Depositary may, having given prior notification to the Company of the identity of the delegate, delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to an Affiliate of the Depositary. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not (in any circumstances) and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate except that the Depositary shall be responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate which is an Affiliate of the Depositary. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate, arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

(P) The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a lawyer or other person, including obtaining an opinion of legal advisors in form and substance reasonably satisfactory to it, to transact or concur in transacting any business or do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Save for (i) the failure on the part of the Depositary to exercise reasonable care in the selection or retention of any such agent or (ii) any misconduct or omission by an agent which is an Affiliate of the Depositary, the Depositary will not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent.

(Q) The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world at the cost of the Depositary with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute and may pay all sums due in respect thereof, and the Depositary shall not (in case of deposit with itself, in the absence of its own wilful default, gross negligence or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

(R) Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable, in the absence of its own wilful default, gross negligence or bad faith or that if its agents, directors, officers or employees, in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement.

(S) No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.

(T) No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent. Any such surrendered GDRs shall forthwith be cancelled by the Depositary and destroyed, who shall at all times maintain a record of all such GDRs cancelled and destroyed, including the certificate numbers and the number of GDRs represented thereby.

16. Depositary's Fees, Costs and Expenses

(A) The Depositary shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

(i) for the issue of GDRs (other than upon the issue of GDRs on the date hereof) or the cancellation of GDRs upon the withdrawal of Deposited Property: U.S.$0.05 or less per GDR issued or cancelled;

(ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs (including, but not limited to, printing costs) and expenses involved;

(iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.$0.02 or less per GDR for each such dividend or distribution;

(v) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution (except where converted to cash): U.S.$0.05 or less per outstanding GDR for each such issue of rights, dividend or distribution;

(vi) for the operation and maintenance costs associated with the administration of the GDRs: an annual fee of U.S.$0.02 or less per GDR; (such fee to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions); and

(vii) for the issue of GDRs pursuant to a change for any reason in the number of Shares represented by each GDR, regardless of whether or not there has been a deposit of Shares to the Custodian or the Depositary for such issuance: a fee of U.S. $0.05 or less per GDR (or portion thereof),

together with all expenses, transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian in connection with any of the above including, but not limited to charges imposed by a central depositary and such customary expenses as are incurred by the Depositary in the conversion of currencies other than U.S. dollars into U.S. dollars and fees imposed by any relevant regulatory authority.

(B) The Depositary is entitled to receive from the Company such fees, taxes, duties, charges, costs, expenses and other payments as agreed between them in any agreement concerning such fees, taxes, duties, charges, costs, expenses and other payments.

17. Agents

(A) The Depositary shall be entitled to appoint one or more agents (the "Agents") for the purpose, *inter alia*, of making distributions to the Holders.

(B) Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18. Listing

The Company has undertaken in the Deposit Agreement to use its best endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, a listing for the GDRs on the LuxSE and a listing of the Shares on the Share Stock Exchange. For that purpose the Company will pay all fees and sign and deliver all undertakings required by the LuxSE and the Share Stock Exchange in connection therewith. In the event that such listings are not obtained and maintained, the Company has undertaken in the Deposit Agreement to use its best endeavours to obtain and maintain (i) a listing of the GDRs on another internationally recognised investment exchange designated as a "recognised stock exchange" for the purposes of Section 1005 of the United Kingdom Income Tax Act 2007 and (ii) a listing of the Shares on one or more stock exchanges in the Company's Jurisdiction.

19. The Custodian

The Depositary has, pursuant to the Deposit Agreement, agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement, which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian. The Custodian shall be responsible solely to the Depositary; provided that, if at any time the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. Upon receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may terminate the appointment of the Custodian and, in the event of the termination of the appointment of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change as soon as is practically possible following such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as herein specified. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if, and to the extent that, the obtaining of such insurance is reasonably practicable and the premiums payable are, in the opinion of the Depositary, of a reasonable amount.

20. Resignation and Termination of Appointment of the Depositary

(A) Unless otherwise agreed to in writing between the Company and Depositary from time to time, the Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least ninety (90) calendar days' notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least ninety (90) calendar days' notice in writing to the Company and the Custodian. Within thirty (30) calendar days after the giving of such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23. Such resignation by the Depositary shall be subject to the terms and conditions of any other agreement executed between the Depositary and the Company.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in the relevant notice provided that no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary, the grant of such approvals as may be necessary to comply with applicable laws and with the Constitutive Documents for the transfer of the Deposited Property to such successor depositary, the acceptance of such appointment to act in accordance with the terms thereof and the Deposit Agreement by that successor depositary and the payment to the Depositary of all fees, taxes, duties, charges, costs, expenses and other payments as agreed by the Depositary and the Company in any agreement concerning such fees, taxes, duties, charges, costs, expenses and other payments. The Company has undertaken in the Deposit Agreement to use its best endeavours to procure the appointment of a successor depositary with effect from the date of termination or resignation specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 23.

(B) Upon the termination of appointment or resignation of the Depositary, the Depositary shall upon payment of all fees, expenses and charges (if any) owing to it by the Company under the Deposit Agreement and any other agreement executed between the Company and the Depositary, deliver to its successor depositary such information and records relating to the Company which are in its possession to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all Deposited Property held by it under the Deposit Agreement. Upon the date when such termination of appointment or resignation takes effect, the Deposit Agreement provides that the Custodian shall be deemed to be the Custodian thereunder for such successor depositary and shall hold the Deposited Property for such successor depositary and the Depositary shall thereafter have no obligations thereunder other than liabilities accrued prior to the date of termination or resignation.

21. Termination of Deposit Agreement

(A) Subject as set out below, either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within ninety (90) calendar days of the date on which the Depositary has given prior written notice pursuant to Condition 20 that it wishes to resign, may terminate the

Deposit Agreement by giving ninety (90) calendar days' notice to the other and to the Custodian. Within thirty (30) calendar days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

If the Company terminates the Deposit Agreement, it will (unless the termination is due to the wilful default, gross negligence or bad faith of the Depositary) be obligated, prior to such termination, to reimburse to the Depositary all amounts owed to the Depositary as set out in the Deposit Agreement and in any agreement between the Depositary and the Company.

(B) During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relating to each GDR held by it, subject to the provisions of paragraph (D) of Condition 2 and upon compliance with Condition 2, and further upon payment by the Holder of any sums payable by the Depositary to the Custodian in connection therewith for such delivery and surrender but otherwise in accordance with Condition 16(A)(i) and the Deposit Agreement.

(C) If any GDRs remain outstanding after the date of termination, the Depositary shall, if possible, as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligations to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest as well as any liabilities that have accrued prior to the making of such sale.

(D) The Company has agreed not to appoint any other depositary in respect of GDRs issued or to be issued under the depositary facility established pursuant to the Deposit Agreement so long as Deutsche Bank Trust Company Americas is acting as Depositary under the Deposit Agreement.

22. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22 and Clause 13 of the Deposit Agreement) may at any time and from time to time be amended by written agreement between the Company and the Depositary and if required, the Securities and Exchange Board of India (or its successor organisation) in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 2, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, free of the charge specified in paragraph (A)(i) of Condition 16 for such delivery and surrender but otherwise in accordance with the Deposit Agreement. Each Holder at the time when any such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 2, the Deposited Property attributable to the relevant GDR.

23. Notices

All notices to Holders shall be validly given if mailed to them at their respective addresses in the register of Holders maintained by the Depositary or furnished to them by electronic transmission as agreed between the Company and the Depositary and, so long as the GDRs are listed on the Luxembourg Stock Exchange, published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed.

All notices required to be given by the Company to the holders of Shares or other Deposited Property pursuant to any applicable laws, regulations or other agreements shall be given by the Company to the Depositary and upon receipt of any such notices, the Depositary shall forward such notices to the Holders. The Depositary shall not be liable for any notices required to be given by the Company which the Depositary has not received from the

Company, nor shall the Depositary be liable to monitor the obligations of the Company to provide such notices to the holders of Shares and other Deposited Property.

24. Reports and Information on the Company

(A) The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language by mail, facsimile or electronic transmission as agreed between the Company and the Depositary (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

(i) in respect of the financial year ending on 31 March 2010 and in respect of each financial year thereafter, the consolidated and non-consolidated balance sheets as at the end of such financial year and the consolidated and non-consolidated statements of income for such financial year in respect of the Company, prepared in conformity with either generally accepted accounting principles in the Company's Jurisdiction or, at the option of the Company, in accordance with International Accounting Standards and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within nine months) after the end of such year; and

(ii) quarterly non-consolidated financial statements and disclosures (as per Clause 41 of the Listing Agreements) as soon as practicable (and in any event, not later than three months after the date to which they relate) after the same are published.

(B) The Depositary shall, upon receipt thereof, give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

25. Copies of Company Notices

On or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, the Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary such number of copies of such notice and any other material (which in the opinion of the Company contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. The Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to paragraph (A) of Condition 9, and shall make the same available to Holders in such manner as it may determine.

26. Moneys Held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any holder or any other person for any interest thereon, except as otherwise agreed.

27. Disclosure of Beneficial Ownership and Other Information

Subject to applicable laws, the Depositary may from time to time request Holders or former Holders or any clearing system in which the GDRs are from time to time cleared to provide information as to the capacity in which such Holders hold or held GDRs and regarding the identity of any other persons then or previously interested in such GDRs and the nature of such interest and various other matters. Each such Holder agrees to provide any such information reasonably requested by the Depositary pursuant to the Deposit Agreement whether or not still a Holder at the time of such request.

28. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

29. Governing Law

(A) The Deposit Agreement, the GDRs and any non contractual obligations arising out of or in connection with the Deposit Agreement or the GDRs are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedule 3 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Property will be governed by the laws of the Company's Jurisdiction. The Company has submitted in respect of the Deposit Agreement and these Conditions to the jurisdiction of the English courts.

(B) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("Proceedings") may be brought in such courts. This submission is made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(C) The Depositary irrevocably appoints the Managing Director for the time being of Deutsche Trustee Company Limited, currently situated at Winchester House, 1 Great Winchester Street, London EC2N 2DB as its authorised agent for service of process in England. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Company of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

30. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce these terms and conditions under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that these terms and conditions expressly provide for such Act to apply.

DEPOSITARY

Deutsche Bank Trust Company Americas
60 Wall Street
New York
New York 10005

CUSTODIAN

ICIC Bank Limited, Mumbai Branch
Securities Markets Service
1st Floor Empire Complex
414 Senapati Bapat Marg, Lower Parel
Mumbai 400 013
India

and/or such other Depositary and/or such other Custodian or Custodians and/or such other or further Agent or Agents and/or specified offices as may from time to time be duly appointed or nominated and notified to the Holders.

SUMMARY OF PROVISIONS RELATING TO THE GDRS WHILE IN MASTER FORM

On the initial offering, the GDRs will be in global form represented by a single Master GDR in registered form. The Master GDR will be delivered by Deutsche Bank Trust Company Americas, as Depositary, and registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as Common Depositary for Euroclear and Clearstream, Luxembourg. The Master GDR contains provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions. The following is a summary of certain of those provisions.

Exchange

The Master GDR will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below, in whole but not, except in the case of (iii) or (iv) below, in part. The Depositary shall deliver to Holders certificates evidencing GDRs in definitive registered form in exchange for the Master GDR within sixty (60) calendar days of the occurrence of the relevant event described in (i), (ii), (iii) or (iv) below if:

(i) the Holder of the Master GDR is unwilling or unable to continue as common depositary or depositary (or as nominee thereof), as the case may be, and a successor common depositary or successor depositary (or successor nominee therefor), as the case may be, is not appointed within ninety (90) calendar days; or

(ii) either Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of fourteen (14) calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so and no alternative clearing system satisfactory to the Depositary is available within forty-five (45) calendar days; or

(iii) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Company, the Depositary or its Agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs in definitive form; or

(vi) the Holder gives notice to the Depositary of its desire to exchange a part or the whole of the Master GDR for certificates evidencing GDRs in definitive registered form.

In relation to (iii) and (iv) above, any person appearing in the records maintained by Clearstream, Luxembourg and Euroclear as entitled to any interest in this Master GDR shall be entitled to require the Holder to procure the exchange of an appropriate part of the Master GDR for a definitive GDR for an interest held by such person in this Master GDR in the above circumstances upon notice to the Holder. Any such exchange shall be at the expense (including printing costs) of the Holder in the case of such appropriate part or at the expense of the Holders in case of exchange of the whole of the Master GDR for the definitive GDRs.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream, Luxembourg. The GDRs in definitive certificated form will be required to bear a legend with respect to restrictions on transfers as set out in "Transfer Restrictions."

Upon any exchange of the Master GDR for certificates in definitive registered form evidencing GDRs or any distribution of GDRs or any change in the number of GDRs represented by the Master GDR following any withdrawal or deposit of Deposited Property, the relevant details will be entered by the Depositary on the Register provided that if the number of GDRs represented by the Master GDR is reduced to zero the Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary under the Deposit Agreement and the Conditions have terminated. No temporary Master GDR or other temporary documents of title have been or will be issued.

Transfer restrictions

For a description of the transfer restrictions relating to the GDRs, see "Terms and Conditions of the GDRs" and "Transfer Restrictions."

Trading between Euroclear and Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

General

Although the foregoing sets forth the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the GDRs among participants of Euroclear and Clearstream, Luxembourg, neither of Euroclear and Clearstream, Luxembourg are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Joint Bookrunners, the Depositary, the Custodian nor their respective affiliates or agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

The Company is required to inform the RBI of the details of remittances received with respect to issuances of Shares underlying the GDRs within 30 days from the date of issuance.

Payment, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) in respect of GDRs evidenced by the Master GDR will be made by the Depositary through Euroclear or Clearstream, Luxembourg, in each case on behalf of persons entitled thereto upon receipt of funds therefor from the Company and in accordance with the terms of the Deposit Agreement. Any free distribution or rights issue of Shares to the Depositary on behalf of the Holders of GDRs may result in the record maintained by the Depositary being adjusted to reflect the enlarged number of GDRs represented by the Master GDR.

Payments of dividends and other cash distributions payable in respect of the GDRs represented by the Master GDR will be made by the Depositary in U.S. dollars.

Voting Rights

Holders of GDRs will have no voting rights with respect to the Shares represented by the GDRs. The Depositary will not exercise any voting rights in respect of the Shares unless it is required to do so by law. If so required, the Depositary will, at the direction of the Board of Directors (subject to the advice of legal counsel taken by the Depositary and the Company at the expense of the Company), either vote as directed by the Board of Directors or give a proxy or power of attorney to vote the Shares in favour of a Director of the Company or other person or vote in same manner as those shareholders designated by the Board of Directors. A valid corporate decision of the Company will bind the Depositary and the Holders notwithstanding these restrictions on voting rights.

Shares which have been withdrawn from the depositary facility and transferred on the Company's register of members to a person other than the Depositary or its nominee may be voted by the holders thereof. However, Holders or owners of GDRs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the Shares and vote at such meetings.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by the Common Depositary of Euroclear and Clearstream, Luxembourg, in each case on behalf of a Holder of GDRs, of such evidence of entitlement of such Holder as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, Luxembourg or, if relevant, an alternative clearing system. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as a Master GDR is registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg, as appropriate, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg for communication to persons entitled thereto in substitution for publication required by Condition 23.

Governing Law

The Master GDR shall be governed by and construed in accordance with English law.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is Deutsche Bank Trust Company Americas. Deutsche Bank Trust Company Americas was incorporated in 1903 as a bank with limited liability in the State of New York and is an indirect wholly owned subsidiary of Deutsche Bank AG. Deutsche Bank Trust Company Americas is subject to the regulation and supervision of the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. The registered office of the Depositary is located at Deutsche Bank Trust Company Americas, 60 Wall Street, New York, NY10005, United States. A copy of the Depositary's by-laws, as amended, together with copies of the most recent quarterly financial statements of the Depositary and annual report of Deutsche Bank AG will be available for inspection at the registered and principal administrative establishment of the Depositary located at 60, Wall Street, New York, NY 10005, United States, at the office of the Depositary located at Winchester House, 1 Great Winchester Street, London EC2N 2DB, and at the office of the Listing Agent at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

TRANSFER RESTRICTIONS

Prospective purchasers of GDRs are advised to consult their legal counsel prior to making any offer, resale, pledge or other transfer of the GDRs or the Shares represented thereby.

The GDRs may not be offered, sold, pledged or otherwise transferred, directly or indirectly to any person in India, residents of India, or to, or for the account or benefit of, such persons.

The GDRs (and the underlying Shares) have not been and will not be registered under the Securities Act, any state securities laws in the United States, or the securities laws of any other jurisdiction and, accordingly, may not be re-offered, re-sold, pledged or otherwise transferred or delivered in the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) unless the GDRs (and the underlying Shares) are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available, and except in accordance with the restrictions described below.

Each purchaser and each beneficial owner of the GDRs who is not a US person, by accepting delivery of this Offering Circular and the GDRs, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used in this document as defined in Regulation S):

(a) the purchaser and each beneficial owner is not a US person and is located outside the United States;

(b) the purchaser and each beneficial owner acknowledges that the GDRs (and the underlying Shares) have not been, and will not be, registered under the Securities Act and that the GDRs are being offered only outside the United States in reliance on Regulation S;

(c) the purchaser and each beneficial owner acknowledges and agrees that the GDRs (and the underlying Shares) may not be resold in the United States or to a US person; and

(d) the Company, the Joint Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

The purchaser understands that if GDRs are held in certificated form, such certificated GDRs will bear a legend substantially to the following effect:

"THE HOLDER HEREOF, BY PURCHASING THE GLOBAL DEPOSITARY RECEIPTS (THE "GDRS") EVIDENCED BY THIS CERTIFICATE, AGREES, FOR THE BENEFIT OF SUZLON ENERGY LIMITED AND THE DEPOSITARY NAMED BELOW THAT THE GDRS EVIDENCED BY THIS CERTIFICATE MAY NOT AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY TO ANY PERSON LOCATED IN INDIA, RESIDENTS OF INDIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS.

THE GDRS EVIDENCED BY THIS CERTIFICATE AND THE SHARES REPRESENTED THEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER BY ITS ACCEPTANCE OF THE GDRS EVIDENCED HEREBY AND THE BENEFICIAL INTEREST IN THE SHARES REPRESENTED THEREBY REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS."

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to the Company's share capital, including a brief summary of some of the provisions of its Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.

General

The authorised capital of the Company is Rs.4,450,000,000 divided into 2,225,000,000 Shares of Rs.2 each. As at July 4, 2009, 1,498,311,400 Shares of the Company were issued and outstanding. The Shares of the Company are listed on BSE and NSE.

Equity Share Capital History

Date of Allotment of the Equity Shares	No. of Equity Shares	Face Value	Issue Price	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital	Cumulative Share Premium
		(Rs.)	(Rs.)			(Rs. millions)	(Rs. millions)
Until 12 October, 2005	260,768,700	10				2,607.69	953.73
October 13, 2005	26,762,680	10	510	Cash	IPO-Fresh Offer	2,875.32	14,335.07
July 10, 2006	128,300	10	255	Cash	ESOP-2005	2,876.60	14,366.50
October 4, 2006	84,000	10	255	Cash	ESOP-2005	2,877.44	14,387.08
November 6, 2006	5,200	10	255	Cash	ESOP-2005	2,877.49	14,388.36
December 2, 2006	15,700	10	255	Cash	ESOP-2005	2,877.65	14,392.20
January 10, 2007	200	10	255	Cash	ESOP-2005	2,877.65	14,392.25
April 9, 2007	600	10	255	Cash	ESOP-2005	2,877.65	14,392.40
July 9, 2007	210,100	10	255	Cash	ESOP-2005	2,879.75	14,443.88
October 15, 2007	24,100	10	255	Cash	ESOP-2005	2,879.99	14,449.78
November 5, 2007	900	10	255	Cash	ESOP-2005	2,880.00	14,450.00
December 20, 2007	11,386,000	10	1917	Cash	QIP	2,993.86	36,163.10
Total	**299,386,480**					**2,993.86**	
*** Adjusted on sub-division**	**1,496,932,400**					**2,993.86**	
February 5, 2008	2,000	2	51	Cash	ESOP-2005	2,993.86	36,163.20
May 3, 2008	15,000	2	51	Cash	ESOP-2005	2,993.89	36,163.93
July 5, 2008	1,301,000	2	51	Cash	ESOP-2005	2,996.50	36,227.68
October 4, 2008	45,000	2	51	Cash	ESOP-2005	2,996.59	36,229.89
July 4, 2009	16,000	2	51	Cash	ESOP-2005	2,996.61	36,230.67
Total	**1,498,311,400**					**2,996.61**	

Dividend

Under the Companies Act, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits of previous financial years or out of both, arrived at in accordance with the provisions of the Companies Act. Under the Company's Articles of Association, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value of the shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as at the record date for which such dividend is payable. In addition, the board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while unpaid calls on any of his shares are outstanding.

The Shares represented by the GDRs will rank *pari passu* with the existing fully paid-up Shares of the Company in all respects.

Any dividend declared must be deposited in a separate bank account within 5 days from the date of declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by the Company to the Investor Education and Protection Fund established by the Government and thereafter any claim with respect thereto will lapse. Directors may be held criminally liable for any default of the aforementioned provisions.

Under the Companies Act, a company may pay a dividend in excess of 10.0 per cent. of its paid-up capital in respect of any financial year, out of the profits of that financial year only after it has transferred to its reserves a certain percentage of its profits for that year ranging between 2.5 per cent. and 10.0 per cent. depending on the percentage of dividend proposed to be declared in that year. The Companies Act and the Companies (Transfer of Profits to Reserves) Rules, 1975, as amended, further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of accumulated profits from previous years which have been transferred to reserves, subject to certain conditions prescribed under those legislations.

Capitalisation of Reserves

The Company's Articles of Association permit a resolution of the shareholders in a general meeting to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings.

Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through a proportionate reservation of shares. The bonus issue cannot be made unless the partly paid shares, if any, are made fully paid up. Further, in order to issue bonus shares a company should not have defaulted in the payment of interest or principal in respect of on existing debentures. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets. The declaration of bonus shares in lieu of a dividend cannot be made. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of its employees, such as contributions to the provident fund, gratuities and/or bonus.

The issue of bonus shares must take place within 15 days from the date of approval by the Board and where shareholder's approval is required, the issue shall be completed within 60 days from the date of the meeting of the shareholders where the issue was announced.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, the Company may increase its share capital by issuing new shares. Such new shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares in favour of any other person provided that the person in whose favour such shares have been renounced is approved by the Board in their absolute discretion.

However, under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of the company in a general meeting or, where only a simple majority of shareholders present and voting have passed the resolution, the Indian Government's permission has been obtained. The issue of the Equity Shares has been duly approved by a special resolution of the Company's shareholders and such shareholders have waived their pre-emptive rights with respect to such shares.

The Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any of the company's securities entitling the holder to subscribe for shares.

The Company's Articles of Association provide that the Company may, by an ordinary resolution passed at the general meeting, consolidate or sub-divide its share capital, convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares or cancel shares which have not been taken up by any person. The Company can also alter its share capital by way of a reduction of capital, in accordance with the Companies Act.

Preference Shares and Warrants

Preference share capital is that part of the paid-up capital of the company which fulfils both the requirements below:

- That with respect to dividends, it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and
- With respect to capital, it carries or will carry on a winding-up of the company, a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up, subject to the provisions of the Companies Act.

Preference shares must be redeemed within 20 years of issue. Under the Companies Act, the Company may issue redeemable preference shares but:

- no such shares may be redeemed except out of profits otherwise available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
- no such shares may be redeemed unless they are fully paid;
- the premium, if any, payable on redemption shall have been provided for out of the company's profits or share premium account, before the shares are redeemed;
- where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed; and
- the provisions of the Companies Act relating to the reduction of the share capital of a company shall apply as if such reserve account were paid-up share capital of such company.

Preference shares do not confer any further rights to participate in a company's profits or assets. Holders of the preference shares are not entitled to vote at a general meeting except where the dividend due on such capital has remained unpaid:

(a) in the case of cumulative preference shares, in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting; and

(b) in the case of non-cumulative preference shares, either in respect of a period not less than two years ending with the expiry of the financial year immediately preceding the commencement of the meeting or in respect of an aggregate period of not less than three years comprised in the six years ending with the expiry of the financial year immediately preceding the commencement of the meeting.

Further, preference shareholders are also allowed to vote on any resolutions which directly affect the rights attached to their preference shares, such as a resolution for the winding up of the Company or repayment or reduction of share capital.

No preference shares or warrants are currently issued or outstanding pertaining to the Company.

General Meetings of Shareholders

The Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and within six months after the end of each accounting year. The Registrar of Companies may extend this period in special circumstances at the Company's request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10 per cent. of the Company's issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act. A general meeting may be called after giving shorter notice if consent is received from all shareholders, in the case of an annual general meeting and from shareholders holding not less than 95 per cent. of the company's paid-up capital, in the case of any other general meeting. Furthermore, under the Companies Act, the approval of a scheme of compromise or arrangement requires the approval of a majority of at least 75 per cent. in value of the shareholders or creditor present and voting Currently, the Company gives written notices to all members and in addition, give public notice of general meetings of shareholders in a daily newspaper of general circulation in Gujarat. The Company's general meetings are held in Ahmedabad, Gujarat.

A company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the Memorandum, a buy-back of shares under the Companies Act, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act (and guidelines issued thereunder) may pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons therefor and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of such notice. The quorum for the Company's general meetings is such number of shareholders representing at least 50 per cent. of the voting rights in the Company present in person.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion to his share of the paid-up equity capital of the Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Company's Articles of Association. The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorised representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act allows the Company to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years immediately preceding the financial year in which the company proposes to issue such shares and the company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three years immediately preceding the financial year in which the company proposes to issue such shares.

The voting rights of holders of GDRs will be subject to the terms of the Deposit Agreement. See "Terms and Conditions of the Global Depositary Receipts".

Register of Shareholders and Record Dates

The register and index of beneficial owners maintained by a depository under the Depositories Act is deemed to be an index of members and register and index of debenture holders.

The Company is obliged to maintain a register of shareholders at its Registered Office in Ahmedabad or at some other place in the same city with the approval of its shareholders by way of special resolution and with prior intimation to the Registrar of Companies. The Company recognises as shareholders only those persons whose names appear on the register of shareholders and cannot recognise any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgement of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depositary transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depositary is entered into the company's records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares. The transfer of beneficial ownership through a depository is exempt from any stamp duty but each depository participant may be subject to certain charges. A transfer of shares by way of share transfer form attracts stamp duty at the rate of 0.25 per cent. of the transfer price.

The Company is required to close its share transfer books for the purposes of declaration of dividend or bonus shares or issue of shares for conversion of debentures or of shares arising out of rights attached to debentures. The share transfer books are required to be closed at least once a year at the time of the annual general meeting if they have not been otherwise closed at any time during the year. The Company is required to give to the Indian Stock

Exchanges advance notice of at least twenty one days (fifteen days in case of such securities which are announced by SEBI from time to time for compulsory delivery in dematerialized form by all investors), stating the dates of closure of its share transfer books (or, when the share transfer books are not to be closed, the date fixed for taking a record of its shareholders or debenture holders) and specifying the purpose or purposes for which the share transfer books are to be closed (or the record is to be taken) and to send copies of such notices to the other recognised stock exchanges in India. The minimum time gap between the two book closures and/or record dates should be at least 30 days.

Under the Companies Act, the Company is also required to maintain a register of debenture holders.

Annual Report and Financial Results

The Annual Report must be laid before the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to the company's shareholders.

Under the Companies Act, the Company must file the Annual Report with the Registrar of Companies within 30 days from the date of the annual general meeting. As required under its listing agreements, six copies are required to be simultaneously sent to the stock exchanges on which the shares are listed. The Company must file an Annual Return which includes a list of the shareholders, debenture holders, its indebtedness and other information within 60 days of the conclusion of its annual general meeting. The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region of its Registered Office.

The Company files certain information on-line, including its Annual Report and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by the SEBI from time to time.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of shares contravenes any provisions of the SEBI Act or the regulations made thereunder or the SICA, or any other law, the Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, SEBI or a participant, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company or the intimation of the transmission is delivered to the Company, the transferee may appeal to the Company Law Board seeking to register the transfer. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act 2002, the Company Law Board will be replaced with the National Company Law Tribunal with effect from a date that is yet to be notified. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act 2003, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal, set up under the Companies Act.

Pursuant to the Company's listing agreements, in the event that a transfer of shares is not affected within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused by the delay.

The Companies Act provides that shares or debentures of a public listed company (as in the case of this Company) shall be freely transferable. However, the Company's Articles of Association provide for certain restrictions on the transfer of shares, including granting power to the Board in certain circumstances to refuse to register or acknowledge transfer of shares or other securities issued by it.

A transfer may also be by transmission. Subject to the provisions of the Company's Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or his title, as the Board thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares.

Acquisition by the Company of its own Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75 per cent. of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court of competent jurisdiction. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, pursuant to certain amendments to the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account, the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorised by the Articles of Association of the company;
- a special resolution has been passed by postal ballot authorising the buy-back;
- the buy-back is limited to 25 per cent. of the total paid-up capital and free reserves;
- the debt owed by the company is not more than twice capital and free reserves after such buy-back;
- all the shares or other specified securities are fully paid up; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, as amended.

The second condition mentioned above would not be applicable if the buy-back is for less than 10 per cent. of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorised by the Board of Directors. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities, if the company is in default in the repayment of deposit or interest, redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act.

Disclosure of Ownership Interest

Section 187C of the Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to that company the nature of his interest, details of the holder of record, and such other particulars as may be prescribed, within 30 days after his becoming such beneficial owner. Further, the holder of record is required to declare details of the beneficial owner. Any charge, promissory note or other collateral agreement created, executed or entered into in relation to any share, by the registered owner thereof, or any hypothecation by the registered owner of any share, in respect of which a declaration is required to be made, but not so declared, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner. Failure by a person to comply with Section 187C will not affect the Company's obligation to register a transfer of shares or to pay any dividends to the registered holder of any shares in respect of which the declaration has not been made. While it is unclear under Indian law whether Section 187C applies to holders of GDRs, in the absence of any specific exemption from the Department of Company Affairs, the reporting requirements under this Section could be enforced against holders of GDRs. However, the investors who exchange GDRs for the underlying shares may be subject to the requirements of Section 187C. Additionally, holders may be required to comply with the notification and disclosure obligations, if any, pursuant to the provisions of a Deposit agreement to be entered.

In addition to the above, holders of GDRs may be required to comply with the notification and disclosure obligations pursuant to the provisions of the Deposit Agreement.

Liquidation Rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of winding up of the Company, the holders of the shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

In case assets available are insufficient to repay the whole of the paid up capital, the assets shall be so distributed such that the losses are borne to the extent possible by the shareholders in the ratio of capital contributed. In case any of the shares involve a liability to call or otherwise, any person may, within 10 days after the passing of the resolution, by notice in writing direct the liquidators to sell his portion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

The division of assets on winding up, if thought expedient, may subject to the provisions of the Companies Act, be otherwise than in accordance with the legal rights of the contributories (except when unalterably fixed by the Memorandum) and in particular, any class may be given preferential or special rights which may be excluded altogether or in part but any contributory who is prejudiced by the same have a right to dissent and possess ancillary rights as though such determination were a special resolution under section 494 of the Companies Act.

CLEARANCE AND SETTLEMENT

Clearing and Settlement of GDRs

Custodial and depositary links have been established among Euroclear and Clearstream, Luxembourg to facilitate the initial issuance of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

The Euroclear and Clearstream, Luxembourg Clearing Systems

Euroclear and Clearstream, Luxembourg each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depositary, net of fees and charges of, and expenses incurred by, the Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream, Luxembourg will be evidenced by the Master GDR registered in the name of BT Globenet Nominees Limited as nominee for Deutsche Bank AG, London Branch, acting as Common Depositary of Euroclear and Clearstream, Luxembourg. As necessary, the Depositary will adjust the amounts of GDRs on the relevant register for the accounts of the common depositary and nominee to reflect the amounts of GDRs held through Euroclear and Clearstream, Luxembourg, respectively. Beneficial ownership in GDRs will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the GDRs in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg. The Depositary will be responsible for ensuring that payments received by it from the Company for Holders holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with the provisions of the Deposit Agreement.

The Company will not impose any fees in respect of the GDRs. However, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg and other fees, costs and charges as set forth in the Deposit Agreement and Terms and Conditions of the GDRs.

Global Clearance and Settlement Procedures

The GDRs will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the GDRs through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to depositary receipts. Book-entry interests in the GDRs will be credited to Euroclear and Clearstream, Luxembourg and participant securities clearance accounts on the business day following the Closing Date against payment (which payment shall be made on or before the Settlement Date).

Trading between Euroclear and Clearstream, Luxembourg participants and primary or secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the GDRs will be conducted in accordance with the normal rules and operating procedures of

Euroclear and Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the GDRs among participants of Euroclear and Clearstream, Luxembourg, Euroclear and Clearstream, Luxembourg are not under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company, the Depositary, the Custodian, the Joint Bookrunners nor their respective agents will have any responsibility for the performance of Euroclear, Clearstream, Luxembourg or their respective participants under the rules and procedures governing their operations.

The Company has applied to list the GDRs on the LuxSE and to be admitted for trading on the Euro MTF market of the LuxSE.

TAXATION

The following discussion describes the material Indian income and withholding tax consequences to an owner of Shares or GDRs. This discussion is not intended as tax advice to any particular investor. It is not a complete analysis or listing of all potential Indian income and withholding tax consequences to investors of ownership of Shares or GDRs. The Company urges prospective investors to consult their own tax adviser regarding the specific Indian tax consequences of the ownership and disposition of the Shares or GDRs in your own particular factual circumstances.

INDIAN TAX CONSIDERATIONS

The following is a summary of the principal Indian tax consequences for non-resident investors of the GDRs and the Shares issuable on the conversion of the GDRs. The summary is based on the taxation law, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in force at the time of this Offering Circular and is subject to change. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant for non-resident investors of the GDRs.

This summary is based on the provisions of Section 115AC and other applicable provisions of the Income Tax Act and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993 ("Scheme") promulgated by the Government of India, (together the "Section 115AC Regime"). The offering is in accordance with the Section 115AC Regime, and non-resident investors of the GDRs will therefore have the benefit of tax concessions available under the Section 115AC Regime subject to the fulfillment of conditions of that section. This summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of the GDRs or equity shares by non-resident investors. Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and sale including, specifically, tax consequences under Indian law, the laws of the jurisdiction of their residence, any double taxation avoidance agreement ("Tax Treaty") between India and the government of their country of residence or the government of the country of residence of the depositary, as applicable and in particular, the application of the provisions of the Income Tax Act and the Section 115AC Regime. The Income Tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of the Section 115AC Regime may be modified or amended by future amendments to the Income Tax Act.

The Income Tax Act is the law relating to taxes on income in India. It provides for taxation of persons resident in India on their global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arisen in India. Sections 4, 5, 6 and 9 of the Income Tax Act together, *inter alia* set forth the circumstances under which persons not resident in India are subject to income tax in India.

Residence for the purpose of the Income Tax Act

For the purpose of the Income Tax Act, an individual is said to be resident in India if in any year ending on March 31, the individual:

(i) is in India for 182 days or more; or

(ii) having been in India for 365 days or more during the last four years preceding the year under consideration, and is in India for 60 days or more in the year under consideration.

However, in the case of an Indian citizen or a person of Indian origin who is not resident in India and visits India during the year under consideration or, an Indian citizen or a person who leaves India as a member of a crew of an Indian ship or for the purpose of employment outside India during the year under consideration, the 60 day period in (ii) above is extended to 182 days.

A company is resident in India in any year ending on March 31, if it is registered or incorporated in India or if during that year the control and management of its affairs is situated wholly in India.

A firm or other association of persons, and every other person is regarded as resident in India except where, during the year ending on March 31, the control and the management of its affairs are situated wholly outside India.

An individual, company or a firm, which does not satisfy the above respective definition of resident, is non-resident in India for tax purposes.

Taxation of distributions

In addition to the corporate tax, we (the Company) are liable to pay a 'dividend distribution tax' currently at the rate of 15 per cent. (plus a surcharge at 10 per cent. and education cess on the aggregate of dividend distribution tax and surcharge at the rate of 3 per cent.) on the total amount distributed as dividend. Dividends are not taxable in India in the hands of the recipient and hence dividends to holders of the GDRs will not be liable to tax in India. Distribution to non-residents of bonus GDRs or bonus shares or rights to subscribe for shares made with respect to GDRs or shares are not subject to Indian tax.

Taxation of capital gains

Transfer of GDRs from non-resident to non-resident

Under the Income Tax Act, capital gains arising from the transfer of GDRs from a non-resident holder to another non-resident outside India are not subject to tax in India.

Transfer of GDRs in India

In the event that the GDR holder becomes resident in India and thereafter transfers the GDRs, then its taxability would cease to be governed by the concessional provisions of the Section 115AC Regime and it would be taxed under the Income Tax Act. Depending on whether the GDR is a long term capital asset or a short term capital asset, the gains would be taxable at the rate of 20 per cent. (plus applicable surcharge and education cess on tax plus surcharge) or at the normal tax rate applicable to the investor.

Taxation on conversion / redemption of GDRs in exchange for shares

The conversion / redemption of GDRs in exchange for shares is not regarded as a taxable transfer and hence not subject to tax in India.

Long term / Short term capital asset

In case of equity shares (including shares issuable on the conversion of GDRs) held by the investor for a period of more than 12 months are treated as long term capital assets. Equity shares (including shares issuable on the conversion of GDRs) held for a period of 12 months or less are treated as short term capital assets. In respect of the equity shares received upon conversion of GDRs the period of holding commences from the date of the advice of the redemption of such equity shares as given by the relevant depository to its custodian and not from the date of acquisition of the GDRs.

Transfer of equity shares from non-resident to non-resident / non-resident to resident

Under the provisions of the Income Tax Act and Section 115AC Regime, capital gains arising to the non-resident investor on the sale or transfer of the equity shares which are received upon conversion of the GDRs, to a non-resident or a resident will be subject to tax in India as follows:

(i) Capital gains realized on the sale of equity shares being long term capital asset will not be subject to tax if the Securities Transaction Tax ("STT") has been paid on such transaction. STT is payable at the rate of 0.125 per cent. by both the seller and the purchaser on the total price at which the shares are transacted when the shares are sold on a recognized stock exchange in India.

(ii) Capital gains realized on the sale of equity shares being long term capital asset where STT is not paid on such transaction, would be subject to tax at the rate of 20 per cent. (plus applicable surcharge on tax and education cess at the rate of 3 per cent. on tax plus surcharge). However, in case these shares are sold to a non-resident then the transaction would be subject to tax at the rate of 10 per cent. (plus applicable surcharge on tax and education cess at the rate of 3 per cent. on tax plus surcharge) under the Section 115AC Regime.

(iii) Capital gains realized on the sale of equity shares being short term capital asset, where STT is paid on such transaction would be subject to tax at the rate of 15 per cent. (plus applicable surcharge and education cess at the rate of 3 per cent. on tax plus surcharge).

(iv) Capital gains realized on the sale of equity shares being short term capital asset, where STT is not paid on such transaction, would be subject to tax at variable rates applicable to non-residents under the provisions of the Income Tax Act.

Under the Income Tax Act, the normal tax rates applicable would be as follows:

- Individual:
  - 10 per cent. if the total taxable income is between INR 150,000 and 300,000.
  - 20 per cent. if the total taxable income is between INR 300,000 and 500,000.
  - 30 per cent. if the total taxable income is above INR 500,000.
- Non resident company — 40 per cent.
- Firm — 30 per cent.

For the purposes of computing capital gains tax on the sale of shares under the Section 115AC Regime, the cost of acquisition of equity shares received in exchange for GDRs will be determined on the basis of the price of the equity shares prevailing on the BSE or the NSE on the date on which the relevant depository gives notice to its custodian for the delivery of such equity shares upon redemption of the GDRs. For the purpose of computing capital gains tax on the sale of shares under the Section 115AC Regime, the cost of acquisition of Shares received in exchange for GDRs will be determined on the basis of the price of the Shares prevailing on the BSE or the NSE on the date on which the relevant Depository gives notice to its Custodian for the delivery of such Shares upon redemption of the GDRs, while the cost of acquisition of shares directly converted into GDRs will be determined on the basis of the price prevailing on the BSE or the NSE on the date of exchange of GDRs into Shares. A non-resident Holder's holding period (for the purpose of determining the applicable Indian capital gains tax rate) in respect of Shares received in exchange for GDRs commences on the date of the advice of withdrawal of such ordinary shares by the relevant Depository to its Custodian.

Taxation on buyback

If equity shares held by a non-resident investor are purchased by us (the Company), then the non-resident investor would be liable for income tax in respect of the capital gains arising on such buyback as per the provisions of the Income Tax Act i.e. in case of long term capital asset at the rate of 20 per cent. (plus applicable surcharge and education cess at the rate of 3 per cent. on tax plus surcharge) and in case of short term capital asset at the normal income tax rates applicable to non-residents under the provisions of the Income Tax Act and capital gains arising therein shall be withheld at source before repatriation of sale proceeds from India.

Capital losses

Neither Section 115AC nor the Depositary Receipt Scheme deals with capital losses arising on a transfer of shares in India. In general terms, losses arising from a transfer of a capital asset in India can only be set off against capital gains in India. A short term capital loss can be set off against any capital gain, whether short term or long term. Whereas, a long term capital loss can be set off only against long term capital gain. To the extent that the losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the assessing authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses as above, the non-resident investor would be required to file appropriate and timely tax returns in India and undergo the usual assessment procedures. If the transaction resulting in capital loss has been subject to STT, the loss arising from transfer of such long term capital asset would not be available for setoff against any capital gains.

Tax deduction at source

Any taxable gains realized by a non-resident on the sale of GDRs or equity shares, if they are taxable in India, are subject to withholding tax in accordance with the provisions of the Income Tax Act.

Tax treaties

The provisions of the Tax Treaty entered into by the Government of India with the government of the country of residence of the depositary or the non-resident investor (as the case may be) will be applicable to the extent they are more beneficial to the non-resident investor.

Dividend income is not subject to tax in India in the hands of the holders of the Shares. However, under the existing provisions of the Income Tax Act, in addition to the income tax chargeable in respect of the total income of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after 1 April 2003, whether out of current or accumulated profits, shall be charged to additional income tax referred to as dividend distribution tax at the rate of 15%, plus applicable surcharge at the rate of 10%, of the dividend distribution tax and the applicable education cess at the rate of 3%, on aggregate dividend distribution tax and surcharge.

During the period of fiduciary ownership of shares in the hands of the depositary, the provisions of the Tax Treaty entered into by the Government of India with the government of the country of residence of the depositary will be applicable in the matter of taxation of dividend income, if taxable in India. During the period, if any, when the redeemed underlying shares are held by the non-resident investor on transfer of fiduciary ownership of shares from the depositary, before they are sold to resident purchasers, the provisions of the Tax Treaty entered into by the Government of India with the government of the country of residence of the non-resident investor will be applicable in the matter of taxation of capital gains and dividend income, if taxable in India.

Stamp duty

Under the Indian Law, transfers of GDRs will be exempt from liability to Indian stamp duty. Purchasers of equity shares who seek to register such equity shares in our share register are required to pay Indian stamp duty at INR0.25 for every INR 100 or part thereof of the market value of such shares. In order to register a transfer of equity shares in physical form with us, it is necessary to present a stamped deed of transfer.

An acquisition of equity shares from the depositary in exchange for GDRs representing such equity shares will not render an investor liable to Indian stamp duty, but we will be required to pay stamp duty at the applicable rate on the share certificate. Further, as the equity shares are compulsorily deliverable in dematerialized form no stamp duty is payable on the subsequent transfers of such shares in dematerialized form.

Other taxes

Currently, there is no wealth, gift or inheritance taxes which may apply to the GDRs or the underlying equity shares. Non-resident holders are however advised to consult their own legal and tax advisers regarding this issue.

Service tax

Brokerage or commissions paid to stockbrokers in connection with the sale or purchase of shares listed on a recognized stock exchange in India are subject to a service tax of 12 per cent. (plus education cess at the rate of 3 per cent.) ad valorem. The stockbroker is responsible for collecting the service tax and paying it to the relevant authority.

Taxation on Payment on Liquidation or Reduction of Capital

If any distribution is made by the Company to its shareholders or GDR holders on the Company's liquidation or on the reduction of the Company's capital, to the extent to which such distribution is attributable to the Company's accumulated profits, the same will be treated as deemed dividend income in the hands of the shareholders or GDR holders. Any gains accruing to the shareholders or GDR holders on liquidation or reduction of capital in excess of such accumulated profits will be liable to income tax as capital gains in the hands of the shareholders or GDR holders as per the provisions of the Income Tax Act.

PLAN OF DISTRIBUTION

Citi, Credit Suisse and Deutsche (the "Underwriters") and the Company have entered into underwriting agreement dated July 21, 2009 (the "Underwriting Agreement"), pursuant to which the Company has agreed to offer the GDRs to the Underwriters and the Underwriters have severally agreed with the Company to subscribe and/or procure the subscription or purchase of the number of GDRs set forth opposite its name below.

Underwriters	Number of GDRs
Citi	4,866,667
Credit Suisse	4,866,667
Deutsche	4,866,666
Total	14,600,000

The Underwriting Agreement provides that the obligations of the Underwriters are subject to satisfaction of certain conditions precedent. The Company has agreed to indemnify the Underwriters against certain liabilities.

The Underwriting Agreement entitles the Underwriters to terminate the Underwriting Agreement in certain circumstances. In such circumstances, the Underwriters will be discharged from their respective obligations under the Underwriting Agreement.

The Company has agreed in the Underwriting Agreement that neither it nor any person acting on its behalf will (i) issue, offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any GDRs, Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any GDRs, Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or GDRs representing the right to receive any such securities, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares, or (iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described in (i) and (ii) above; except for (i) the issuance of the New Bonds, or (ii) any issuance, offer, sale or any other transfer or transaction of a kind referred to above of any Shares under or in connection with any stock incentive and other employee ownership or benefit plans including, for the avoidance of doubt, any issuance, offer, sale or any other transfer or transaction of a kind referred to above of any Shares in connection with the exercise of any options or similar securities that may exist on the date hereof and have been approved by the Company's board of directors, or (iii) the issuance of Shares as a result of the conversion of any of the June 2012 Bonds, October 2012 Bonds, June 2012 New Bonds, October 2012 New Bonds or New Bonds, or (iv) any issuance, offer, sale or other transfer pursuant to any obligation in existence at the date of the Offering Circular which has been disclosed in the Offering Circular, in any such case without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) for a period of 60 days from the date of the Underwriting Agreement.

Each Promoter and each member of the Promoter Group has also entered into a lock-up agreement that during the period commencing on the date of the Underwriting Agreement and ending on the date falling 60 days from the date of the Underwriting Agreement no Promoter, member of the Promoter Group , nor any person acting on their behalf, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) will: (i) offer, sell, contract to sell, or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase any GDRs, Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any GDRs, Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or GDRs representing the right to receive any such securities; or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares; or (iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described in (i) and (ii) above, for the avoidance of doubt nothing in this letter shall (i) apply to existing pledges created by the Promoter or Promoter Group, (ii) prevent the Promoter or Promoter Group from pledging Shares or (iii) apply to the enforcement and sale of shares pursuant to such pledges.

In consideration of the agreements by the Underwriters, the Company has agreed to pay the Underwriters a commission based on the gross proceeds of the Offering on the Closing Date amounting to 1.2 per cent.

This Offering Circular may not be distributed directly or indirectly in India to the residents of India, or to any OCBs who have been prohibited by SEBI to deal in securities, and the Joint Bookrunners may not offer or sell, directly or indirectly, any GDRs in India to, or for the account or benefit of, any resident of India except to Indian mutual funds registered with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.

The Company cannot assure potential investors that the prices at which the GDRs will sell in the market after the Offering will not be lower than the Offer Price or that an active trading market for the GDRs will develop and continue after the Offering. Accordingly, the Company makes no assurance as to the liquidity of or the trading market for the GDRs. See "Risk Factors — Risks relating to the Offering".

The GDRs will be issued pursuant to a Deposit Agreement to be dated on or about July 24, 2009 between the Depositary and the Company. The GDRs will be issued in global form and will be evidenced initially by a Master GDR.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the GDRs is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them, and must observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

The foregoing sentence shall not apply to (a) the GDRs sold pursuant to the Underwriting Agreement, (b) any shares issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date of this Offering Circular, or (c) any shares issued or options to purchase shares granted pursuant to the Company's existing or future employee benefit plans.

Selling restrictions

General

No action has been or will be taken in any jurisdiction by the Company, the Joint Bookrunners or the Depositary that would, or would be intended to, permit a public offering, or any other offering under circumstances not permitted by applicable law, of the GDRs or the Shares represented thereby, or possession, circulation or distribution of the Offering Circular, any amendment or supplement thereto issued in connection with the sale of the GDRs or any other offering or publicity material relating to the Company, the GDRs or the Shares represented thereby, in any country or jurisdiction where action for that purpose is required.

Accordingly, neither the GDRs nor any Shares represented thereby may be offered or sold, directly or indirectly, and neither the Offering Circular nor any other offering material or advertisements in connection with the GDRs or the Shares represented thereby may be distributed or published by the Company or the Joint Bookrunners in or from any country or jurisdiction, except in compliance with all applicable rules and regulations of any such country or jurisdiction.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any GDRs may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any GDRs may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) To legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) To any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) To fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(d) In any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of GDRs shall require the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offer to the public" in relation to any GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe any GDRs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each of the Joint Bookrunners has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the GDRs in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the GDRs in, from or otherwise involving the United Kingdom.

United States

The GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Bookrunners represents that it has not offered or sold, and agrees that it will not offer or sell, any GDRs constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its Affiliates nor any Persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the GDRs or the Shares represented thereby. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

India

The Offering Circular will not be registered as a prospectus with the Registrar of Companies. The GDRs may not be offered, sold, pledged or transferred directly or indirectly to any person located in the Republic of India, or residents of India, or to or for the account or benefit of such persons. The Offering Circular has not been circulated or distributed, nor will it (or any other offering document or material relating to the GDRs) be circulated or distributed, directly or indirectly, to the public, or any members of the public in India.

General

Each of the Joint Bookrunners undertakes to the Company that it will not, directly or indirectly, offer for subscription or sale or solicit applications for the GDRs, or the Shares represented thereby, nor will it distribute or publish the Offering Circular, in any country or jurisdiction except one in which, so far as the Joint Bookrunners are aware, such offer, solicitation, distribution or publication is in compliance with any applicable laws or regulations.

The Company acknowledges the provisions of the above and represents that it has not taken and undertakes not to take any action that would cause the Joint Bookrunners to breach or to otherwise be in default of such provisions.

LEGAL PROCEEDINGS

Except as described below, the Group is not involved in any legal proceedings, and no proceedings are threatened, which may have, or have had, a material adverse effect on the business, properties, financial condition or operations of the Group. The Group believes that the number of proceedings in which the Group is involved in is not unusual for a company of its size in the context of doing business in India.

1. The Company was given a notice dated September 9, 2002 by the Collector, Satara, Maharashtra under the Maharashtra Land Revenue Code, 1966 for carrying on unauthorised mining activity and extracting morum from the land used by the Company for wind farm purposes located at Satara. The liability comprises a royalty payment of Rs.2,338,168 and a penalty of Rs.12,525,900. The Company has already paid an amount of Rs.10,006,168 out of the imposed penalty of Rs.12,525,900 and of Rs.2,338,168 towards the royalty imposed. In an appeal filed before the Divisional Commissioner of Pune the matter was decided in favour of the Company and it was held that the excavation activities were not illegal and the matter was remanded back to the Collector for the limited purpose of calculating the exact amount of royalty and penalty payable.

A criminal complaint has also been filed in the court of the Chief Judicial Magistrate, Satara in relation to the above-mentioned matter under the Mines and Minerals Act, 1957. The matter is pending.

The Company and SIL received a similar notice dated October 24, 2001 stating that the Company was carrying on mining activities in the wind farm situated in Shahjahanpur, District Ahmednagar, Maharashtra from the Tahasildar Parner, District Ahmednagar. An order dated November 6, 2001 was subsequently passed, imposing a liability of Rs.28,632,044, comprising a royalty payment of Rs.534,044 and a penalty of Rs.28,098,000. Separate amounts of Rs.1,971,514, Rs.2,000,000 and Rs.8,590,000 have been deposited under protest towards the liability imposed by the order dated November 6, 2001. The Company has filed an appeal before the Aurangabad Bench of the High Court, Bombay pleading for a stay against the recovery of the balance amount of Rs.16,070,530. SIL is also a petitioner in this matter. The Company has initially deposited Rs.7,500,000 against the interim order of the High Court. This appeal is pending.

2. SWECO, a subsidiary of the Company, is disputing a personal injury claim filed against it in United States federal district court. The case involves negligence and other claims from injuries to a subcontractor employee while loading WTG blades on February 23, 2007. The case is being handled by SWECO's insurance carrier. Although it is not possible to quantify or estimate the amount of any damages which SWECO may be required to pay if it was ultimately found liable, SWECO is disputing all claims made against it.

3. Transport Corporation of India ("TCI") has filed a case against the Company and certain Group companies. TCI had placed purchase orders dated November 24, 2006 with the Company for the supply of two WTGs of 1500 KW, with SIL for the erection, installation and commissioning of its WTGs, and with STSL for the supply of towers. However, due to local agitation of villagers and other unforeseen conditions beyond the control of Suzlon, the activities proposed to be conducted at the site could not start. TCI was immediately apprised of the site situation, much before the scheduled date of commission, about the constraints faced by Suzlon and its Group companies in finalization of the site and therefore offered other options of alternative sites which were not acceptable to TCI. Since only one WTG could be commissioned despite the best efforts of Suzlon, Suzlon offered to pay the liquidated damage as per the contract. The post-dated cheques for Rs.80,960,000 and Rs.27,040,000 given to the Company and STSL for the supplies already made were also dishonoured.

TCI by legal notice dated September 13, 2007 and September 26, 2007 claimed loss of tax benefit, adjustment of advance amount of the second WTG with the first WTG, claim of compensation for loss of business revenue and cost of legal notice, and other costs, totalling Rs.38,500,000. The same has been disputed by Suzlon and TCI has invoked arbitration under the agreement. Since Suzlon has not accepted the arbitrator proposed by TCI, TCI has approached the court for the appointment of an arbitrator.

4. The Company has filed two applications before the Metropolitan Magistrate, New Delhi against TCI for the discrediting of a cheque amounting to Rs.80,960,000. The matter is adjourned for issuing summons.

5. The Tehsildar, Jaisalmer has, by a notice dated February 2, 2009 demanded approximately Rs.17,000,000 claimed to be payable by the Company as the increased lease rent and sub-lease rent pursuant to certain amendments in the notifications issued by the Government of Rajasthan. The Company had replied to the notice disputing the claim. The Tehsildar passed the order on March 18, 2009 justifying the hike of rent. The matter is currently pending with the Principal Revenue Secretary, State of Rajasthan.

6. The Sub-Registrar (Registration) Jaisalmer, has, by a notice dated September 29, 2008, demanded stamp duty to be paid on machinery (WTG) at a rate of 0.5% of the cost, amounting to approximately

Rs.80,000,000, transferred to various investors, treating them as movable property. The Company has filed a reply to the notice. The matter is currently pending before the Deputy Inspector General, Stamps, Jodhpur.

7. Certain Gram Panchayats of villages in the Sangli district have claimed an amount of approximately Rs.14,000,000 from SISL, allegedly as property tax payable by SISL. SISL filed a writ petition in the High Court of Mumbai challenging their demand for property taxes as illegal and arbitrary. The court passed an interim order restraining the Gram Panchayats from taking any coercive steps against SISL for recovery of the disputed amounts. Additionally, SISL was required to deposit Rs.14 million with the court.

8. Salora International Limited ("Salora") placed a purchase order, dated March 25, 2006, with the Company for the supply of five WTGs of 1.25 MW each at the Dhulia Site which was stated to generate 135 lacs units for the first year of operation from 61st day of commissioning. Due to force majeure conditions, the stated generation was not achieved. Salora sent the Company a notice dated September 15, 2008 claiming the amount of Rs.32,029,161.10 towards generation shortfall where they did not consider factors of force majeure, grid availability and wind variation. Initially the Company had agreed to settle their claim for sum of Rs.18,918,683. However, inadvertently, the Company arrived at the settlement number without taking into consideration the force majeure. Subsequently, at a meeting held on May 12, 2008, it was agreed by the parties that the claim by Salora would be settled for an amount of Rs.5,498,000. Salora subsequently denied agreeing to settle the claim for Rs.5,498,000 and contended that the Company, once having admitted its express liability for Rs.18, 918,683 cannot revoke the same. Salora thereafter initiated arbitration proceedings before the sole arbitrator ("Claim") and has filed their statement of claim dated November 18, 2008 for an amount of Rs.32,029,161.10. The Company has filed their written statement and has prayed for dismissal of the Claim with cost. The matter is currently pending.

9. The current legal representative of Ventus de Nicaragua S.A ("Vensa"), a company based in Nicaragua, has commenced an arbitration in Miami against Suzlon Energy, AS demanding immediate payment of commission amounting to approximately USD1,000,000. In January 2006 Suzlon Energy, AS had entered into a commission agreement with Vensa. The commission agreement is subject to the laws of Florida and the venue is arbitration in Miami. Vensa was entitled to commission, if Suzlon Energy, AS, with support from Vensa, completed the sale of Project Amayo in Nicaragua. Such payment of commission was to be made subsequent to Suzlon Energy, AS being fully paid by the purchaser. However, the purchaser has to date paid only 85 per cent. of the amount due and payable to Suzlon, as a result of which Suzlon Energy, AS has contended that it is not required to pay the commission of USD1,000,000.

10. The Service Tax Department issued a notice to SISL demanding Rs.8.75 million as service tax payable by SISL towards repair and maintenance activities conducted by SISL. The Commissioner, Central Excise, Pune II issued an order on 21 November 2006 confirming the demand and additionally levied penalty of Rs.8.75 million. The Company has filed an appeal before the CESTAT, Mumbai challenging this order of the Commissioner.

In addition, a show cause notice has been issued by the Additional Director General, DGCEI, Kolkata to Electrosteel Casting Ltd. and its non-executive director Mr. Pradip Kumar Khaitan, who is also a director of our Company, in October 2006 for alleged contravention of certain excise laws. The matter is still pending.

GENERAL INFORMATION

Authorisations: The issue of the GDRs and the Shares represented thereby was authorized by a resolution of the Board of Directors on May 20, 2008 and by a resolution of the shareholders of the Company on July 30, 2008.

Main Objects of the Company: The main objects of the Company, as described in Clause III(A)(1) of its Memorandum of Association are to carry on business of manufacturing, producing, processing, generating, accumulating, distributing, transferring, preserving, mixing, supplying contracting, as consultants, importers, exporters, buyers, sellers, assemblers, hirers, repairers, dealers, distributors, stockists, wholesalers, retailers, jobbers, traders, agents, brokers, representatives, collaborators, of merchandising, marketing, managing, leasing, renting, utilising of electricity, steam, power, solar energy, wind energy, biomass energy, geothermal energy, hydel energy, tidal and wave energy, and other conventional, non-conventional and renewable energy sources, waste treatment plants of all kinds, and equipments thereof in India and outside India.

Clearance: The GDRs have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream, Luxembourg. The ISIN for the GDRs is US86969A1043, the CUSIP number for the GDRs is 86960A 104 and the Common Code for the GDRs is 043916114.

Depositary: The Company has appointed Deutsche Bank Trust Company Americas as depository under the Deposit Agreement. The principal corporate office of the Depositary is located at 60 Wall Street, New York, NY 10005, United States of America.

Listing of the GDRs: Application has been made to admit the GDRs to listing on the official list and to the trading on the Euro MTF market of the LuxSE. The Company will use its best endeavours to maintain a listing of the GDRs on the LuxSE. If the Company is unable to maintain such listing of the GDRs it will give notice to the Holders of the GDRs as soon as it becomes aware of the failure to maintain such a listing, any delisting of the GDRs, or lack of quotation of the GDRs by the LuxSE, and will use its best endeavours to obtain and maintain a listing of the GDRs on another internationally recognised investment exchange in accordance with its obligations under the Deposit Agreement. Application has also been made to the London Stock Exchange for admission of the GDRs to trading under the symbol "SUEL". The company expects that conditional trading though the IOB will commence on a "when and if issued" basis on or about July 22, 2009, and unconditional trading through the IOB will commence on or about July 28, 2009.

Listing of the Shares represented by the GDRs: Although an application for obtaining "in principle" approval for listing the Shares underlying the GDRs has been made to the BSE and the NSE, the actual approval will not be given until all other relevant documents authorising the issuing of Shares are submitted. There is no guarantee that such Shares will be admitted to listing on the Indian Stock Exchanges. There could also be a delay in the listing of the Shares on the Indian Stock Exchanges.

Availability of information: Copies of the Memorandum and Articles of Association of the Company, the Depositary's by-laws, the Current Listing Particulars, the Deposit Agreement and the Underwriting Agreement will be available for inspection at the office of the Listing Agent and of the Company and, for so long as the GDRs are listed on the official list of the LuxSE and admitted to trading on the Euro MTF market, copies of the audited annual financial statements (consolidated and non-consolidated) and reports to Shareholders and copies of the unaudited quarterly financial statements (non-consolidated) of the Company and disclosures as per Clause 41 of the Listing Agreements in each case, in English, may be obtained at that office. The above documents are available/obtainable free of charge.

Notices: For so long as the GDRs are listed on the official list of LuxSE and admitted to trading on the Euro MTF market, the Company will publish all notices to Holders on the website of the LuxSE, www.bourse.lu. The Listing Agent will, for so long as the GDRs are listed on the LuxSE, serve as paying agent and intermediary between:

(a) the LuxSE and persons connected with the issue and listing of the GDRs; and

(b) the Company and the Holders.

Trading hours in respect of the Shares: The Shares are listed on the Indian Stock Exchanges. Trading on the BSE is conducted from Monday to Friday between 9.55a.m. (India time) and 3.30p.m. (India time). Trading on the NSE is conducted from Monday to Friday between 9.55a.m. (India time) and 3.30p.m. (India time). The BSE and the NSE are closed on public holidays. The closing price of the Shares will be available on www.bseindia.com and www.nseindia.com.

No material developments: Except as described in this Offering Circular under "Management Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments", "Business —

REpower — REpower's Recent Announcements", "The Company's Subsidiaries and the Affiliated Companies — overseas manufacturing companies" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook", since March 31, 2009 (the date of our last consolidated audited financial statements), there have been no material developments in our financial position, and we have not omitted to disclose any material information that has been contained in any announcements made by the Company on the Indian Stock Exchanges.

Main Investments: The Company has made the following main investments over the past three fiscal years and the three month period ended June 30, 2009. The following disclosure is a requirement of the rules and regulations of the Luxembourg Stock Exchange.

Suzlon Energy Limited

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
GOVERNMENT AND OTHER SECURITIES							
Opening Balance						95,031	0.10
Addition during FY 0607						4,899	0.00
Investment as on March 31, 2007						99,930	0.10
Addition during FY 0708						(5,434)	(0.01)
Investment as on March 31, 2008						94,496	0.09
Addition during FY 0809						3,798	0.00
Investment as on March 31, 2009						98,293	0.10
Sarjan Realities Private Limited.							
Opening Balance						9,999,900	10.00
Addition during FY 0607						(9,999,900)	(10.00)
Investment as on March 31, 2007						—	—
Addition during FY 0708							—
Investment as on March 31, 2008						—	—
Addition during FY 0809							—
Investment as on March 31, 2009						—	—
Suzlon Infrastructure Limited							
Opening Balance						50,000,000	50.00
Addition during FY 0607						(50,000,000)	(50.00)
Investment as on March 31, 2007						—	—
Addition during FY 0708							—
Investment as on March 31, 2008						—	—
Addition during FY 0809							—
Investment as on March 31, 2009						—	—
Suzlon Towers and Structures Limited	**Equity Shares**						
Opening Balance						52,932,560	52.93
Addition during FY 0607						—	—
		FY 07-08	20,010,000			200,100,000	200.10
		FY 07-08	15,000,000			525,000,000	525.00
Investment as on March 31, 2007						778,032,560	778.03
Addition during FY 0708							—
Investment as on March 31, 2008						778,032,560	778.03
Addition during FY 0809						—	—
Investment as on March 31, 2009						778,032,560	778.03
Suzlon Towers and Structures Limited	**Preference Shares**						
Opening Balance						45,181,165	45.18
Addition during FY 0607						—	—
		FY 07-08	490,000			4,900,000	4.90
Investment as on March 31, 2007						50,081,165	50.08
Addition during FY 0708							—
Investment as on March 31, 2008						50,081,165	50.08
Addition during FY 0809						—	—
Investment as on March 31, 2009						50,081,165	50.08

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
Suzlon Generators Private Limited	**Equity Shares**						
Opening Balance						87,215,000	87.22
Addition during FY 0607							—
		1-Oct-06	5,247,849			52,478,490	52.48
		18-Dec-06	3,555,951			35,559,510	35.56
		7-Mar-07	8,701,500			87,015,000	87.02
Investment as on March 31, 2007						262,268,000	262.27
Addition during FY 0708						—	—
Investment as on March 31, 2008						262,268,000	262.27
Addition during FY 0809						—	—
Investment as on March 31, 2009						262,268,000	262.27
Suzlon Windfarm Services Limited	**Equity Shares**						
Opening Balance						182,581,060	182.58
Addition during FY 0607							—
		29-Mar-07	5,000,000			500,000,000	500.00
Investment as on March 31, 2007						682,581,060	682.58
Addition during FY 0708							—
		2-Feb-08	5,000,000			500,000,000	500.00
Investment as on March 31, 2008						1,182,581,060	1,182.58
Addition during FY 0809						—	—
Investment as on March 31, 2009						1,182,581,060	1,182.58
Suzlon Strucutre Pvt Ltd	**Equity Shares**						
Opening Balance						112,495,000	112.50
Addition during FY 0607							—
Investment as on March 31, 2007						112,495,000	112.50
Addition during FY 0708						—	—
		10-Jul-07	1,505,100			30,102,000	30.10
		20-Nov-07	1,770,000			35,400,000	35.40
Investment as on March 31, 2008						177,997,000	178.00
Addition during FY 0809						—	—
Investment as on March 31, 2009						177,997,000	178.00
SE Forge Ltd	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607							—
		22-Sep-06	50,000			500,000	0.50
		31-Oct-06	5,750,000			57,500,000	57.50
		25-Dec-06	4,000,000			40,000,000	40.00
		12-Feb-07	21,000,000			210,000,000	210.00
		20-Mar-07	4,500,000			45,000,000	45.00
							—
Investment as on March 31, 2007						353,000,000	353.00
Addition during FY 0708							—
		29-Jun-07	10,950,000			109,500,000	109.50
		25-Sep-07	23,750,000			237,500,000	237.50
Investment as on March 31, 2008						700,000,000	700.00
Addition during FY 0809							—
		27-Jun-08	5,000,000			50,000,000	50.00
		29-Sep-08	43,055,600			430,556,000	430.56
		1-Oct-08	81,944,400			819,444,000	819.44
Investment as on March 31, 2009						2,000,000,000	2,000.00

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
SE Forge Ltd	**Preference Shares**						
Opening Balance						—	—
Addition during FY 0607							—
Investment as on March 31, 2007						—	—
Addition during FY 0708		28-Mar-08	16,000,000			1,600,000,000	1,600.00
Investment as on March 31, 2008						1,600,000,000	1,600.00
Addition during FY 0809						(1,600,000,000)	(1,600.00)
Investment as on March 31, 2009						—	—
Suzlon Infrastructure Services Ltd	**Preference Shares**						
Opening Balance						—	—
Addition during FY 0607							—
Investment as on March 31, 2007						—	—
Addition during FY 0708							—
Investment as on March 31, 2008						—	—
Addition during FY 0809		22-Nov-08	6,000,000			600,000,000	600.00
Investment as on March 31, 2009						600,000,000	600.00
Suzlon Infrastructure Services Ltd	**Preference Shares**						
Opening Balance						—	—
Addition during FY 0607							—
Investment as on March 31, 2007						—	—
Addition during FY 0708		2-Feb-08	5,000,000			500,000,000	500.00
Investment as on March 31, 2008						500,000,000	500.00
Addition during FY 0809							—
Investment as on March 31, 2009						500,000,000	500.00
Suzlon Wind International Limited	**Preference Shares**						
Opening Balance						—	—
Addition during FY 0607							—
Investment as on March 31, 2007						—	—
Addition during FY 0708		5-Mar-08	4,000,000			400,000,000	400.00
Investment as on March 31, 2008						400,000,000	400.00
Addition during FY 0809							—
		30-Jun-08	3,200,000			320,000,000	320.00
		31-Dec-08	3,351,550			335,155,000	335.16
		25-Mar-09	275,000			27,500,000	27.50
Investment as on March 31, 2009						1,082,655,000	1,082.66
SE Electricals Limited	**Preference Shares**						
Opening Balance						—	—
Addition during FY 0607							—
Investment as on March 31, 2007						—	—
Addition during FY 0708		5-Mar-08	1,000,000			100,000,000	100.00
Investment as on March 31, 2008						100,000,000	100.00
Addition during FY 0809							—
		30-Jun-08	3,550,000			355,000,000	355.00
		31-Dec-08	2,025,000			202,500,000	202.50
		25-Mar-09	235,000			23,500,000	23.50
Investment as on March 31, 2009						681,000,000	681.00
SE Composites Limited	**Preference Shares**						
Opening Balance						—	—
Addition during FY 0607							—
Investment as on March 31, 2007						—	—
Addition during FY 0708							—
Investment as on March 31, 2008						—	—
Addition during FY 0809							—
		30-Jun-08	3,500,000			350,000,000	350.00
		31-Dec-08	6,805,000			680,500,000	680.50
		25-Mar-09	5,000			500,000	0.50
Investment as on March 31, 2009						1,031,000,000	1,031.00

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
SE Composites Limited	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607							—
		5-Mar-07	100,000			1,000,000	1.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	49,940			499,400	0.50
Investment as on March 31, 2007						1,500,000	1.50
Addition during FY 0708		30-Jun-07	10,050,000			100,500,000	100.50
		5-Mar-08	200,000			2,000,000	2.00
Investment as on March 31, 2008						104,000,000	104.00
Addition during FY 0809							—
		30-Jun-08	4,600,000			46,000,000	46.00
Investment as on March 31, 2009						150,000,000	150.00
SE Electrical Limited	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607							—
		12-Dec-06	49,940			499,400	0.50
		5-Mar-07	100,000			1,000,000	1.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
Investment as on March 31, 2007						1,500,000	1.50
Addition during FY 0708		29-Sep-07	2,950,000			29,500,000	29.50
		5-Mar-08	6,900,000			69,000,000	69.00
Investment as on March 31, 2008						100,000,000	100.00
Addition during FY 0809							—
Investment as on March 31, 2009						100,000,000	100.00
Suzlon Wind International Ltd	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607							—
		12-Dec-06	49,940			499,400	0.50
		5-Mar-07	100,000			1,000,000	1.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
		29-Mar-07	10			100	0.00
Investment as on March 31, 2007						1,500,000	1.50
Addition during FY 0708		30-Jun-07	500,000			5,000,000	5.00
		29-Sep-07	7,750,000			77,500,000	77.50
		5-Mar-08	1,600,000			16,000,000	16.00
Investment as on March 31, 2008						100,000,000	100.00
Addition during FY 0809						—	—
Investment as on March 31, 2009						100,000,000	100.00

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
Suzlon Gujarat Windpark Ltd	**Equity Shares**						
Opening Balance						20,000,000	20.00
Addition during FY 0607						—	—
Investment as on March 31, 2007						20,000,000	20.00
Addition during FY 0708						—	—
Investment as on March 31, 2008						20,000,000	20.00
Addition during FY 0809						—	—
Investment as on March 31, 2009						20,000,000	20.00
Suzlon Power Infrastructure Pvt. Ltd	**Equity Shares**						
Opening Balance						30,100,000	30.10
Addition during FY 0607						—	—
Investment as on March 31, 2007						30,100,000	30.10
Addition during FY 0708						—	—
Investment as on March 31, 2008						30,100,000	30.10
Addition during FY 0809						—	—
Investment as on March 31, 2009						30,100,000	30.10
Suzlon Engitech Pvt. Ltd.	**Equity Shares**						
Opening Balance						15,000,000	15.00
Addition during FY 0607						—	—
Investment as on March 31, 2007						15,000,000	15.00
Addition during FY 0708						—	—
Investment as on March 31, 2008						15,000,000	15.00
Addition during FY 0809						—	—
Investment as on March 31, 2009						15,000,000	15.00
Suzlon Infrastructure Services Limited	**Equity Shares**						
Opening Balance						90,000,000	90.00
Addition during FY 0607						—	—
Investment as on March 31, 2007						90,000,000	90.00
Addition during FY 0708						—	—
Investment as on March 31, 2008						90,000,000	90.00
Addition during FY 0809							—
Investment as on March 31, 2009						90,000,000	90.00
Suzlon Structure Pvt. Ltd	**Equity Shares**						
Opening Balance						75,000,000	75.00
Addition during FY 0607						—	—
Investment as on March 31, 2007						75,000,000	75.00
Addition during FY 0708						—	—
Investment as on March 31, 2008						75,000,000	75.00
Addition during FY 0809							—
Investment as on March 31, 2009						75,000,000	75.00
Suzlon Hotels Limited	**Equity Shares**						
Opening Balance						2,029,000	2.03
Addition during FY 0607						(2,029,000)	(2.03)
Investment as on March 31, 2007						—	—
Addition during FY 0708							—
Investment as on March 31, 2008						—	—
Addition during FY 0809							—
Investment as on March 31, 2009						—	—
Suzlon Hotel Limited	**Preference Shares**						
Opening Balance						8,700,000	8.70
Addition during FY 0607						(8,700,000)	(8.70)
Investment as on March 31, 2007						—	—
Addition during FY 0708							—
Investment as on March 31, 2008						—	—
Addition during FY 0809							—
Investment as on March 31, 2009						—	—

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
Godrej Millenium Condominium	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607		1-Aug-06	30			3,000	0.00
Investment as on March 31, 2007						3,000	0.00
Addition during FY 0708							—
Investment as on March 31, 2008						3,000	0.00
Addition during FY 0809							—
Investment as on March 31, 2009						3,000	0.00
Suzlon Rotor corporation, USA	**Equity Shares**						
Opening Balance						282,365,250	282.37
Addition during FY 0607		22-Aug-06		USD	1,150,000	53,452,000	53.45
Investment as on March 31, 2007						335,817,250	335.82
Addition during FY 0708		24-Mar-08		USD	20,500,000	828,866,250	828.87
Investment as on March 31, 2008						1,164,683,500	1,164.68
Addition during FY 0809						—	—
Investment as on March 31, 2009						1,164,683,500	1,164.68
Suzlon Energy Tianjin	**Equity Shares**						
Opening Balance						243,856,250	243.86
Addition during FY 0607		21-Apr-06		USD	800,000	36,134,000	36.13
		16-May-06		USD	4,500,000	204,142,500	204.14
		10-Jul-06		USD	2,750,000	126,775,000	126.78
		2-Aug-06		USD	3,000,000	139,695,000	139.70
		7-Sep-06		USD	4,650,000	215,225,250	215.23
Investment as on March 31, 2007						965,828,000	965.83
Addition during FY 0708		21-Mar-08		USD	33,800,000	1,367,210,000	1,367.21
Investment as on March 31, 2008						2,333,038,000	2,333.04
Addition during FY 0809						—	—
Investment as on March 31, 2009						2,333,038,000	2,333.04
Suzlon Energy Mauritious	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607		3-May-06		USD	30,597,985	1,373,543,549	1,373.54
		21-Dec-06		USD	8,000,000	357,640,000	357.64
		9-Feb-07		USD	1,041,360	45,916,166	45.92
		5-Feb-07		USD	9,500,000	419,187,500	419.19
		22-Mar-07		USD	1,300,000	56,631,250	56.63
		9-Mar-07		USD	1,974,000	87,492,615	87.49
Investment as on March 31, 2007						2,340,411,080	2,340.41
Addition during FY 0708							—
		30-Apr-07		USD	7,000,000	290,027,500	290.03
		7-Jun-07		USD	1,000,000	40,610,000	40.61
		15-Jun-07		USD	296,500,000	12,112,025,000	12,112.03
		21-Aug-07		USD	2,020,650	83,064,840	83.06
		15-Oct-07		USD	199,929,696	7,872,717,596	7,872.72
		15-Oct-07		USD	12,008,262	472,177,074	472.18
		28-Dec-07		USD	219,888,360	8,682,526,000	8,682.53
		30-Jan-08		USD	16,242,600	640,585,000	640.59
		4-Feb-08		USD	14,812,000	583,310,000	583.31
		19-Feb-08		USD	7,333,500	292,331,000	292.33
		3-Mar-08		USD	204,139	8,265,953	8.27
		4-Mar-08		USD	82,376,889	3,320,103,029	3,320.10
		5-Mar-08		USD	7,583,000	306,000,000	306.00
Investment as on March 31, 2008						37,044,154,072	37,044.15

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
Addition during FY 0809							—
		30-May-08		USD	35,304,250	1,508,425,365	1,508.43
		2-June-08		USD	16,489,200	703,300,500	703.30
		5-Sep-08		USD	76,398,770	3,393,816,720	3,393.82
		22-Sep-08		USD	5,178,285	235,341,661	235.34
		20-Nov-08		USD	18,925,409	956,028,403	956.03
		21-Nov-08		USD	110,191,305	6,174,210,712	6,174.21
		2-Dec-08		USD	40,379,200	2,039,731,060	2,039.73
		9-Jan-09		USD	21,865,600	1,063,848,902	1,063.85
		15-Jan-09		USD	9,242,100	453,447,925	453.45
		21-Jan-09		USD	9,009,700	453,430,271	453.43
		6-Mar-09		USD	84,263,166	4,349,664,639	4,349.66
Investment as on March 31, 2009						58,375,400,230	58,375.40
Suzlon Wind Energy Equipment Trading Co Ltd	**Equity Shares**						
Opening Balance						—	—
Addition during FY 0607						—	—
Investment as on March 31, 2007						—	—
Addition during FY 0708						—	—
Investment as on March 31, 2008						—	—
Addition during FY 0809		29-Aug-08		USD	333,000	14,602,050	14.60
Investment as on March 31, 2009						14,602,050	14.60
AE Rotor Holding BV, Netherlands	**Equity Shares**						
Opening Balance						131,463,128	131.46
Addition during FY 0607						—	—
Investment as on March 31, 2007						131,463,128	131.46
Addition during FY 0708						—	—
Investment as on March 31, 2008						131,463,128	131.46
Addition during FY 0809						—	—
Investment as on March 31, 2009						131,463,128	131.46
Suzlon Energy GMBH, Germany	**Equity Shares**						
Opening Balance				EUR	2,486,000	136,149,850	136.15
Addition during FY 0607							—
		15-Jun-06		EUR	225,000	13,146,750	13.15
		28-Jun-06		EUR	253,000	14,765,080	14.77
		6-Jun-06		EUR	225,000	13,333,500	13.33
		1-Jun-06		EUR	275,000	16,271,750	16.27
		10-Aug-06		EUR	500,000	29,945,000	29.95
		22-Aug-06		EUR	100,000	5,985,750	5.99
		7-Sep-06		EUR	200,000	11,877,000	11.88
		11-Oct-06		EUR	375,000	21,597,188	21.60
		1-Nov-06		EUR	250,000	14,313,900	14.31
		29-Mar-07		EUR	3,000,000	172,818,000	172.82
		28-Mar-07		EUR	400,000	23,444,000	23.44
Investment as on March 31, 2007						473,647,768	473.65
Addition during FY 0708						—	—
		18-Jul-07		EUR	400,000	22,280,400	22.28
		19-Mar-08		EUR	6,420,000	408,061,620	408.06
Investment as on March 31, 2008						903,989,788	903.99
Addition during FY 0809						(903,989,788)	(903.99)
Investment as on March 31, 2009						—	—

Name of the Company	Nature of Investment	Date	No. of Shares	FC	FC Amount	INR	INR in Millions
SE DRIVE TECHNIK GMBH	**Equity Shares**						
Opening Balance				EUR	375,000	20,051,438	20.05
Addition during FY 0607						(20,051,438)	(20.05)
Investment as on March 31, 2007						—	—
Addition during FY 0708						—	—
Investment as on March 31, 2008						—	—
Addition during FY 0809						—	—
Investment as on March 31, 2009						—	—
SUZLON WINDPARK MANAGEMENT GMBH	**Equity Shares**						
Opening Balance				EUR	25,000	1,623,000	1.62
Addition during FY 0607						—	—
Investment as on March 31, 2007						1,623,000	1.62
Addition during FY 0708						—	—
Investment as on March 31, 2008						1,623,000	1.62
Addition during FY 0809						(1,623,000)	(1.62)
Investment as on March 31, 2009						—	—
Suzlon Energy A/S	**Equity Shares**						
Opening Balance						1,330,603,807	1,330.60
Addition during FY 0607						—	—
Investment as on March 31, 2007						1,330,603,807	1,330.60
Addition during FY 0708						—	—
Investment as on March 31, 2008						1,330,603,807	1,330.60
Addition during FY 0809						—	—
Investment as on March 31, 2009						1,330,603,807	1,330.60

Financial Statements: The financial statements of the Group as at and for the years ended March 31, 2009, 2008 and 2007 and for the years then ended, included in the Offering Circular, have been jointly audited by S.R. Batliboi & Co. and SNK & Co., independent auditors (firms of chartered accountants registered with the Institute of Chartered Accountants of India), as stated in their reports appearing herein. The joint auditors reports as at and for the year ended March 31, 2009 included an emphasis of matter regarding the non-provision of proportionate premium on redemption of "US$500 Million Zero Coupon Convertible Bonds due 2012".

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

The Company's financial statements have been prepared in accordance with the requirements of Indian GAAP, which differs in various aspects from International Financial Reporting Standards ("IFRS"). Given below is a general summary of significant differences between Indian GAAP and IFRS as applicable to the Company.

This is not an exhaustive list of differences between Indian GAAP and IFRS; rather, it indicates only those significant differences that are considered to be more relevant to the financial position and results of operations of the Company.

IFRS and Indian GAAP considered for preparation of this summary are those which are applicable as at March 31, 2009. No attempt has been made to identify the impact of amendments or pronouncements which have been issued but becomes applicable for accounting periods commencing on or after 1 January 2009 or later accounting periods. For example, ICAI has issued Accounting Standards (AS) 30, AS 31 and AS 32 on *Financial Instruments: Recognition and Measurement*, *Financial Instruments: Presentation*, and *Financial Instruments: Disclosures*, respectively, which are recommendatory for accounting period commencing on or after 1 April 2009 and mandatory for accounting period commencing on or after 1 April 2011. The differences given below are without considering the impact of these standards and consequential limited revisions to other accounting standards. Similarly, a number of changes have taken place in IFRS, such as, revision of IAS 1, IAS 23, revision of IFRS 3 and issuance of IFRS 8 that are applicable for accounting periods commencing on or after 1 January 2009 or later accounting periods. These changes have also not been considered in listing the differences. Also, no attempt has been made to identify differences that would be arising as a result of changes expected in future periods.

This summary has been prepared on the assumption that the Company applies IFRS on a continuing basis and, therefore, the impact of IFRS 1 regarding First Time Adoption of IFRS has not been considered.

This summary does not cover all differences regarding presentation, classification and disclosure requirements applicable under Indian GAAP and IFRS.

No numerical reconciliation of the financial position and results of operations under Indian GAAP and under IFRS has been included in this Offering Circular. In the absence of such reconciliation, the Company is not in a position to state as to how the financial position and the results of operations would be impacted when computed under IFRS.

Subject	Indian GAAP	IFRS
Contents of Financial Statements.	As per the requirements of Schedule VI to the Indian Companies Act, 1956 (the "Companies Act") and Accounting Standards notified under the Companies Accounting Standard Rules, 2006, the financial statements comprise of: (a) Balance sheet; (b) Profit and Loss Account; (c) Cash flow statement (mandatory only for companies which are not SMCs); (d) Notes to financial statements, including summary of accounting policies and the necessary explanatory notes thereon.	As per IAS 1, financial statements comprise of: (a) Balance sheet; (b) Income Statement; (c) Statement of Recognised Income and Expenses/ Statement of Changes in Equity; (d) Cash flow statement; (e) Notes including summary of accounting policies and explanatory notes.
Balance Sheet	Accounting standards do not prescribe any particular format of balance sheet. However, the Companies Act and some other relevant statutes prescribe the form and content of the balance sheet. For companies, schedule VI lays down a specific format of balance sheet specifying the order in which various items are presented on its face as well as in schedules. The format of balance sheet given in Schedule VI is neither based on current and non-current classification nor in order of liquidity.	There is no prescribed format. Certain minimum items must be presented on the face of the balance sheet and certain items should be presented either on face or in notes. An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet except when a presentation based on liquidity provides more relevant and reliable information.
Income Statement	Unlike the balance sheet, there is no standard format prescribed for the Income Statement. However, Schedule VI to the Companies Act prescribes various requirements for the presentation of an Income Statement (known as "Profit and Loss Account"). As per these requirements, an entity presents an analysis of expense by their nature in the Profit and Loss Account. Profit or loss attributable to minority interests is disclosed as a deduction from the profit or loss for the period as an item of expense or income.	There is no prescribed format. However, certain items are prescribed as a minimum disclosure on the face of the Income statement. An analysis of expenses is presented using a classification based on either the nature of expenses or their function within the entity, either on the face of the Income Statement or in notes. Profit or loss attributable to minority interests and equity holders of the parent are disclosed on the face of the income statement as allocations of profit or loss for the period.

Subject	Indian GAAP	IFRS
Statement of Recognised Income and Expenses (SORIE)/Statement of Changes in Equity (SOCIE)	SORIE/SOCIE is not applicable under Indian GAAP. All items are recognised in the income statement in accordance with AS 5, unless required otherwise by any accounting standard. Considering these requirements, credits for certain items are directly taken to reserves and surplus, for example, revaluation of fixed assets. The transitional provisions of certain standards require first time adjustment and their consequential tax effect to be made directly into reserves and surplus. Schedule is given for equity and reserves and surplus showing opening, closing position as on the balance sheet date and movements along with other disclosures prescribed by Schedule VI to the Companies Act. The information relating to appropriation of profit is presented on the face of the Income Statement.	SOCIE/SORIE is presented as a primary statement in the financial statements. An entity can present SOCIE showing either: (i) all changes in equity, or (ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders. If the entity adopts option (ii), the Statement is called as SORIE. In such a case, other changes in equity are shown in the notes.
Extraordinary items	Extraordinary items are defined as events or transactions that are clearly distinct from the ordinary activities of the entity and are not expected to recur frequently and regularly. Extraordinary items are included in determination of net profit or loss for the period and disclosed separately in the profit and loss account. The nature and amount of each extra ordinary item is separately disclosed so that its impact on current profit or loss is clearly perceived.	Presentation of items of income or expense as extraordinary is specifically prohibited.
Disclosure of judgements, etc.	At present, there is no such disclosure requirement in AS 1 or Schedule VI.	IAS 1 requires disclosure of critical judgements made by the management in applying accounting policies and key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
Disclosures regarding capital	At present, there is no such disclosure requirement in AS 1 or Schedule VI.	IAS 1 requires disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
Changes in accounting policies	There is no specific guidance on how changes in accounting policies are dealt with, except few specific items, like change in the method of depreciation or change arising out of a new standard. For example, there is no specific guidance as to whether a change in an accounting policy should be retrospectively or prospectively and how the effect of a change in an accounting policy should be adjusted. AS 5 only requires separate disclosure of the impact of, and the adjustments resulting from, the change in accounting policy, where ascertainable.	When an entity changes an accounting policy upon initial application of a Standard or an Interpretation that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively. Comparative information is restated, and the amount of the adjustment relating to prior periods is adjusted against the opening balance of retained earnings of the earliest year presented. Detailed disclosures are required regarding the reasons for and the effect of the change, etc.
Errors/ prior period items	AS 5 covers only items of income and expenses under the definition of prior period items. Balance sheet misclassifications, which do not have an income statement impact, are not included in the definition of an error. Material prior period items are included in determination of profit or loss for the period in which the error is discovered and are disclosed separately in the current year's profit and loss account.	The definition of prior period items is much broader under IAS 8 as compared to AS 5 since IAS 8 covers all items in the financial statements. Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities, and equity for the earliest period presented.
Cash Flow Statement — Meaning of cash and cash equivalents	Similar to IFRS except that there is no specific guidance on treatment of bank overdrafts. As per the practice followed, these are generally considered to be part of financing activities.	Cash comprises not of only cash on hand but also demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible into cash without any significant risk of change in value. An investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from

Subject	Indian GAAP	IFRS
		its acquisition date. Bank overdrafts that are repayable on demand and that form an integral part of an entity's cash management are included in cash equivalents.
Interest and dividend — Disclosure in the cash flow statement	In case of non-financial entities, interest and dividends paid are required to be classified as financing activities. Interest and dividends received are required to be classified as investing activities.	For non-financial entities, interest and dividend paid should be disclosed as operating or financing cash flow. Interest and dividend received are disclosed either as operating or as investing cash flows.
Cash flows associated with extraordinary items . .	Separate disclosure is prohibited. The concept of extra-ordinary items has been removed from IFRS.	The cash flows associated with extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed.
Accounting for Fixed Assets and Depreciation . .	Indian GAAP recommends but does not mandate component accounting. It merely recognises the said approach in one paragraph by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts. No further guidance is available on the application of this approach. Costs incurred for replacement of parts is capitalised only if it increases the future benefits from the asset beyond its previously assessed standard performance. Fixed assets are depreciated over their estimated useful lives and rates of depreciation prescribed in Schedule XIV to the Companies Act are treated as minimum rates of depreciation. Change in depreciation method is treated as change in accounting policy. AS 6 requires retrospective recomputation of depreciation and any excess/deficit on such recomputation is required to be adjusted in the period in which the change is effected. Under AS 6 (1994), annual review of useful life and residual value is not obligatory as it simply provides that useful life of an asset may be reviewed periodically.	IAS 16 mandates component accounting. Under component accounting approach, each major part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. As a corollary, cost of replacing such parts is capitalised, if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. Costs incurred for replacement of a part of an item of fixed asset are capitalised if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. Fixed assets are depreciated over their estimated useful lives and there are no minimum rates of depreciation. Each major part of an item of fixed with a cost that is significant in relation to the total cost of the item is depreciated separately. Change in depreciation method is treated as change in accounting estimate and applied prospectively. IAS 16 requires that the residual value and useful life of an asset be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate.
Revaluation of fixed assets	Revaluation is of fixed assets permitted. On revaluation, an entire class of assets is revalued, or selection of assets is made on a systematic basis. Regular updation of revaluation is not required. Depreciation on revaluation portion can be recouped out of revaluation reserve.	Revaluation of fixed assets is more systematic. IAS 16 requires an entity to choose either the cost model or the revaluation model as its accounting policy and to apply that policy to an entire class of assets. It also requires that revaluations should be updated with sufficient regularity to ensure that the carrying amount does not differ materially the fair value at the balance sheet date. Depreciation on revaluation portion cannot be recouped out of revaluation reserve and the same has to be charged to the Income Statement.
Impairment of assets	An entity is required to assess at each balance sheet date whether there is any indication that an asset is impaired at each balance sheet date. If any such indication exists, the entity should estimate the recoverable amount of the asset. However, intangible assets which are not yet available for use or intangible assets which are amortised for greater than 10 years are tested for impairment annually irrespective of whether there are any indications for impairment. Impairment loss recognised for an asset is the extent to which the carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An impairment loss recognised for an asset in prior accounting periods should be reversed if there has been	Similar to Indian GAAP except the following: (i) Irrespective of indication of impairment, an entity needs test an intangible asset with an indefinite useful life, an intangible asset not yet available for use and goodwill acquired in a business combination, for impairment annually. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. (ii) Impairment loss recognised for goodwill can not be reversed in a subsequent period. (iii) In IAS 36, terminology used is 'fair value less costs to sell' instead of 'net selling price'. The two terms are, otherwise, defined in the same manner.

Subject	Indian GAAP	IFRS
	a change in the estimates of cash inflows, cash outflows or discount rates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset should be increased to its recoverable amount. An impairment loss recognised for goodwill should not be reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.	
Investments	Investments are classified as long-term or current, based on the management's intention at the time of purchase. Long term investments are carried at cost less provision for other than temporary diminution in value. Current investments are carried at the lower of cost or fair value.	Investments are classified into held-for-trading, held-to-maturity or available-for-sale categories. Investments acquired principally for the purpose of generating profits from short-term price fluctuations or dealers' margin are classified as being held-for-trading. Such investments are measured at fair value and consequent gain or loss is recognised in the profit or loss for the period. Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity, together with entity's positive intent and ability to hold until maturity. These investments are recognised at amortised cost using the effective interest rate method. Available-for-sale investments are those investments that are either designated as such or do not qualify as held-for-trading or held-to-maturity investments. Such investments are measured at fair value, with movements in fair value reflected in equity.
Post employment defined benefit plans such as pension, gratuity	Discount rate to be used for determining defined benefit obligation is by reference to market yields at the balance sheet date on government bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations. Actuarial gain or loss should be recognised immediately in profit and loss account.	Discount rate to be used for determining defined benefit obligation is by reference to market yields at the balance sheet date on high quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. IAS 19 provides the following options to recognise actuarial gains and losses: • All actuarial gains and losses can be recognised immediately in the profit and loss account. • All actuarial gains and losses can be recognised immediately in SORIE. • Actuarial gains and losses below the 10% corridor need not be recognised and those above the 10% corridor can be deferred over the remaining service period of employees or on accelerated basis. Entity should select any of the above methods as its accounting policy and apply the same policy for recognition of actuarial gains and losses on consistent basis.
Employee share-based payment	As per the *Guidance Note on Accounting for Employee Share-based Payments* issued by the ICAI as well as SEBI Guidelines on the subject, share-based payments granted to employees can be accounted for either as per intrinsic value method or as per the fair value method. When the intrinsic method is applied, fair value related disclosures are required to be made in the notes to accounts.	Amount to be recorded is measured at fair value of shares or share options granted.
Consolidated Financial Statements.	AS 21 does not specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented. SEBI	Each parent shall present CFS in which it consolidates its subsidiaries except the parent which satisfies certain conditions.

Subject	Indian GAAP	IFRS
	requires all listed entities to present consolidated financial statements. Control exists when (a) the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power or (b) it controls the composition of an entity's board of directors so as to obtain economic benefits from its activities. As per ASI 24, an entity can be subsidiary of two entities when as per definition of the term 'control' the entity is controlled by both entities — one by control over the governing body and other through majority in voting power. As per ASI 18, potential voting rights are not considered for determining significant influence in the case of an associate. An analogy can be drawn that they are not to be considered for determining control in the case of a subsidiary, as well.	Control is based on power to govern the financial and operating policies. Control is presumed to exist when parent owns, directly or indirectly though subsidiaries, more than one half of an entity's voting power, unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power but has legal or contractual rights to control, or de facto control (rare circumstances). The existence of currently exercisable potential voting rights is also taken into consideration when assessing whether an entity has the power to govern the financial and operating policies of another entity.
Special Purpose Entities ("SPE")	No guidance on Special purpose entities (SPEs).	Special purpose entities should also be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.
Method of consolidation . .	Goodwill/capital reserve arising on consolidation is calculated based on carrying amounts of assets and liabilities. Goodwill is tested for impairment whenever an indication of impairment exists at the CGU level. Though amortisation of goodwill arising on consolidation is not mandatory, it can be amortised on a systematic basis over its useful life. If the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, then the difference should be treated as a capital reserve in the consolidated financial statements. Similar to IFRS except that if it is impracticable to use uniform accounting policies, this fact and the line items and amounts to which different accounting policies have been applied are disclosed. Minority interests are presented in the consolidated balance sheet separately from liabilities and equity. No deferred tax adjustment is required. Deferred taxes presented in the CFS are a simple aggregation of the deferred taxes recognised by the group entities.	Goodwill/negative goodwill is calculated based on fair values of assets and liabilities. Goodwill is tested for impairment annually or more frequently at either CGU level/group of CGUs as applicable if there are indicators of impairment. Amortisation of goodwill is prohibited. If the parent's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost, the parent shall (i) reassess the identification and measurement of the assets, liabilities and contingent liabilities and the measurement of the cost; and (ii) recognise immediately in profit or loss any excess remaining after that reassessment. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Minority interests are presented in the consolidated balance sheet within equity, separately from the equity of the owners of the parent. Deferred tax adjustment are required, for example, for unrealised profits eliminated on consolidation.
Accounting for investments in subsidiaries in separate financial statements	Investments in subsidiaries are accounted at cost less provision for other than temporary diminution in value of Investment.	Investments in subsidiaries are accounted either at cost less impairment loss or as available for sale investments as described in IAS 39.
Exclusion of subsidiaries from consolidation	Subsidiary is excluded from consolidation if it was acquired with the intent to dispose of within the near future (twelve months) or if it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.	CFS includes all subsidiaries. However, a subsidiary acquired exclusively with a view to resale is excluded from consolidation if on acquisition it meets IFRS 5 criteria for treatment as discontinued operation.
Reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.
Accounting for associates	Equity method is required to be applied only if the entity prepares CFS. Where the reporting entity is not a parent, but has associates, it need not apply equity method to its associates.	Where the reporting entity is not a parent, but has associates, it will need to apply equity method to its associates in its own financial statements.

Subject	Indian GAAP	IFRS
Identification of goodwill	Goodwill within the investment amount is required to be separately identified.	Goodwill or capital reserves within the investment amount are not required to be separately identified
Reporting dates	There is no limit of three months for difference between the reporting dates. The consistency principle requires that the length of the reporting periods, and any difference in the reporting dates, are consistent from period to period.	Difference between the reporting date of the associate and that of the investor shall be no more than three months. The consistency principle requires that the length of the reporting periods, and any difference in the reporting dates, are consistent from period to period.
Accounting for investments in associates in separate financial statements	In separate financial statements: at cost less provision for other than temporary diminution in value of Investment.	In separate financial statements: at cost less impairment loss or as available for sale investments in accordance with IAS 39.
Definition of joint venture	Similar to IFRS. However, sometimes though a contractual arrangement may suggest a joint venture, the investee is accounted as a subsidiary if the investors share in the investee's equity is greater than 50%.	A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to a joint control. As per IAS 31, the existence of a contractual arrangement distinguishes interests that involve joint control from investments in associates in which the investor has significant influence. Activities that have no contractual arrangement to establish joint control are not joint ventures for the purposes of this Standard.
Accounting for jointly controlled entities	In consolidated financials, proportionate consolidation is used. In separate financial statements: at cost less provision for other than temporary diminution in value of Investment.	IAS 31 prescribes proportionate consolidation method for recognising interest in a jointly controlled entity in CFS. It, however, also allows the use of equity method of accounting as an alternate to proportionate consolidation. However, proportionate method of accounting is the more recommended. In separate financial statements: at cost less impairment loss or as available for sale investments in accordance with IAS 39.
Provisions	Similar to IFRS, except that discounting is not permitted.	Provisions relating to present obligations arising from past events are recognised if outflow of resources embodying economic benefits is probable and amount can be reliably estimated. Provisions are discounted to their present value where the effect of time value of money is material.
Contingent gains	Contingent gains are neither recognised nor disclosed.	Contingent assets are disclosed in financial statements where an inflow of economic benefits is probable.
Restructuring provision . .	Restructuring provision should be made based on legal obligation.	Restructuring provision should be made based on constructive obligation.
Deferred income taxes . . .	Deferred tax is accounted using the income statement approach or the timing differences approach. Timing differences are differences between the taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, in the situation of unabsorbed depreciation or carry forward of losses, all deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which the deferred tax assets can be realised.	IAS 12 is based on the balance sheet approach or the temporary differences approach. Temporary differences are differences between the tax bases of assets or liabilities and their book values that will result in taxable or tax deductible amounts in future years. There are certain items which are temporary differences under IFRS but do not give rise to timing difference under Indian GAAP. For example (a) Revaluation of fixed assets (b) Business combinations (c) Consolidation adjustments (d) Undistributed profits (e) Foreign currency translation adjustment Deferred tax assets are recognised only to the extent it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Where an entity has a history of tax losses, the entity recognises deferred tax assets arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing

Subject	Indian GAAP	IFRS
		other evidence that sufficient taxable profit will be available.
Recognition of deferred tax on investment made in subsidiaries, branches, associates and joint ventures (undistributed profits)	No deferred tax is recognised.	An entity should recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.
Fringe benefits tax	Disclosed as separate item after "profit before tax" on the face of income statement.	Included as part of expenses in determination of profit before tax.
Proposed Dividends.	Proposed dividends are recognised as liability in the period to which they relate, even-though the same are declared after the balance sheet date.	Proposed dividends which are declared after balance sheet date are not recognised as liability in the financial statements.
Effects of Changes in Foreign Exchange Rates . .	AS 11 is based on the integral and non-integral foreign operations approach. The financial statements of an integral foreign operation should be translated using the principles and procedures in as if the transactions of the foreign operation had been those of the reporting entity itself. In translating the financial statements of a non-integral foreign operation for incorporation in its financial statements, the reporting entity should use the following procedures: • assets and liabilities, both monetary and non-monetary, should be translated at the closing rate • income and expense items should be translated at exchange rates at the dates of the transactions, and • all resulting exchange differences should be accumulated in foreign currency translation reserve until the disposal of the net investment. There is no specific guidance on the issue if an entity adopts to publish its financial statements in other currencies. In regard to exchange differences arising on restatement of long term foreign currency monetary assets/liabilities, Companies have a one-time irrevocable option to defer the charge to the profit and loss account, in respect of accounting periods commencing on or after 7th December 2006 in the following manner: • To the extent they relate to the acquisition of a depreciable capital asset have been adjusted with the cost of such asset and would be depreciate over the balance life of the asset; and In other cases, have been accumulated in Foreign Currency Monetary Item Translation Difference Account and would be amortised over the balance period of such long term asset/liability but not beyond, accounting period ending on or before 31st March 2011.	IAS 21 is based on the 'Functional Currency' approach as against the integral and non-integral approach. Functional currency is defined as the currency of the primary economic environment in which the entity operates. All entities are required to prepare their financial statements in functional currency. Any exchange gain/loss to record a transaction in its functional currency is recognised in profit or loss for the period. If the financial statements are presented in any other currency than the functional currency, the assets and liabilities are translated at closing rate and the income and expenses are translated at exchange rates at the dates of the transactions. The resultant exchange gain/loss is recognised in foreign currency translation reserve. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise irrespective of tenor/life of the asset/liability.
Derivatives	Presently, no specific standard on financial instruments containing comprehensive guidance on accounting for derivatives is applicable. AS 11 deals with accounting for foreign currency transactions in the nature of forward exchange contracts. It requires gain or loss arising on forward exchange contracts intended for trading or speculation purposes to be measured based on the forward rate available at the reporting date which is recognised immediately in the profit and loss account.	IAS 39 deals with accounting for derivatives in a comprehensive manner. As per IAS 39, derivatives are initially recognised at fair value. After initial recognition, an entity shall measure derivatives at their fair values, without any deduction for transaction costs. Changes in fair value are recognised in income statement unless derivative satisfies hedge criteria. Embedded derivatives need to be separated and fair valued

Subject	Indian GAAP	IFRS
	As required by the ICAI Announcement on 'Accounting for Derivatives', losses are required to be recognised on all derivatives not covered under AS 11, keeping in view the principle of prudence as enunciated in AS 1. No specific guidance on embedded derivatives.	
Hedging	At present, no specific standard dealing with hedge accounting in comprehensive manner is applicable. Presently, AS 11 deals with forward exchange contracts entered into for hedging foreign currency risk of foreign currency assets and liabilities. AS 11 does not lay down any specific criteria for determining hedges accounting; rather, the treatment is based on the purpose for which such contracts are entered into. AS 11 does not classify hedging relationships into any particular categories. As per 11, the premium or discount arising at the inception of a forward exchange contract entered into for hedging purposes should be amortised as expense or income over the life of the contract. Exchange differences on such a contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognised as income or as expense for the period.	IAS 39 deals with the requirements concerning hedge accounting in a comprehensive manner. It defines the terms such as hedged item, hedging instruments. It also lays down strict documentation and hedge effectiveness criteria which need to be satisfied for application of hedge accounting. As per IAS 39, hedging relations are of three types, viz., fair value hedge, cash flow hedge and hedge of net investment in a foreign operation. Accounting for hedged item and hedging instrument depends upon type of hedging relationship between hedged item and hedging instrument.
Classification of financial instrument between liability and equity	Classification is based on legal form rather than substance. All preference shares are disclosed separately as share capital under shareholders funds.	Financial instruments are classified as liability or equity depending upon the substance of contractual arrangement and definitions of the terms equity and financial liability. Mandatory redeemable preference shares are classified as liabilities.
Compound financial instruments	No split accounting is done. Financial instrument is classified as either liability or equity, depending on nature of instrument. A convertible debenture would be treated as a liability, and a convertible preference share would be treated as equity.	Compound financial instruments are subjected to split accounting whereby liability and equity components are recorded separately.
Financial liabilities	Liabilities are normally carried at amount received. Interest expense on liabilities is recognised on time-proportion basis as per the rates mentioned in the loan agreement.	Financial liability is classified into either of two categories (1) financial liability at fair value through P&L; or (b) residual category. Initial measurement of financial liabilities is at fair value, less transaction costs in case of financial liabilities not at fair value through profit or loss. Subsequently, financial liabilities at fair value through profit or loss liabilities are measured at fair value and change in fair value is recognised in the income statement for the period. All other financial liabilities are carried at amortised cost using the effective interest rate.
Intangible Assets	After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Revaluation of intangible assets is not permitted. There is no concept of intangible assets with indefinite useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. All assets are amortised over their respective useful life.	An entity shall choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets. An entity shall assess whether the useful life of an intangible asset is finite or indefinite. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Assets with finite useful life are amortised over their respective useful lives. There is no rebuttable presumption regarding maximum useful life of an asset.

Subject	Indian GAAP	IFRS
Business Combinations . .	There is no comprehensive standard dealing with all business combinations. AS 14 applies only to amalgamation, i.e., where acquiree loses its identity. AS 21, AS 23 and AS 27 apply to accounting for investments in subsidiaries, associates and joint ventures, respectively. AS 10 applies where a demerged division is acquired on a lump-sum basis by another entity. There is uniformity in the treatment prescribed these Standards.	IFRS 3 applies to most business combination.
	AS 14 recognises both purchase method and pooling of interest method with regard to accounting for amalgamation. There are five conditions which need to be fulfilled for application of the pooling method.	Use of pooling of interest is prohibited.
	Acquisition accounting under AS 21 is done on book value basis. Acquisition accounting under AS 10 is done on fair value basis. AS 14 recognises both fair value accounting and book value accounting in relation to purchase method. No specific guidance is available for recognition of unrecognised intangible assets and contingent liabilities and accounting for asset held for sale.	The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at that date, except for non-current assets (or disposal groups) that are classified as held for sale which shall be recognised at fair value less costs to sell. It is irrelevant if the acquiree had recorded those assets/ liabilities.
	The date of amalgamation as defined in the amalgamation/acquisition scheme.	The date on which the acquirer effectively obtains control of the acquiree.
	Acquisition accounting in all cases is based on form. Legal acquirer is treated as acquirer and legal acquiree is treated as acquiree for legal as well as accounting purposes.	Acquisition accounting is based on substance. Accordingly, in case of reverse acquisition, legal acquirer is treated as acquiree and legal acquiree is treated as acquirer for IFRS 3 purposes.
	Except AS 14, no guidance on accounting for contingent consideration.	IFRS 3 deals with the accounting for contingent consideration in a comprehensive manner.
	Goodwill has different treatment under different standards. AS 14 requires goodwill arising on amalgamation to be amortised over 5 years. There is no such requirement under AS 21 for goodwill arising on consolidation.	Goodwill is not amortised; rather, tested for impairment on annual basis.
	If the acquirer's interest in the net assets value exceeds the cost of acquisition, the excess is disclosed as "capital reserve" under Reserves and Surplus (Equity).	No concept of capital reserves. If the goodwill as computed per IFRS 3 is negative, the acquirer needs to reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities. If the negative goodwill remains, this should be recognised immediately in profit or loss.

INDEX TO FINANCIAL STATEMENTS

Suzlon Energy Limited

	Page
Audited Consolidated Financial Statements for the Fiscal Year 2007	
Report of Statutory Auditors for the Fiscal Year 2007(1)	FS-1
Consolidated Balance Sheet as at March 31, 2007	FS-4
Consolidated Profit and Loss Account for the year ended March 31, 2007	FS-6
Consolidated Cash Flow Statement for the year ended March 31, 2007	FS-7
Schedules to the Consolidated Financial Statements for the year ended March 31, 2007	FS-9
Significant Accounting Policies and Notes to the Consolidated Financial Statements for the year ended March 31, 2007	FS-16
Audited Consolidated Financial Statements for the Fiscal Year 2008	
Report of Statutory Auditors for the Fiscal Year 2008(1)	FS-33
Consolidated Balance Sheet as at March 31, 2008	FS-35
Consolidated Profit and Loss Account for the year ended March 31, 2008	FS-36
Consolidated Cash Flow Statement for the year ended March 31, 2008	FS-37
Schedules to the Consolidated Financial Statements for the year ended March 31, 2008	FS-39
Significant Accounting Policies and Notes to the Consolidated Financial Statements	FS-46
Audited Consolidated Financial Statements for the Fiscal Year 2009	
Report of Statutory Auditors for the Fiscal Year 2009(1)	FS-69
Consolidated Balance Sheet as at March 31, 2009	FS-71
Consolidated Profit and Loss Account for the year ended March 31, 2009	FS-72
Consolidated Cash Flow Statement for the year ended March 31, 2009	FS-73
Schedules to the Consolidated Financial Statements for the year ended March 31, 2009	FS-75
Significant Accounting Policies and Notes to the Consolidated Financial Statements	FS-82
REpower Systems AG	
Audited Consolidated Financial Statements for the calendar year 2007	
Consolidated Balance Sheet	FR-1
Shareholders' Equity and Liabilities	FR-2
Consolidated Income statement of REpower Systems AG	FR-3
Cash Flow Statement	FR-4
Statement of Changes in Consolidated Shareholders' Equity	FR-5
Segment Reporting REpower Systems Group	FR-6
Statement of Consolidated Fixed Assets 2007	FR-7
Investments of REpower Systems AG as at December 31, 2007	FR-8
Notes to the Financial Statements	FR-9
Independent Auditors' Report	FR-32

(1) The financial statements originally attached to the Auditors' Reports were expressed in Indian Rupees Crores. However for convenience of the readers the financials set out herein are expressed in Indian Rupees millions and there may be rounding off differences.

Page

Audited Consolidated Financial Statements for the three month period ended March 31, 2008

Consolidated Balance Sheet FR-33

Shareholders' Equity and Liabilities FR-34

Consolidated Income Statement FR-35

Cash Flow Statement FR-36

Statement of Changes in Shareholders' Equity FR-37

REpower Systems Group Segment Reporting FR-38

Statement of Consolidated Fixed Assets 2008 . . . . . FR-39

List of shareholdings FR-40

Notes to the Financial Statements FR-41

Independent Auditors' Report FR-64

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S.R. BATLIBOI & Co.
Chartered Accountants
The Metropole
F-1, 1st Floor
Bund Garden Road
Pune 411 001

Auditors' Report

To
The Board of Directors of Suzlon Energy Limited

1. We SNK & Co. and S.R. Batliboi & Co, have audited the attached consolidated balance sheet of Suzlon Energy Limited ('SEL') and its subsidiaries (together referred to as 'the Group', as described in Schedule P, Note 5) as at March 31, 2007 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of SEL's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

   Companies audited solely by SNK & Co., Chartered Accountants

Name of the Company	Extent of share in consolidated revenues	Extent of share in consolidated assets
Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited)	0.51%	1.80%
Suzlon Towers and Structures Limited	6.98%	4.00%
Suzlon Gujarat Windpark Limited	0.55%	0.55%
Suzlon Generators Private Limited	0.01%	1.09%
Suzlon Structures Private Limited	0.07%	1.79%
Suzlon Power Infrastructure Private Limited	0.39%	0.56%

   These financial statements have been audited solely by SNK & Co., Chartered Accountants and have been accepted without verification by S.R. Batliboi & Co, Chartered Accountants and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of SNK & Co., Chartered Accountants.

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S.R. BATLIBOI & Co.
Chartered Accountants
The Metropole
F-1, 1st Floor
Bund Garden Road
Pune 411 001

Companies audited solely by S. R. Batliboi & Co, Chartered Accountants

Name of the Company	**Extent of share in consolidated revenues**	**Extent of share in consolidated assets**
Suzlon Rotor Corporation	—	1.10%
Suzlon Wind Energy Corporation (See note below)	19.92%	7.93%
SE Forge Limited	—	0.31%
Suzlon Rotor International Limited	—	—
Suzlon Tower International Limited	—	—
Suzlon Wind International Limited	—	—

These financial statements have been audited solely by S. R. Batliboi & Co., Chartered Accountants and have been accepted without verification by SNK & Co, Chartered Accountants and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of S. R. Batliboi & Co., Chartered Accountants.

5. We did not audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	**Extent of share in consolidated revenues**	**Extent of share in consolidated assets**
AE-Rotor Holding B.V.	—	0.46%
AE-Rotor Technik B.V.	—	0.23%
Suzlon Energy B.V.	—	0.33%
Eve Holding NV	—	15.70%
Hansen Transmission International NV	23.24%	15.95%
Suzlon Energy A/S, Denmark	0.72%	0.94%
Suzlon Energy Australia Pty. Ltd.	0.18%	0.88%
Suzlon Energy GmbH	—	0.50%
Windpark Olsdorf Watt Gmbh & Co KG	0.03%	0.10%
Suzlon Windkraft GmbH	—	0.10%
S E Drive Technik GmbH	—	5.97%
Suzlon Windpark Management GmbH	—	0.00%
Suzlon Energy (Tianjin) Limited	3.76%	4.15%
Suzlon Energy Limited, Mauritius	—	0.18%
Suzlon Wind Energy Limited, U.K.	—	0.02%
Suzlon Windenergie GmbH, Germany	—	0.01%
Suzlon Energy Italy Srl	0.55%	0.58%
Suzlon Energy Portugal Energia Elocia Unipessoal Lda	—	0.85%
Suzlon Energia Eolica do Brasil Ltda	—	0.12%
Suzlon Energy Korea Co, Limited	—	—
Suzlon Wind Energy A/S	—	0.06%
Suzlon Engitech Private Limited	—	0.02%

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Pune 411 001

These financial statements have been prepared under the relevant applicable Generally Accepted Accounting Principles ('GAAP') of the Country where the subsidiary is registered. Adjustments have been made to realign the accounting policies of these subsidiaries to those of SEL, which have been reviewed by us jointly for the year ended March 31, 2007.

6. We report that the consolidated financial statements have been prepared by SEL's management in accordance with the requirements of Accounting Standard-21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of SEL and its subsidiaries.

7. In our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2007;

   (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date;

   (c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year then ended on that date.

SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No: 46238
Mumbai
May 14, 2007

S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No: 89802
Mumbai
May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet as at March 31, 2007*

All amounts in rupees million unless otherwise stated

Particulars	Schedule	As at March 31, 2006 Rs. Million	As at March 31, 2007 Rs. Million
I. Sources of Funds			
1. Share Holders' Funds			
(a) Share Capital	A	3,025.31	2,877.65
(b) Share Application Money Pending Allotment		1.87	0.15
(c) Employee Stock Options	B	103.64	117.11
(d) Management Option Certificates issued by Subsidiary Company *[See Schedule P, Note(6)(b)]*			890.03
(e) Reserves and Surplus	C	24,217.12	31,225.94
		27,347.94	35,110.88
2. Preference Shares Issued by Subsidiary Company *[See Schedule P, Note(6)(d)]*		25.00	25.00
3. Minority Interest		74.69	141.12
4. Loan Funds			
(a) Secured Loans	D	3,899.05	19,844.25
(b) Unsecured Loans	E	608.10	31,776.03
		4,507.15	51,620.28
5. Deferred Tax Liability (Net)		—	176.78
Total		31,954.78	87,074.06
II. Application of Funds			
1. Fixed Assets	F		
Gross Block		6,288.52	43,210.76
Less - Accumulated Depreciation		1,531.45	7,015.82
Net Block		4,757.07	36,194.94
Capital work in progress		1,651.60	4,498.17
		6,408.67	40,693.11
2. Preoperative Expenses, pending allocation		16.66	38.64
3. Investments	G	76.10	155.66
4. Deferred Tax Asset (Net)		817.59	—

Particulars		Schedule	As at March 31, 2006	As at March 31, 2007
			Rs. Million	Rs. Million
5.	**Current Assets, Loans and Advances**	H		
	(a) Inventories		13,801.99	31,362.98
	(b) Sundry Debtors		16,473.10	25,704.02
	(c) Cash and Bank Balances		5,514.82	15,382.95
	(d) Loans and Advances		5,897.22	12,075.50
			41,687.13	84,525.45
	Less : Current Liabilities and Provisions	I		
	(a) Current Liabilities		12,977.04	33,340.00
	(b) Provisions		4,082.82	4,998.80
			17,059.86	38,338.80
	Net Current Assets		24,627.27	46,186.65
6.	**Miscellaneous Expenditure (To the extent not written off or adjusted)**	J	8.49	—
	Total		31,954.78	87,074.06

Significant Accounting Policies and Notes to the Consolidated Financial Statements P

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
M.No. 46238

Mumbai
Date: May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802

Mumbai
Date: May 14, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Mumbai
Date: May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Consolidated Profit and Loss Account for the year ended March 31, 2007

All amounts in rupees million unless otherwise stated

	Schedule	As at March 31, 2006	As at March 31, 2007
		Rs. Million	Rs. Million
Income			
Sales and Service Income		38,410.30	79,857.30
Other Income	K	744.64	965.00
		39,154.94	80,822.30
Expenditure			
Cost of Goods Sold	L	23,278.90	48,113.65
Operating and other Expenses	M	5,121.39	12,031.55
Employees' Remuneration and Benefits	N	1,215.88	6,495.90
Financial Charges	O	647.78	2,763.44
Depreciation	F	715.90	1,717.98
Preliminary Expenditure Written Off	J	1.80	17.14
		30,981.65	71,139.66
Profit Before Tax and Minority Interest		8,173.29	9,682.64
Current Tax		1,103.00	1,747.81
Less: MAT Credit Entitlement			(512.32)
Earlier Year - Current Tax		1.70	(111.83)
Deferred Tax		(568.20)	(125.70)
Fringe Benefit Tax		31.60	36.64
		568.10	1,034.60
Profit before Minority Interest		7,605.19	8,648.04
Add/(Less): Share of loss/(profit) of Minority		(10.20)	(7.72)
Net Profit		7,594.99	8,640.32
Balance brought forward		5,016.58	7,948.07
Profit Available for Appropriations		12,611.57	16,588.39
Interim Dividend on Equity Shares		718.80	1,442.20
Proposed Dividend on Equity Shares		720.30	3.21
Dividend on Preference Shares		16.60	17.00
Tax on Dividends		207.80	211.40
Transfer to General Reserve		3,000.00	3,284.20
		4,663.50	4,958.01
Balance Carried to Balance Sheet		7,948.07	11,630.38
Earnings Per Share (in Rs.)			
Basic (Nominal Value of shares Rs.10 (Previous Year Rs.10)) *[See Schedule P, Note(9)]*		27.73	29.96
Diluted (Nominal Value of shares Rs.10 (Previous Year Rs.10) *[See Schedule P, Note(9)]*		27.68	29.91
Significant Accounting Policies and Notes to the Consolidated Financial Statements	P		

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

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
M.No. 46238

Mumbai
Date: May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802

Mumbai
Date: May 14, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Mumbai
Date: May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Consolidated Cash Flow Statement for the year ended March 31, 2007
All amounts in rupees million unless otherwise stated

Particulars	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007
	Rs. Million	Rs. Million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	8,173.29	9,682.64
Adjustments for		
Depreciation	715.90	1,717.98
Loss/(Profit) on sale of Investments	—	(76.47)
Loss on Sale/disposal of Assets	5.30	15.76
Preliminary Expenses incurred	(6.20)	(8.65)
Preliminary Expenses Written Off	1.80	17.14
Interest Expenses	507.62	2,522.60
Interest Income	(311.75)	(491.80)
Dividend Income	(4.18)	(6.26)
Provision (reversal) for Doubtful Debts/Loans	(48.20)	39.76
Employee stock option scheme	103.64	73.00
Adjustments for consolidation	36.00	80.32
Provision for operation maintenance and warranty	857.70	859.07
Provision for performance guarantee	1,065.14	1,026.96
Wealth Tax	0.18	0.30
Operating Profit before Working Capital Changes	11,096.24	15,452.35
Movements in Working Capital:		
(Increase)/Decrease in loans and advances	(2,960.94)	(2,651.53)
(Increase)/Decrease in sundry debtors	(9,502.14)	(5,737.44)
(Increase)/Decrease in inventories	(8,035.22)	(14,393.78)
Increase/(Decrease) in current liabilities	7,169.42	15,451.14
Cash (used in)/generated from operations	(2,232.64)	8,120.74
Direct Taxes Paid (net of refunds)	(1,307.60)	(748.40)
Net cash (used in)/generated from operating activities	(3,540.24)	7,372.34
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,059.72)	(10,195.85)
Proceeds from sale of fixed assets	21.56	80.12
Paid for Acquisition of Subsidiaries	(33.90)	(25,026.37)
Purchase of Investments	(4.94)	(154.78)
Sale/Redemption of Investments	6.50	151.66
Inter-corporate deposits repaid/(granted)	31.80	(2,583.63)
Preoperative expenses incurred	(16.66)	(21.98)
Interest received	246.54	545.51
Dividends received	4.18	6.26
Net Cash Flow from Investing Activities	(3,804.64)	(37,199.06)

Particulars	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007
	Rs. Million	Rs. Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of Preference share capital	(1,000.00)	(150.00)
Proceeds from issuance of share capital including premium	13,648.94	—
Issuance of share capital under Employee Stock Option Scheme	—	59.53
Share Application Money received	1.37	(1.72)
Share issue expenses	(406.70)	—
Issuance of Management Profit certificates	—	890.03
Proceeds from borrowings	5,783.85	61,773.41
Repayment of borrowings	(5,238.84)	(17,862.43)
Interest paid	(501.64)	(2,508.94)
Dividends paid	(849.86)	(2,190.24)
Tax on dividends paid	(122.06)	(314.79)
Net cash from financing activities	11,315.06	39,694.85
Net increase in cash and cash equivalents (A + B + C)	3,970.18	9,868.13
Cash and cash equivalents at the beginning of the year	1,544.64	5,514.82
Cash and cash equivalents at the end of the year	5,514.82	15,382.95

Components of cash and cash equivalents	As at March 31, 2006	As at March 31, 2007
Cash and cheques on hand	13.35	706.49
With banks		
- in current account	327.04	861.82
- in Term deposit accounts	3,895.27	2,857.77
With non-scheduled banks - on current account	1,279.16	10,956.87
	5,514.82	15,382.95

Notes:

1. Purchase of fixed assets includes payments for items in capital work in progress and advance for purchase of fixed assets.
2. Previous year's figures have been regrouped/reclassified, wherever necessary.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
M.No. 46238

Mumbai
Date: May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802

Mumbai
Date: May 14, 2007

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Mumbai
Date: May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules annexed to and forming part of the Consolidated Balance Sheet

All amounts in rupees million unless otherwise stated

Particulars	As at March 31, 2006	As at March 31, 2007
	Rs. Million	Rs. Million
Schedule - A: Share Capital		
Authorised		
430,000,000 (330,000,000) Equity Shares of Rs.10/- each	3,300.00	4,300.00
1,500,000 (11,500,000) Preference Shares of Rs.100/- each	1,150.00	150.00
	4,450.00	4,450.00
Issued, Subscribed		
Equity		
287,764,780 (287,531,380) Equity Shares of Rs.10 each fully paid [Of the above Equity Shares, 251,855,300 (251,855,300) shares were allotted as fully paid Bonus Shares by utilisation of Rs.1,740.40 million (Rs.1,740.40 million) from General Reserve, Rs.10.25 million (Rs.10.25 million) from Capital Redemption Reserve and Rs.768.00 million (Rs.768.00 million) from Securities Premium Account.]	2,875.31	2,877.65
Preference		
NIL (1,500,000) 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up *[See Schedule P, Note (6)(d)]*	150.00	—
Total	3,025.31	2,877.65
Schedule - B: Employee Stock Options		
Employee Stock Options Outstanding	224.44	156.88
Less: Deferred Employee Compensation Expense Outstanding	120.80	39.77
	103.64	117.11
Schedule - C: Reserves and Surplus		
Capital Reserve on Consolidation	0.30	0.30
Securities Premium Account		
As per last Balance Sheet	298.51	13,110.26
Add: Addition during the year	13,381.34	116.68
Less: Capitalisation by way of Issue of Bonus Shares	188.45	—
Less: Share Issue Expenses	381.14	—
	13,110.26	13,226.94
General Reserve		
As per last Balance Sheet	1,708.49	3,158.49
Add: Transfer from Consolidated Profit and Loss Account	3,000.00	3,284.20
Less: Adjustment for Employee Benefits provision *[See Schedule P, Note(4)]* *[Net of Tax Benefit Rs. 3.10 million (Rs. NIL)]*	—	29.19
Less: Capitalisation by way of Issue of Bonus Shares	1,550.00	—
Less: Transfer to Capital Redemption Reserve	—	150.00
	3,158.49	6,263.50

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Particulars	As at March 31, 2006	As at March 31, 2007
	Rs. Million	Rs. Million
Foreign Currency Translation Reserve		
Exchange differences during the year on net investment in Non-integral operations	—	(45.18)
Capital Reedemption Reserve	—	150.00
Profit and Loss Account	7,948.07	11,630.38
Total	24,217.12	31,225.94
Schedule - D: Secured Loans		
Term Loans		
From Bank and Financial Institutions *[See Schedule P, Note (6)(e)(i)]*	1,026.15	10,546.16
From Others *[See Schedule P, Note (6)(e)(ii)]*	1,517.94	1,215.49
	2,544.09	11,761.65
Working Capital Facilities from Banks and Financial Institutions *[See Schedule P, Note 6(e)(iii)]*	1,353.81	8,081.89
	1,353.81	8,081.89
Vehicle Loans *[See Schedule P, Note 6(e)(iv)]*	1.15	0.71
Total	3,899.05	19,844.25
Schedule - E: Unsecured Loans		
Long Term		
From banks	—	21,886.44
From other than banks	293.38	203.20
	293.38	22,089.64
Short Term		
From banks	—	9,666.39
From other than banks	314.72	20.00
	314.72	9,686.39
Total	608.10	31,776.03

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

SCHEDULE — F: FIXED ASSETS

	Gross Block					Depreciation					Net Block	
Assets	As at April 1, 2006	Additions	Acquisitions (See Note 2)	Deductions	As at March 31, 2007	As at April 1, 2006	For the Period	Acquisitions (See Note 2)	Deductions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Goodwill on Consolidation	14.09	17,629.15	—	—	17,643.24	—	—	—	—	—	17,643.24	14.09
Freehold Land	202.30	173.12	281.60	25.59	631.43	—	—	—	—	—	631.43	202.30
Leasehold Land	150.91	5.28	—	—	156.19	1.71	2.81	—	—	4.52	151.67	149.20
Building - Factory and Office	1,790.85	2,247.84	2,751.72	17.14	6,773.27	224.63	229.57	180.90	6.52	628.58	6,144.69	1,566.22
Plant and Machinery	2,897.78	4,186.20	8,019.28	139.48	14,963.78	869.68	1,078.15	3,102.12	84.99	4,964.96	9,998.82	2,028.10
Wind Research and Measuring Equipment	132.68	46.17	—	4.43	174.42	72.91	38.28	—	3.55	107.64	66.78	59.77
Computer and Office Equipments	440.75	518.23	823.43	3.33	1,779.08	160.96	222.96	485.59	1.73	867.78	911.30	279.79
Furniture and Fixtures	202.48	155.54	80.61	2.51	436.12	67.14	48.94	48.09	1.94	162.23	273.89	135.34
Vehicles - Motor Cars and Trucks	75.43	26.23	8.28	3.59	106.35	30.55	15.32	7.81	1.46	52.22	54.13	44.88
Intangible Assets					—					—		—
- Design and Developments	301.56	96.53	—	—	398.09	74.10	30.72	—	—	104.82	293.27	227.46
- Software	79.69	69.10	—	—	148.79	29.77	93.30	—	—	123.07	25.72	49.92
Total	6,288.52	25,153.39	11,964.92	196.07	43,210.76	1,531.45	1,760.05	3,824.51	100.19	7,015.82	36,194.94	4,757.07
Capital Work-in-Progress											4,498.17	1,651.60
Total	6,288.52	25,153.39	11,964.92	196.07	43,210.76	1,531.45	1,760.05	3,824.51	100.19	7,015.82	40,693.11	6,408.67
Previous Year	3,596.89	2,746.52	—	54.89	6,288.52	807.68	751.80	—	28.03	1,531.45	4,757.07	

Notes:

1. Depreciation charge for the current period amounting to Rs.1,717.98 million (Rs.751.80 million) is including Rs.31.10 million (Rs.31.74 million) which has been capitalised as part of self manufactured assets and Rs.10.85 million (Rs.4.16 million) capitalised to operational assets, being preoperative in nature. The depreciation charged in the Profit and Loss Account amounting to Rs.1,717.98 million (Rs.715.90 million) is net of the amount capitalised.

2. Additions to gross block and depreciation charge for the current period include balances taken over on account of acquisition of Hansen Transmissions on May 9, 2006 which amounts to Rs.11,964.92. million and Rs.3,824.51 million respectively. Also see Schedule P, Note (6)(a).

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Particulars	As at March 31, 2006	As at March 31, 2007
	Rs. Million	Rs. Million
Schedule - G: Investments		
Long Term Investments (at cost, fully paid)		
(i) Government and Other Securities (Non Trade)	0.35	0.37
(ii) Trade Investments	60.00	0.03
(iii) Other than Trade Investments	15.75	155.26
Total Investments	76.10	155.66
Schedule - H: Current Assets, Loans and Advances		
Current Assets		
Inventories		
Raw Materials	10,430.31	16,933.14
Semi Finished Goods, Finished Goods and Work-in-Progress	2,969.95	14,227.95
Land and Land Lease Rights	394.09	164.39
Stores and Spares	7.64	37.50
	13,801.99	31,362.98
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
- Considered Good *[See Schedule P, Note 6(g)]*	2,052.91	2,671.01
- Considered Doubtful	62.22	104.30
	2,115.13	2,775.31
Others, Considered Good	14,420.19	23,033.01
	16,535.32	25,808.32
Less : Provision for doubtful debts	62.22	104.30
	16,473.10	25,704.02
Cash and Bank Balances		
Cash on hand	8.38	9.38
Cheques on hand	4.97	697.11
Balances with Scheduled Banks		
- in Current Accounts	327.04	861.82
- in Term Deposit Accounts	3,895.27	2,857.77
	4,222.31	3,719.59
Balance with Non Scheduled Banks in Current Accounts	1,279.16	10,956.87
	5,514.82	15,382.95
Loans and Advances (Unsecured and considered good, except otherwise stated)		
Deposits		
- With Customers as Security Deposit	259.44	357.23
- Others	821.77	548.09
Advance Income Tax (Net)	109.13	821.52
Advances recoverable in cash or in kind or for value to be received*		
- Considered Good	4,706.88	10,348.66
- Considered Doubtful	27.01	27.01
	5,924.23	12,102.51
Less : Provision for doubtful loans and advances.	27.01	27.01
	5,897.22	12,075.50
* Include (a) Rs.Nil**(Rs.Nil**) towards Share Application Money pending allotment and (b) Intercorporate Deposits of Rs.4,438.13 million (Rs.1,854.50 million)		
** Amount below Rs.0.01 million		
Total	41,687.13	84,525.45

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Particulars	As at March 31, 2006	As at March 31, 2007
	Rs. Million	Rs. Million
Schedule - I: Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors	7,027.03	15,686.98
Acceptances	225.85	342.04
Other Current Liabilities	2,176.96	6,097.82
Interest accrued but not due	13.60	27.26
Advances from Customers	3,533.60	11,185.90
	12,977.04	33,340.00
Provisions		
Gratuity, Superannuation and Leave Encashment	68.48	388.74
Generation Guarantee, LD, Operation, Maintenance and Warranty	3,170.83	4,597.77
Dividend	736.90	9.07
Tax on Dividend	106.61	3.22
	4,082.82	4,998.80
Total	17,059.86	38,338.80
Schedule - J: Miscellaneous Expenditure (To the extent not adjusted or written off)		
Preliminary Expenses	4.09	8.49
Add: Addition during the year	6.20	8.65
Less: Written off during the year	1.80	17.14
Total	8.49	—

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Profit and Loss Account

Particulars	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007
	Rs. Million	Rs. Million
Schedule - K: Other Income		
Interest Received		
From Banks	161.83	178.66
From Others	149.92	313.14
Dividends	4.18	6.26
Infrastructure Development Income	269.66	134.53
Miscellaneous Income	159.05	332.41
Total	744.64	965.00
Schedule - L: Cost of Goods Sold		
Consumption of Raw Material:		
Opening Stock	4,591.32	10,430.31
Add: Purchases	31,556.20	65,644.78
	36,147.52	76,075.09
Less: Closing Stock	10,430.31	16,933.14
	25,717.21	59,141.95
(Increase)/Decrease in Stocks:		
Opening Balance:		
Semi Finished Goods, Finished Goods and Work-in-Progress	1,028.67	2,969.95
Land and Land Lease Rights	104.69	394.09
	1,164.36	3,364.04
Closing Balance:		
Semi Finished Goods, Finished Goods and Work-in-Progress	2969.95	14,227.95
Land and Land Lease Rights	394.09	164.39
	3,364.04	14,392.34
(Increase)/Decrease in Stock	(2,199.68)	(11,028.30)
Less: Tranfer to Designs and Drawings	238.63	—
Total	23,278.90	48,113.65

Particulars	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007
	Rs. Million	Rs. Million
Schedule - M: Operating and other Expenses		
Stores and Spares	177.79	1,093.73
Power and Fuel	40.65	306.54
Factory Expenses	171.58	212.65
Repairs and Maintenance		
Plant and Machinery	14.81	13.59
Building	19.25	34.37
Others	30.58	94.12
Design change and Technological Upgradation Charges	51.61	551.08
Operation and Maintenance Charges	146.68	183.07
Other Manufacturing and Operating Expenses	—	—
Insurance	59.64	194.61
Quality Assurance Expenses	165.6	147.84
R & D, Certification and Product Development	95.3	117.47
Rent	91.48	283.02
Rates and Taxes	51.22	87.57
Provision for Operation, Maintenance and Warranty	857.7	859.07
Provision For Power Generation Guarantee	1,065.14	1,026.96
Advertisement and Sales Promotion	155.36	390.03
Infrastructure Development Expenses		—
Freight Outward and Packing Expenses	796.42	2,286.41
Sales Commission	232.47	238.23
Travelling, Conveyance and Vehicle Expenses	335.23	872.23
Communication Expenses	55.48	217.31
Auditors’ Remuneration	30.44	58.29
Consultancy Charges	161.93	760.97
Charity and Donations	21.15	167.60
Other Selling and Administrative Expenses	250.13	1,360.60
Exchange Differences, net	32.7	492.04
Provision for doubtful debts and advances	5.75	39.76
Bad Debts written off	—	3.10
Loss/(Profit) on sale of Investment	—	(76.47)
Loss on Assets Sold/Discarded, net	5.3	15.76
Total	5,121.39	12,031.55
Schedule - N: Employees’ Remuneration and Benefits		
Salaries, Wages, Allowances and Bonus	1,126.03	6,259.51
Contribution to Provident and Other Funds	36.42	78.53
Staff Welfare Expenses	53.43	157.86
Total	1,215.88	6,495.90
Schedule - O: Financial Charges		
Interest		
Fixed Loans	129.2	1,660.14
Others	378.42	862.46
Bank Charges	140.16	240.84
Total	647.78	2,763.44

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2007

All amounts in Rupees Million unless otherwise stated

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in conformity with accounting principles generally accepted in India, to reflect the financial position of the Company and its subsidiaries.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to Suzlon Energy Limited ('SEL' or 'the Company') and its subsidiaries (together referred to as 'Suzlon' or 'the Group'). The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21 — Consolidated Financial Statements issued by the Institute of Chartered Accountants of India ('ICAI').

b) The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as Goodwill and is tested for impairment annually. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

c) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) ***Use of Estimates***

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

b) ***Revenue Recognition***

Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

Power Generation Income

Power Generation Income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the Power Generation Reports issued by the concerned authorities.

Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognized on the proportionate basis for the period for which the service is provided net of taxes.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend

Dividend income from investments is recognised when the right to receive payment is established.

c) ***Fixed Assets***

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalised upon the commencement of commercial production.

The carrying amount of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

d) ***Intangible Assets***

Research and Development Costs

Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

e) ***Depreciation/Amortisation***

Depreciation/Amortisation is provided on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher.

f) ***Inventories***

Inventories of raw materials including stores, spares and consumables, packing materials; semi-finished goods; work in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Inventories of traded goods are stated at the lower of the cost or net realizable value.

Stock of land and land lease rights is valued at lower of cost and net realisable value. Cost is determined based on weighted average basis. Net realisable value is determined by the management using technical estimates.

g) ***Investments***

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

h) ***Foreign Currency Transactions***

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Outstanding balances of foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account, except in case of liabilities incurred for acquiring imported fixed assets, where the differences are adjusted to the carrying amount of such fixed assets in compliance with the Schedule VI of the Act.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at the average exchange rate prevailing during the year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

i) ***Borrowing Costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

j) ***Retirement and other employee benefits***

Defined Contributions to Statutory Employee Funds are charged to the Profit and Loss Account on accrual basis.

Liabilities with regard to gratuity, where applicable, are determined under Group Gratuity Scheme with Life Insurance Corporation of India (LIC) and the provision required is determined as per actuarial valuation, as at the balance sheet date.

Contributions to Superannuation Fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

Short term compensated absences are provided based on estimates. Long term compensated absences are provided based on actuarial valuation as at the balance sheet date.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

k) ***Provisions, Contingent Liabilities and Contingent Assets***

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts.

Contingent assets are not recognized.

l) ***Income Tax***

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of applicable laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

Minimum alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay income tax higher than that computed under MAT, during the period under which MAT is permitted to be set off under the Indian Income Tax act, 1961.

m) ***Lease Assets***

Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

n) ***Earnings Per Share***

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting dividends and taxes thereon attributable to minority shareholders) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) ***Employee Stock Option***

Stock options granted to employees under the Employees Stock Option Scheme are accounted as per the Intrinsic Value Method permitted by the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

4. CHANGES IN ACCOUNTING POLICIES

Pursuant to the adoption of Accounting Standard 15 (Revised) Employee Benefits (AS-15), issued by the ICAI, the Company and its subsidiaries, wherever applicable, have changed the accounting policy for long term retention bonus paid to employees. This amount has been accounted for as a liability based on actuarial valuation using the projected unit credit method, as compared to the earlier method of accounting this cost as and when incurred. The transitional liability arising due to this change aggregating Rs. 29.19 Million net of tax Rs. 3.10 Million has been charged to general reserve as prescribed by AS 15.

5. The list of Subsidiary Companies which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2006	2007
AE-Rotor Holding B.V.	The Netherlands	100%	100%
AE-Rotor Techniek B.V.	The Netherlands	100%	100%
Suzlon Energy BV	The Netherlands	100%	100%
Suzlon Energy A/S, Denmark	Denmark	100%	100%
Suzlon Wind Energy Corporation	USA	100%	100%
Cannon Ball Wind Energy Park-1, LLC.	USA	100%	100%
Suzlon Energy Australia Private Limited	Australia	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Windpark Olsdorf Watt Gmbh & Co KG	Germany	100%	100%
Suzlon Rotor Corporation	USA	100%	100%
Suzlon Windkraft GmbH	Germany	100%	100%
S E Drive Technik GmbH	Germany	100%	100%
Suzlon Windpark Management GmbH.	Germany	100%	100%
Suzlon Energy (Tianjin) Limited.	China	100%	100%
Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited)	India	100%	100%
Suzlon Towers and Structures Limited	India	100%	100%

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2006	2007
Suzlon Generators Private Limited	India	74.91%	75%
Suzlon Structures Private Limited	India	75%	75%
Suzlon Gujarat Windpark Limited	India	100%	100%
Suzlon Power Infrastructure Private Limited	India	100%	100%
Suzlon Engitech Private Limited	India	100%	100%
SE Forge Limited	India	—	100%
Suzlon Towers International Limited.	India	—	100%
Suzlon Rotor International Limited.	India	—	100%
Suzlon Wind International Limited	India	—	100%
Eve Holding NV	Belgium	—	100%
Hansen Transmissions International NV	Belgium	—	100%
Hansen Transmissions Limited	United Kingdom	—	100%
Hansen Transmissions South Africa Private Limited	South Africa	—	100%
Hansen Transmissions Private Limited	Australia	—	100%
Hansen Transmissions Inc.	USA	—	100%
Hansen Transmissioes Mechanicas Ltda	Brazil	—	100%
Hansen Transmissions Tianjin Industrial Gearboc Co. Ltd	Peoples Republic of China	—	100%
Suzlon Energy Italy Srl	Italy	—	100%
Suzlon Energy Portugal Energia Elocia Unipessoal Lda	Portugal	—	100%
Suzlon Energia Elocia do Brazil Lda	Brazil	—	100%
Suzlon Energy Korea Co Ltd	Republic of South Korea	—	100%
Suzlon Wind Energy A/S	Denmark	—	100%
Suzlon Energy Limited, Mauritius	Mauritius	100%	100%
Suzlon Wind Energy Limited.	United Kingdom	—	100%
Suzlon Windenergie GmbH	Germany	—	75%

6. OTHER NOTES

a) Suzlon Energy Limited ('SEL' or 'the Company') through its wholly owned subsidiary, AE-Rotor Holding B.V., the Netherlands ('AE-Rotor') has on May 9, 2006, purchased 100% of the share capital of Eve Holding NV, Belgium for a consideration of Rs. 25026.37 Million. By virtue of the acquisition of Eve Holding by AE-Rotor, the Company has 100% ownership of Hansen Transmissions International NV, Belgium along with its subsidiaries (together referred as 'Hansen'), which are engaged in the business of design, development, manufacturing and supply of industrial and wind gear boxes and is the second largest wind energy gearbox manufacturer in the world. The consolidated financial statements for the year ended March 31, 2007, interalia include the financial figures of Eve Holding N.V., Belgium. Accordingly, the financial figures of the consolidated financial statements for the year ended March 31, 2007 are to that extent not comparable with the consolidated financial statements of March 31, 2006.

b) The management profit certificates ('MPC'), which are redeemable in nature and which carry certain rights of dividend, aggregating Rs.890.03 Million pertain to MPC's issued by AE Rotor Holdings, to certain key management personnel.

c) On February 9, 2007, the Company made an offer to all the shareholders of REpower Systems AG, Germany ('REpower'), a company engaged in the business of design, development, manufacturing and supply of wind turbine generators and listed on Frankfurt Stock Exchange, to acquire the entire share capital in REpower ('the offer') and subsequently increased the consideration payable under the offer to Euro 150 per share ('revised offer'). The offer document on the aforesaid tender offer has been approved by the German Federal Financial Supervisory Authority (BaFin). The offer has been made through an overseas subsidiary Suzlon Windenergie Gmbh, jointly with Martifer SGPS, SA, Oliveira de Frades, Portugal, who hold 23.08 per cent of the current equity share capital of REpower. The offer made by the company competes with a public tender offer of Areva Group.

d) Terms of Redemption/Conversion of Preference Shares of the Company:

During the year, the company has redeemed 1,500,000, 10% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid.

Further, 29,700 and 220,300 8% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid of Suzlon Structures Private Limited ('SSPL')are redeemable at par after one year from March 29, 2005 and June 28, 2005, being the respective dates of allotment, at the option of SSPL or of the Preference Shareholders as the case may be. This portion represents the holding by the external shareholders of SSPL only, other than the Holding Company. The portion held by the Holding Company of SSPL, has been netted off on consolidation.

e) The details of security for the Secured Loans in Consolidated Financial Statements are as follows:

(i) **Term Loans from Banks and Financial Institutions:**

- Rs 104.78 Million (Rs 72.18 Million) secured by charge on certain WTG's, land and personal guarantee of directors
- Rs 24.15 Million (Rs 57.49 Million) secured by way of hypothecation of stocks, debtors and on specific receivables
- Rs 643.80 Million (Rs 285.42 Million) secured by way of Mortgage of plant and machinery and other fixed assets & hypothecation on current assets
- Rs 217.58 Million (Nil) secured by Hypothecation of plant and machinery and other fixed assets
- Rs 828.08 Million (Rs NIL) secured by way of first charge on certain immovable and movable fixed assets & second charge on current assets
- Rs NIL (Rs 564.93 Million) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets and personal guarantees of directors in certain cases.
- Rs 601.08 Million (NIL) secured by the whole of moveable property of the assets of the company and the receivables of the power generated from windmill
- Rs 8,126.65 Million (NIL) First rank Mortgage and Floating Charge on assets of the company
- Rs NIL (Rs 46.14 Million) secured by way of mortgage of certain windfarm projects and mortgage of land.

(ii) **Term Loans from Others:**

- Rs 862.50 Million (Rs 1,150.00 Million) secured by way of first charge on certain immovable properties
- Rs 199.31 Million (Rs 223.07 Million) secured by way of first charge on certain immovable & movable fixed assets, second charge on current assets
- Rs 41.97 Million (Rs. Nil) secured by charge on certain WTG's & Land
- Rs 111.71 Million (Rs 144.87 Million) secured by way of first charge on certain immovable & movable fixed assets and personal guarantee of directors in certain cases.

(iii) **Working Capital Facilities from Banks and Financial Institutions**

- Rs 7,516.72 Million (Rs. 1,140.26 Million) secured by hypothecation of inventories, book debts & other current assets, both present & future, first charge on certain immovable fixed assets
- Rs 160.08 Million (Rs. 154.84 Million) secured by hypothecation of inventories, book debts & other current assets, both present & future, first charge on certain immovable fixed assets & personal guarantees of directors.
- Rs 405.09 Million (Rs. 58.71 Million) secured by First rank Mortgage and Floating Charge on assets of the company

(iv) **Vehicle loan**

- Rs. 0.71 Million (Rs. 1.15 Million) secured against vehicle under Hire Purchase contract

f) Sales do not include excise duty service tax, sales tax or VAT charged.

g) ***Operating leases***

Premises

Suzlon has taken certain premises on cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 126.56 Million (Rs 38.46 Million).

The group has also taken furnished/unfurnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to six years. The lease rental charge during the year is Rs.156.56 Million (Rs.53.00 Million) and maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on non-cancellable operating leases	Year ended March 31, 2006	Year ended March 31, 2007
Not later than one year	63.60	102.71
Later than one year and not later than five years	71.19	177.60
Later than five years	Nil	49.46

h) ***Employee Stock Option Scheme***

Suzlon Energy Employee Stock Option Plan 2005 (the '2005 Plan' or the 'Scheme')

The Company instituted the 2005 Plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on June 16, 2005 (grant date). The Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to the scheme, the Company has granted 921,000 options to eligible employees at an exercise price, which is 50% of the issue price determined in the Initial Public Offering (IPO) of the Company in accordance with SEBI Guidelines i.e, Rs.510 per equity share. Under the terms of the scheme, 30% of the options will vest in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the grant date in the following manner:

Date of Vesting	Proportion of Vesting
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The Employee Stock Options granted shall be capable of being exercised within a period of five years from the date of first vesting i.e June 16, 2006. Once the options vest as per the Schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2007, vesting rights were exercised by employees for 233,400 shares. Further, 25,000 employee stock options were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below:

Options Outstanding at April 1, 2006	889,000
Granted during the year	Nil
Forfeited/Cancelled during the year	25,000
Exercised during the year	233,400
Expired during the year	Nil
Options Outstanding at the March 31, 2007	630,600
Exercisable at the end of the year (included in Options Outstanding at the March 31, 2007)	32,100

Fair Value of the Option

The Company has charged a sum of Rs.72.99 Million (Rs. 255 per option) being the intrinsic value of option under the 2005 Plan for the year ended March 31, 2007. Had the Company adopted the fair value method based on 'Black-Scholes' Model for pricing and accounting the options, the cost of options would have been Rs. 331.58 per option and accordingly, the profit after tax would have been lower by Rs.24.87 Million. Consequently the basic and diluted earnings per share after factoring the above impact of fair value would have been Rs. 36.74 per share and Rs. 36.69 per share instead of Rs. 36.83 per share and Rs. 36.77 per share respectively.

During the year ended March 31, 2007, the Company has issued and allotted 128,300 equity shares; 84,000 equity shares; 5,200 equity shares; 15,700 equity shares and 200 equity shares of Rs. 10 each at an exercise price of Rs. 255 per equity share on July 10, 2006, October 4, 2006, November 6, 2006, December 2, 2006 and January 10, 2007 respectively as per the terms of employee stock option plan. Consequent to this issue, the equity share capital of the Company has increased from 287,531,380 equity shares to 287,764,780 equity shares.

i) ***Post employment benefits***

SEL and certain subsidiary companies have a defined benefit gratuity plan. Every employee of the company (in case of companies where gratuity plan is applicable) who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy

The following table summarises the components of net benefit expense recognized in the Profit and Loss Account.

Net employees benefit expense recognised in the Profit and Loss Account.

Particulars	Year ended March 31, 2007
Current service cost	12.83
Interest cost on benefit obligation	1.81
Expected return on plan assets	(1.98)
Net actuarial (gain) / loss recognised in the year	(1.77)
Past service cost	NIL
Net benefit expense	10.89

Details of defined benefit gratuity plan

Particulars	Year ended March 31, 2007
Defined benefit obligation	34.94
Fair value of plan assets	28.72
Present value of unfunded obligations	7.40
Less: Unrecognised past service cost	NIL
Plan liability	7.40

Changes in the present value of the defined benefit gratuity plan are as follows:

Particulars	Year ended March 31, 2007
Opening defined benefit obligation (April 1, 2006)	22.69
Interest cost	1.81
Current service cost	12.83
Benefits paid	(0.58)
Actuarial (gains) / losses on obligation	(1.81)
Closed defined benefit obligation	34.94

Further the principal assumptions with respect to discount rate, expected return on plan assets, salary escalation rate and attrition rate used in determining the defined benefit gratuity plan obligations differ from subsidiary to subsidiary.

The estimates of future salary increases take into account the inflation, seniority, promotion and other relevant factors.

In the current year the Company has done an early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from December 7, 2006. Accordingly the corresponding previous figures have not been disclosed.

j) ***Provisions***

In pursuance of Accounting Standard-29 ('AS-29') "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of accounts in the following manner: -

Particulars	**Performance Guarantee**	**Warranty for Operation & Maintenance**	**Provision for Liquidated Damages**
Opening Balance	1,414.50	1,728.99	27.30
	(579.79)	(976.69)	(39.68)
Additions due to acquisition	—	436.00	—
	(—)	(—)	(—)
Additions	1,026.96	1,520.59	363.10
	(1,065.14)	(1,179.94)	(—)
Utilisation	632.31	1,156.40	130.96
	(230.43)	(427.64)	(—)
Reversal	—	—	—
	(—)	(—)	(12.38)
Closing Balance	1,809.15	2,529.18	259.44
	(1,414.50)	(1,728.99)	(27.30)

The provision for Operation, Maintenance and Warranty ('O&M') represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG's over the period of free O&M, which varies according to the terms of each sales order.

The provision for Performance Guarantee ('PG') represents the expected outflow of resources against claims for Performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor etc.

Provision for Liquidated Damages ('LD') represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

The closing balance of the Provision for Operation, Maintenance and Warranty in the Balance Sheet represents the amount required for Operation, Maintenance, and Warranty for the unexpired period on WTGs on the field under warranty. The charge to the Profit and Loss Account is the balancing figure. However, the break up of charge to profit and loss account on account of "Provision for Operation, Maintenance and Warranty" is as under:

a) Amount of Provision required for the WTGs sold during the year Rs. 1,520.59 Million (Rs. 1,179.94 Million)

b) Less: Utilization against opening provision, booked by the subsidiary under various expenditure by nature Rs. 661.52 Million (Rs. 322.24 Million)

c) Charge to profit and loss account Rs. 859.07 Million (Rs. 857.70 million)

k) The standalone profit and loss account includes a charge of Rs. 584.84 million (Rs. 209.08 Million) on account of "Design change and technological upgradation charges" and Rs. 143.71 million (Rs. 117.28 Million) on account of "Operation and maintenance charges" which have got eliminated on consolidation. However, the cost incurred by the subsidiary for rendering the services/affecting the sales have been booked under various expenditures by their nature.

7. Break up of the accumulated Deferred Tax Asset, Net, is given below

Particulars	Deferred Tax asset/Liability as at March 31 2006	2007
Deferred Tax Assets:		
Unabsorbed losses and depreciation	335.59	511.28
Employee benefits	—	84.91
Provision for performance guarantee, LD & operation, maintenance and warranty	546.10	953.90
Provision for doubtful debts	15.62	23.84
Others	1.54	33.27
(a)	898.85	1607.20
Deferred Tax Liability		
Difference in depreciation of fixed assets	105.46	1803.14
Others	—	0.55
(b)	105.46	1803.69
Deferred Tax Asset / (Liability) (Net)		
[(c)=(a)-(b)]	793.39	(196.49)
Tax effect of share issue expenses eligible for income tax deduction U/s 35D, credited to securities premium	24.20	19.70
Total	817.59	(176.79)

8. Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances. Rs. 11,930.90 Million (Rs.978.57 Million).

9. **EARNINGS PER SHARE (EPS)**

All amounts in Rs. Million except per share data

PARTICULARS	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007
Basic Earnings per share		
Net Profit after Tax	7,594.99	8,640.32
Less: Dividend and tax thereon	18.96	23.03
Net Profit attributable to equity shareholders [Numerator for computation of basic and diluted EPS](a)	7,576.03	8,617.29
Weighted average number of equity shares in calculating basic EPS **[Denominator for computation of basic EPS] (b)**	273,233,510	287,672,694
Add: Equity shares for no consideration arising on grant of stock options under ESOP 2005	430,697	461,538
Weighted average number of equity shares in calculating diluted EPS **[Denominator for computation of Diluted EPS] (c)**	273,664,207	288,134,232
Basic earning per share of face value of Rs. 10/- each (a/b *10,000,000)	27.73	29.96
Diluted earning per share of face value of Rs. 10/- each (a/c *10,000,000)	27.68	29.91

10. **MANAGERIAL REMUNERATION TO DIRECTORS**

Particulars	Year ended March 31, 2006	2007
(a) Salaries	14.71	13.50
(b) Contribution to Superannuation Fund	3.05	2.70
(c) Sitting Fees	0.14	0.42
Total	17.90	16.62

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

11. **CONTINGENT LIABILITIES**

Particulars	As at March 31 2006	As at March 31 2007
Guarantees given on behalf of other companies in respect of loans granted to them by banks	8.80	3.60
Claims against the company not acknowledged as debts	2.50	13.67
Disputed labour cost liabilities	0.17	3.18
Disputed service tax liabilities	8.76	17.51

12. **DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE**

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Buy Euro 38,619,539.40 (Euro 5,677,739.50)	Hedge of forex Euro liabilities
Buy GBP 51,965.70 (GBP Nil)	Hedge of forex GBP liabilities
Buy USD 311,404,323.70 (USD 68,348,272.54)	Hedge of forex USD liabilities
Sell DKK 10,928,005.57 (DKK Nil)	Hedge of forex DKK receivable
Sell USD 33,369,600 (USD Nil)	Hedge of forex USD receivable
Sell Euro 21,500,000 (Euro Nil)	Hedge of forex Euro receivable

Option contract outstanding as at Balance Sheet date

USD 10 million zero cost 1:2 forward put options outstanding

USD 16.50 million call spread options outstanding

Euro 12 million zero cost barrier call options outstanding

Target redemption forward contract

Euro NIL (0.25 Million / Euro 0.50 Million) per week for 18 weeks Hedge forex Euro liabilities)

Range accrual interest rate swap

USD Nil (2.00 Million Hedge against interest on forex loans)

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount (Rs. In Million)
Creditors (including Goods in transit Rs.1,939.18 Million)	3,123.34
Debtors	2,011.38
Loans given	2,778.44
Loans received	1,927.25
Bank balance in current accounts and term deposit accounts	923.85

13. **RELATED PARTY DISCLOSURES**

(A) **Related Parties with whom transactions have taken place during the year**

a) ***Associates***

Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited), Sarjan Realities Limited.

b) ***Entities where Key Management Personnel ('KMP')/ Relatives of Key Management Personnel ('RKMP') have significant influence***

Tanti Holdings Limited (Formerly Suzlon Capital Limited), Sugati Beach Resort Limited (Formerly Suzlon Hotels Limited), Sarjan Infrastructure Finance Limited, Shubh Realty (South) Private Limited, Sugati Holdings Private Limited, Kush Synthetics Private Ltd, Synergy Global Private Limited, SE Energy Park Limited, Suruchi Holdings Private Limited, Sanman Holdings Private Limited, Samanvaya Holdings Private Limited, Vinod R. Tanti-HUF, Jitendra R. Tanti-HUF, Girish R. Tanti (HUF).

c) ***Key Management Personnel***

Tulsi R. Tanti, Girish R. Tanti

d) ***Relatives of Key Management Personnel***

Gita T. Tanti, Rambhaben Ukabhai, Pranav T. Tanti, Nidhi T. Tanti, Vinod R. Tanti, Jitendra R. Tanti, Sangita V. Tanti, Lina J. Tanti, , Esha G. Tanti, Trisha J Tanti

e) ***Employee Funds***

Suzlon Energy Limited — Superannuation Fund

Suzlon Energy Limited — Employees Group Gratuity Scheme

Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited) Superannuation Fund

Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited) — Employees Group Gratuity Scheme

Suzlon Towers & Structure Limited — Superannuation Fund

Suzlon Towers & Structure Limited — Employees Group Gratuity Scheme

Suzlon Power Infrastructure Private Limited — Superannuation Fund

Suzlon Power Infrastructure Private Limited — Employees Group Gratuity Scheme

Suzlon Generators Private Limited — Gratuity Fund

Suzlon Generators Private Limited — Superannuation Fund

(B) **Transactions between the Group and Related Parties during the year and the status of outstanding balances as at March 31, 2007**

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets	28.96	2.68	—	—	—
(including intangibles)	(3.10)	(—)	(—)	(—)	(—)
Sale of Fixed Assets	0.34	—	—	—	—
	(0.05)	(—)	(—)	(—)	(—)
Subscription to / purchase of equity shares	—	—	0.15	0.35	—
	(—)	(—)	(0.34)	(3.53)	(—)
Redemption of Preference Shares	—	43.58	13.10	82.50	—
	(—)	(—)	(—)	(—)	—
Sale of investments	—	22.03	—	48.70	—
	(6.50)	(—)	(—)	(—)	(—)
Sale of goods	1,080.46	28.18	142.47	142.47	—
	(546.89)	(—)	(—)	(—)	(—)
Purchase of goods and services	1,895.84	446.87	—	—	—
	(199.26)	(0.66)	(—)	(—)	(—)
Loans / Deposit Given	4,820.50	172.30	—	—	—
	(2,040.20)	(—)	(—)	(—)	(—)
Interest received / receivable	173.82	68.96	—	—	—
	(107.70)	(—)	(—)	(—)	(—)
Dividend received	6.30	—	—	—	—
	(4.17)	(—)	(—)	(—)	(—)
Dividend paid	—	599.91	191.88	726.95	—
	(—)	(89.01)	(75.89)	(442.00)	(—)
Rent received*	—	0.11	—	—	—
	(—)	(—)	(—)	(—)	(—)
Rent / Hotel charges paid	—	0.36	—	—	—
	(—)	(0.32)	(—)	(—)	(—)
Managerial Remuneration	—	—	16.20	—	—
	(—)	(—)	(17.76)	(—)	(—)
Contribution to various funds	—	—	—	—	39.54
	(—)	(—)	(—)	(—)	(25.56)

Note: Figures in brackets pertain to transactions for the year ended March 31, 2006

(B) **Transactions between the Group and Related Parties during the year and the status of outstanding balances as at March 31, 2007**

Sr. No.	Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
	Outstanding Balances					
1	Investments	—	—	—	—	—
		(60.00)	(8.70)	(—)	(—)	(—)
2	Advances from Customers	—	—	7.50	7.50	—
		(—)	(—)	(—)	(—)	(—)
3	Sundry Debtors	2.09	—	—	—	—
		(190.59)	(—)	(—)	(—)	(—)
4	Loans/Deposits outstanding	3,682.78	757.20	—	—	—
		(1,848.21)	(—)	(—)	(—)	(—)
5	Advances/Deposits to Supplier	17.58	0.02	—	—	—
		(0.07)	(—)	(—)	(—)	(—)
6	Sundry Creditors	20.30	14.18	—	—	—
		(80.85)	(0.06)	(—)	(—)	(—)
7	Corporate Guarantees	3.04	—	—	—	—
		(8.79)	(—)	(—)	(—)	(—)

Note: Figures in brackets pertain to balances as on March 31, 2006

(C) **Disclosure of significant transactions with Related Parties**

Type of the Transaction	Type of relationship	Name of the entity/person	March 31, 2006	March 31, 2007
Purchase of Fixed Assets (including intangibles)	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	—	26.72
		Sarjan Realities Limited	3.10	2.24
	Entities where KMP/ RKMP has significant influence	Shubh Realty (South) Private Limited	—	2.68
Sale of Fixed Assets	Associates	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	—	0.34
Subscription to/ purchase of preference shares	RKMP	Gita T Tanti	0.50	—
		Jitendra R. Tanti	0.20	—
		Leena J. Tanti	0.50	—
		Pranav Tanti	0.50	—
		R.V. Tanti	0.50	—
		Sangita V. Tanti	0.50	—
Subscription to/ purchase of equity shares	RKMP	Lina J. Tanti	—	0.08
	RKMP	Sangita V. Tanti	—	0.08
	RKMP	Gita T. Tanti	—	0.08
	KMP	Girish R. Tanti	—	0.08
	RKMP	Vinod R. Tanti	—	0.08
	KMP	Tulsi R. Tanti	—	0.08
Redemption of Preference Shares	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited (Formerly Suzlon Capital Limited)	—	25.58
Sale of investments	Entities where KMP/ RKMP has significant influence	Vinod R. Tanti	—	10.00
	Entities where KMP/ RKMP has significant influence	Jitendra R Tanti	—	10.00
	RKMP	Rambhaben Ukabhai	—	22.90
	RKMP	Nidhi T Tanti	—	12.90
	RKMP	Trisha J Tanti	—	12.90
	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	6.50	—

Type of the Transaction	Type of relationship	Name of the entity/person	March 31, 2006	March 31, 2007
Loan/Deposits given	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	—	3,525.50
	Associate	Sarjan Realities Limited	1,205.00	1,295.00
	Entities where KMP/RKMP has significant influence	Shubh Realty (South) Private Limited	702.20	150.00
Sale of goods	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	378.57	1,080.10
	Associate	Sarjan Realities Limited	168.14	0.35
Purchase of goods and service	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	166.11	1,879.20
	Entities where KMP/RKMP has significant influence	Kush Synthetic Pvt. Ltd.	17.86	403.87
Interest Received	Associate	Sarjan Realities Limited	59.37	112.38
	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	13.09	61.43
	Entities where KMP/RKMP has significant influence	Shubh Realty (South) Private Limited	34.82	67.65
Dividends Received	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	2.87	5.00
	Associate	Sarjan Realities Limited	1.30	1.30
Dividends Paid	KMP	Tulsi R. Tanti and Girish R. Tanti	75.89	191.88
	RKMP	Relatives of KMP	440.97	726.95
	Entities where KMP/RKMP has significant influence	Tanti Holdings Limited (Formerly Suzlon Capital Limited), Sugati Holdings Private Limited	67.20	599.91
Rent Received	Entities where KMP/RKMP has significant influence	Synergy Global Private Limited	—	0.11
Rent/Hotel Charges paid	Entities where KMP/RKMP has significant influence	Sugati Beach Resort Limited (Formerly Suzlon Hotels Limited)	0.32	0.34
	Entities where KMP/RKMP has significant influence	Girish R. Tanti (HUF)	0.06	0.06
Managerial Remuneration	KMP	Tulsi Tanti	11.70	12.00
	KMP	Girish R. Tanti	4.10	4.20
	RKMP	Vinod R. Tanti	1.02	—
	KMP**	Balrajsinh Parmar	1.02	—
Contribution to various funds	Employee Funds	Suzlon Energy Limited — Superannuation Fund	12.83	28.78
	Employee Funds	Suzlon Energy Limited — Employees Group Gratuity Scheme	12.07	1.42
	Employee Funds	Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited)-Superannuation Fund	—	4.69

* Balrajsinh A. Parmar was director of the Company till June 2005, and hence is not considered as KMP post June 30, 2005

14. DISCLOSURE AS REQUIRED BY CLAUSE 32 OF LISTING AGREEMENT WITH STOCK EXCHANGES

	Name	Amount outstanding as at March 31, 2007	Maximum Amount outstanding during the year
Associates	Sarjan Realities Limited	1,529.21	1,529.21
		(1,124.21)	(1,145.40)
	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	2,147.00	3,140.50
		(—)	(750.00)
Where control of KMP/RKMP exists	Shubh Realty (South) Private Limited	757.20	782.20
	Previous Year Figures	(702.20)	(702.20)
	Suzlon Infrastructure Finance Limited	—	22.10
		(21.80)	(49.31)
	SE Energy Park Limited	—	20.00
		(—)	(—)

Note:

a) No loans have been granted by Suzlon Energy Limited to any person, who has invested in the shares of Suzlon Energy Limited or any of its subsidiaries.

b) There are no balances outstanding from Companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956.

15. SEGMENT REPORTING

Suzlon's operations primarily relate to manufacture and sale of WTG's and Gear Box. Others primarily consist of sale/sub-lease of land, infrastructure development income and power generation income.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

A) **PRIMARY BUSINESS SEGMENT:**

	Year ended March 31, 2006					Year ended March 31, 2007				
Particulars	**Sale of WTG**	**Sale of Gear Box**	**Others**	**Eliminations**	**Total**	**Sale of WTG**	**Sale of Gear Box**	**Others**	**Eliminations**	**Total**
Total External Sales	37,911.03	—	499.27	—	38,410.30	59,975.24	18,560.74	1,321.32	—	79,857.30
Add: Inter Segment Sales	6.37	—	—	(6.37)	—	10.38	—	—	(10.38)	—
Segment Revenue	37,917.40	—	499.27	(6.37)	38,410.30	59,985.62	18,560.74	1,321.32	(10.38)	79,857.30
Segment Results	7,994.17	—	360.09	(6.37)	8347.89	9,256.94	2,222.60	313.66	(10.38)	11,782.82
Add/(Less) Items to reconcile with profit as per profit and loss account										
Add:										
Other Income	—	—	—	—	474.98					680.40
Less:	—		—	—	—					
Financial Charges	—		—	—	(647.78)					(2,763.44)
Preliminary exp W/Off	—		—	—	(1.80)					(17.14)
Profit before Tax, minority interest	—		—	—	8,173.29					9,682.64
Provision for	—		—	—	—					
Income Tax	—		—	—	1,104.70					1,635.98
Deferred Tax	—		—	—	(568.20)					(125.70)
Fringe Benefit Tax	—		—	—	31.60					36.64
MAT Credit Entitlement	—	—	—	—	—					(512.32)
Total Tax	—		—	—	568.10					1,034.60
Profit before minority interest	—		—	—	7,605.19					8,648.04
Add: Share of (Profit)/loss of minority in subsidiary	—		—	—	(10.20)					(7.72)
Profit for the year	—		—	—	7,594.99					8,640.32
Segment assets	38,199.00	—	2411.00	—	40,610.00	62,156.90	38,875.08	3,543.99	—	104,575.97
Common assets	—	—	—	—	8,397.57					20,836.94
Enterprise assets	—		—	—	49,014.64					125,412.90
Segment liabilities	15,825.14	—	391.22	—	16,216.36	30,851.35	7,036.22	438.92	—	38,326.49
Common liabilities	—		—	—	559.31					51,975.62
Enterprise liabilities	—		—	—	21,805.50					90,302.11
Capital expenditure during the year	4,170.19	—	227.94	—	4,398.13	5,714.80	3,491.29	954.58	—	10,160.67
Segment Depreciation	643.40	—	72.50	—	715.90	945.30	695.42	77.28	—	1,718.00
Non-cash expenses other than depreciation	1.07	—	0.67	—	1.74	17.00	—	0.10		17.10

B) **GEOGRAPHICAL SEGMENT**

	Year ended March 31, 2006						Year ended March 31, 2007					
Particulars	**India**	**Europe**	**USA**	**China**	**Others**	**Total**	**India**	**Europe**	**USA**	**China**	**Others**	**Total**
Segment revenue .	35,304.68	–	3105.62	–	–	38,410.30	41,693.25	16,363.46	16,517.48	3,142.93	2,140.18	79,857.30
Segment assets. .	34,655.04	1587.80	3870.11	158.20	338.85	40,610.00	45,256.05	42,082.89	11,206.59	4,827.21	1,203.23	104,575.97
Capital expenditure incurred.	3697.00	530.71	21.89	146.54	1.99	4398.13	3,268.81	4,718.10	868.41	1,291.58	13.77	10,160.67

16. All figures have been reported in rupees Million and have been rounded off to the nearest thousands. Prior year amounts have been reclassified wherever necessary to conform with current year presentation. Figures in the brackets are in respect of the previous year.

Schedules 'A' to 'P'

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah Partner
M. No. 46238

Mumbai
Date:
May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M. No. 89802

Mumbai
Date:
May 14, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman and Managing Director

Girish R. Tanti
Director

Hemal A. Kanuga Company Secretary

Mumbai
Date:
May 14, 2007

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S.R. BATLIBOI & Co.
Chartered Accountants
Panchshil Techpark
C-401, Fourth Floor
Near Don Bosco School, Yerwada
Pune 411 006

Auditors' Report

To
The Board of Directors of Suzlon Energy Limited

1. We SNK & Co. and S.R. Batliboi & Co, have audited the attached Consolidated Balance Sheet of Suzlon Energy Limited ('SEL'), its subsidiaries, associate and joint venture (together referred to as 'the Group', as described in Schedule P, Note I (a)) as at March 31, 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of SEL's management and have been prepared by management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the financial statements of certain subsidiaries, whose financial statements reflect Group's share of total assets of Rs. 1,271.01 crore as at March 31, 2008 and Group's share of total revenue of Rs. 806.07 for the year ended on that date. These financial statements and other financial information have been audited solely by SNK & Co. on which, S. R. Batliboi & Co. has placed reliance for the purpose of this report.

4. We did not jointly audit the financial statements of certain subsidiaries, whose financial statements reflect Group's share of total assets of Rs. 2,074.49 crore as at March 31, 2008 and Group's share of total revenue of Rs. 2,303.54 crore for the year ended on that date. These financial statements and other financial information have been audited solely by S. R. Batliboi & Co. on which, SNK & Co. has placed reliance for the purpose of this report.

5. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect Group's share of total assets of Rs. 17,504.66 crore as at March 31, 2008 and Group's share of total revenue of Rs. 5,820.70 for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

6. We did not audit the financial statements of an associate, whose financial statements reflect Group's share of results in associate's profit after tax of Rs. 55.75 crore for the year ended March 31, 2008. These financial statements used for equity accounting of the associate's results for the year ended March 31, 2008 are based on management certified financial statements and therefore unaudited.

7. We report that the consolidated financial statements have been prepared by SEL's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Ventures notified by the Companies (Accounting Standards) Rules, 2006.

8. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S.R. BATLIBOI & Co.
Chartered Accountants
Panchshil Techpark
C-401, Fourth Floor
Near Don Bosco School, Yerwada
Pune 411 006

(b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date;

(c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year ended on that date.

SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No: 46238
Pune
May 20, 2008

S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No: 89802
Pune
May 20, 2008

SUZLON ENERGY LIMITED
Consolidated Balance Sheet as at March 31, 2008
All amounts in rupees million unless otherwise stated

Particulars	Schedule	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	2,993.90	2,877.65
Employee stock options	B	102.19	117.11
Share application money pending allotment		—	0.15
Reserves and surplus	C	77,916.95	31,225.94
		81,013.04	**34,220.85**
Preference shares issued by subsidiary company		**25.00**	**25.00**
Management option certificates issued by subsidiary company		—	**890.03**
Minority interest		**10,243.82**	**141.12**
Loan funds			
Secured loans	D	70,664.32	19,844.25
Unsecured loans	E	28,681.60	31,776.03
		99,345.92	**51,620.28**
Deferred tax liability		**2,058.94**	**1,624.89**
		192,686.72	**88,522.17**
APPLICATION OF FUNDS			
Fixed assets	F		
Gross block		55,998.38	43,210.76
Less: Accumulated depreciation / amortisation		10,318.44	7,015.82
Net block		45,679.94	36,194.94
Capital work-in-progress		11,196.74	4,536.81
		56,876.68	**40,731.75**
Investments	G	**31,417.78**	**155.66**
Deferred tax assets		**1,840.88**	**1,448.10**
Current assets, loans and advances	H		
Inventories		40,848.33	31,362.98
Sundry debtors		32,012.51	22,352.41
Cash and bank balances		69,602.01	15,382.95
Other current assets		14,893.48	3,351.61
Loans and advances		18,249.94	12,075.51
		175,606.27	**84,525.46**
Less: Current liabilities and provisions	I		
Current liabilities		64,830.12	33,340.00
Provisions		8,224.77	4,998.80
		73,054.89	**38,338.80**
Net current assets		**102,551.38**	**46,186.66**
Miscellaneous expenditure (To the extent not written off or adjusted)	J	—	—
		192,686.72	**88,522.17**
Significant accounting policies and notes to consolidated accounts	P		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet.

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Pune
Date: May 20, 2008

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Pune
Date: May 20, 2008

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: May 20, 2008

SUZLON ENERGY LIMITED

Consolidated Profit and Loss Account for the year ended March 31, 2008

All amounts in rupees million unless otherwise stated

Particulars	Schedule	April 01, 2007 to March 31, 2008	April 01, 2006 to March 31, 2007
INCOME			
Sales		136,794.30	79,857.30
Other income	K	2,645.45	965.00
		139,439.75	**80,822.30**
EXPENDITURE			
Cost of goods sold	L	88,701.82	47,881.55
Operating and other expenses	M	17,753.36	12,077.12
Employees' remuneration and benefits	N	10,430.05	6,682.43
Financial charges	O	5,969.38	2,763.44
Depreciation/amortisation	F	2,893.64	1,717.98
Preliminary expenditure written off	J	15.41	17.14
		125,763.66	**71,139.66**
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		**13,676.09**	**9,682.64**
Current tax		2,676.15	1,747.81
MAT credit entitlement		(806.75)	(512.32)
Earlier year — current tax		2.31	(111.83)
Deferred tax		(22.77)	(125.70)
Fringe benefit tax		144.00	36.64
PROFIT AFTER TAX AND BEFORE EXCEPTIONAL ITEMS		**11,683.15**	**8,648.04**
Exceptional items (Net of tax) [See Schedule P, Note 5]		1,511.69	—
PROFIT AFTER TAX AND EXCEPTIONAL ITEMS		**10,171.46**	**8,648.04**
Add : Share in associate's profit after tax		557.50	—
Less: Share of profit of minority		(427.98)	(7.72)
NET PROFIT		**10,300.98**	**8,640.32**
Balance brought forward		11,630.38	7,948.07
PROFIT AVAILABLE FOR APPROPRIATIONS		**21,931.36**	**16,588.39**
APPROPRIATIONS			
Interim dividend on equity shares		—	1,442.20
Proposed dividend on equity shares		1,496.93	3.21
Dividend on preference shares		2.00	17.00
Tax on dividends		263.80	211.40
Transfer to general reserve		3,267.50	3,284.20
Surplus carried to balance sheet		**16,901.13**	**11,630.38**
Earnings per share (in Rs) [See Schedule P, Note 13]			
Before exceptional items			
- Basic [Nominal value of share Rs 2]		**8.11**	**5.99**
- Diluted [Nominal value of share Rs 2]		**7.90**	**5.98**
After exceptional items			
- Basic [Nominal value of share Rs 2]		**7.07**	**5.99**
- Diluted [Nominal value of share Rs 2]		**6.89**	**5.98**
Significant accounting policies and notes to consolidated accounts	P		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Pune
Date: May 20, 2008

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Pune
Date: May 20, 2008

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: May 20, 2008

SUZLON ENERGY LIMITED

Consolidated Cash Flow Statement for the year ended March 31, 2008

All amounts in rupees million unless otherwise stated

Particulars	Year Ended March 31, 2008	2007
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional item	**13,676.09**	**9,682.64**
Adjustments for:		
Depreciation/amortisation	2,893.64	1,717.98
(Profit)/loss on assets sold/discarded, net	35.67	15.76
(Profit)/loss on sale of investments, net	(34.26)	(76.47)
Preliminary expenses incurred	(15.41)	(8.65)
Preliminary expenses written off	15.41	17.14
Interest income	(2,328.87)	(491.80)
Interest expenses	5,320.27	2,522.60
Dividend income	(0.01)	(6.26)
Provision for operation, maintenance and warranty	689.04	859.07
Provision for performance guarantee	2,356.96	1,026.96
Bad debts	157.22	3.10
(Reversal)/Provision for doubtful debts and advances	172.29	39.76
Adjustments for consolidation	3,822.44	80.31
Exchange differences, net	(195.39)	—
Employee stock option scheme	45.28	73.00
Wealth-tax	0.35	0.30
Operating profit before working capital changes	**26,610.72**	**15,455.44**
Movements in working capital		
(Increase)/decrease in sundry debtors and unbilled revenue	(21,478.78)	(5,740.54)
(Increase)/decrease in inventories	(9,485.35)	(14,393.78)
(Increase)/decrease in loans and advances	(8,741.75)	(2,651.53)
Increase/(decrease) in current liabilities	29,530.01	15,451.14
Cash (used in)/generated from operations	16,434.85	8,120.73
Direct taxes paid (net of refunds)	(2,477.83)	(748.40)
Net cash (used in)/generated from operating activities before exceptional items	**13,957.02**	**7,372.33**
Less — Exceptional item (Net of tax) [See Schedule P, Note 5]	(1,511.69)	—
Net cash (used in)/generated from operating activities	**12,445.33**	**7,372.33**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(21,287.17)	(10,217.82)
Proceeds from sale of fixed assets	82.72	80.12
Paid for acquisition of subsidiaries	—	(25,026.37)
Purchase of investments	(30,704.62)	(154.78)
Sale/redemption of investments	—	151.66
Inter-corporate deposits repaid/(granted)	4,433.40	(2,583.63)
Interest received	1,108.66	545.51
Dividend received	—	6.26
Net cash flow from investing activities	**(46,367.01)**	**(37,199.05)**

Particulars	Year Ended March 31, 2008	2007
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of preference share capital	—	(150.00)
Share application money	—	(1.72)
Proceeds from issuance of share capital including premium, under stock option scheme	60.20	59.53
Proceeds from issuance of share capital including premium to qualified institutional buyers	21,826.96	—
Zero coupon convertible bond and share issue expenses	(491.86)	—
Proceeds from issuance of share capital by subsidiary (net of issue expense)	26,607.50	
Issuance/(buy back) of management option certificates	(284.74)	890.03
Proceeds from long term borrowings	45,142.44	28,423.28
Proceeds from issuance of zero coupon convertible bonds	20,099.00	—
Repayment of long term borrowings	(18,193.72)	(612.10)
(Repayment)/proceeds from short term borrowings, net	(1,555.56)	16,099.80
Interest paid	(5,057.51)	(2,508.94)
Dividend paid	(8.66)	(2,190.24)
Tax on dividend paid	(3.25)	(314.79)
Net cash flow from financing activities	**88,140.80**	**39,694.85**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**54,219.06**	**9,868.13**
Cash and cash equivalents at the beginning of the year	15,382.95	5,514.82
Cash and cash equivalents at the end of the year	69,602.01	15,382.95

Components of cash and cash equivalents	As at March 31, 2008	2007
Cash and cheques on hand	934.26	706.49
With scheduled banks		
in current account	1,527.23	861.82
in margin account	1,256.00	926.88
in term deposit accounts	6,041.10	1,930.89
With non-scheduled banks		
in current account	9,911.46	10,956.87
in margin account	29,836.29	—
in term deposit accounts	20,095.67	—
	69,602.01	**15,382.95**

Notes

1 The figures in brackets represent outflows.

2 Previous period's figures have been regrouped/reclassified, wherever necessary.

The schedules referred to above and the notes to accounts form an integral part of cash flow statement.

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Pune
Date: May 20, 2008

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Pune
Date: May 20, 2008

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: May 20, 2008

SUZLON ENERGY LIMITED
Schedules to the Consolidated Balance Sheet
as at March 31, 2008

Particulars	As at March 31, 2008	As at March 31, 2007
SCHEDULE - A: SHARE CAPITAL		
Authorised		
2,225,000,000 equity shares of Rs 2/- each	4,450.00	4,300.00
(March 31, 2007: 430,000,000 equity shares of Rs 10/- each)		
Nil (1,500,000) preference shares of Rs 100/- each	—	150.00
	4,450.00	**4,450.00**
Issued, subscribed		
Equity		
1,496,934,400 equity shares of Rs 2/- each fully paid-up	2,993.90	2,877.65
(March 31, 2007: 287,764,780 equity shares of Rs 10/- each)		
[Of the above equity shares, 1,259,276,500 (251,855,300) shares were allotted as fully paid bonus shares by utilisation of Rs 1,740.40 million (Rs 1,740.40 million) from general reserve, Rs 10.25 million (Rs 10.25 million) from capital redemption reserve and Rs 768.00 million (Rs 768.00 million) from securities premium account]		
[Outstanding Employee Stock Options exercisable into 246,000 equity shares of Rs. 2 each fully paid [49,200 equity share of Rs. 10/- each]] (See Schedule P, Note 11(d))		
	2,993.90	**2,877.65**
SCHEDULE - B: EMPLOYEE STOCK OPTIONS		
Employee stock options	178.32	156.88
Less: Deferred employee compensation expense outstanding	76.13	39.77
	102.19	**117.11**
SCHEDULE - C: RESERVES AND SURPLUS		
Capital redemption reserve		
As per last balance sheet	150.00	—
Add: Transferred from general reserve	—	150.00
	150.00	150.00
Unrealised gain on dilution [See Schedule P, Note 7]	12,002.48	—
Securities premium account		
As per last balance sheet	13,226.94	13,110.26
Add: Additions during the year	21,831.15	116.68
	35,058.09	13,226.94
Less: Expenses on issuance of equity shares to qualified institutional buyers (See Schedule P, Note 14)	262.66	—
Expenses on issuance of zero coupon convertible bonds (See Schedule P, Note 8)	229.20	—
	34,566.23	13,226.94
General reserve		
As per last balance sheet	6,263.50	3,158.49
Add: Transferred from profit and loss account	3,267.50	3,284.20
	9,531.00	6,442.69
Less: Adjustment for employee benefits provision [Net of tax benefit Rs Nil (Rs 3.1 million)]	2.83	29.19
Transferred to capital redemption reserve	—	150.00
	9,528.17	6,263.50
Capital reserve on consolidation	0.30	0.30
Foreign currency translation reserve		
(Exchange differences during the year on net investment in non-integral operations)		
As per last balance sheet	(45.18)	—
Movement during the year	4,813.82	(45.18)
	4,768.64	(45.18)
Profit and loss account	16,901.13	11,630.38
	77,916.95	**31,225.94**

SUZLON ENERGY LIMITED
Schedules to the Consolidated Balance Sheet
as at March 31, 2008

Particulars	As at March 31, 2008	As at March 31, 2007
SCHEDULE - D: SECURED LOANS [See Schedule P, Note 11(h)]		
Term loans		
From banks and financial institutions	61,758.35	10,546.16
From others	187.57	1,215.49
	61,945.92	**11,761.65**
Working capital facilities from banks and financial institutions	**8,718.19**	**8,081.89**
Vehicle loans	**0.21**	**0.71**
	70,664.32	**19,844.25**
SCHEDULE - E: UNSECURED LOANS		
Long-term		
Zero coupon convertible bonds	20,055.00	—
From banks and financial institutions	810.76	21,886.44
From others	111.23	203.20
	20,976.99	**22,089.64**
Short-term		
From banks and financial institutions	7,686.11	9,666.39
From others	18.50	20.00
	7,704.61	**9,686.39**
	28,681.60	**31,776.03**

SUZLON ENERGY LIMITED
Schedules to the Consolidated Balance Sheet
as at March 31, 2008

SCHEDULE - F: FIXED ASSETS

	Gross Block					Depreciation/Amortisation					Net Block	
Assets	**As at 1st April 2007**	**Additions**	**Translation Adjustment**	**Deductions/ Adjustments**	**As at 31 March 2008**	**As at 1st April 2007**	**For the Period**	**Translation Adjustment**	**Deductions/ Adjustments**	**As at 31 March 2008**	**As at 31 March 2008**	**As at 31 March 2007**
Goodwill on consolidation	17,643.24	—	1,344.10	5,064.20	**13,923.14**	—	—	—	—	—	**13,923.14**	**17,643.24**
Freehold land	631.43	807.03	34.05		**1,472.51**	—	—	—	—	—	**1,472.51**	**631.43**
Leasehold land	156.19	10.62	3.77		**170.58**	4.52	3.20	0.09	—	**7.81**	**162.77**	**151.67**
Buildings	6,773.27	2,953.61	552.91	10.55	**10,269.24**	628.58	353.12	26.59	7.76	**1,000.53**	**9,268.71**	**6,144.69**
Plant and machinery	14,963.78	9,817.02	1,302.90	152.12	**25,931.58**	4,964.96	1,902.18	356.84	77.23	**7,146.75**	**18,784.83**	**9,998.82**
Wind research & measuring equipments	174.42	84.94		11.82	**247.54**	107.64	45.92		9.95	**143.61**	**103.93**	**66.78**
Computer and office equipments	1,779.08	588.31	122.61	44.69	**2,445.31**	867.78	367.12	64.39	8.34	**1,290.95**	**1,154.36**	**911.30**
Furniture & fixtures	436.12	211.53	17.61	0.93	**664.33**	162.23	89.28	6.77	0.30	**257.98**	**406.35**	**273.89**
Vehicles	106.35	58.15	2.23	4.62	**162.11**	52.22	22.04	0.92	2.74	**72.44**	**89.67**	**54.13**
Intangible assets									—			
Designs and drawings	449.43	102.75	15.16	—	**567.34**	179.91	135.84	5.74	0.02	**321.47**	**245.87**	**269.52**
SAP software	97.45	47.25	—	—	**144.70**	47.98	28.92	—	—	**76.90**	**67.80**	**49.47**
	43,210.76	**14,681.21**	**3,395.34**	**5,288.93**	**55,998.38**	**7,015.82**	**2,947.62**	**461.34**	**106.34**	**10,318.44**	**45,679.94**	**36,194.94**
Capital work-in-progress											11,196.74	4,536.81
TOTAL	**43,210.76**	**14,681.21**	**3,395.34**	**5,288.93**	**55,998.38**	**7,015.82**	**2,947.62**	**461.34**	**106.34**	**10,318.44**	**56,876.68**	**40,731.75**
Previous year	6,288.52	37,118.31	—	196.07	43,210.76	1,531.45	5,584.56	—	100.19	7,015.82	36,194.94	

Note:

1. Depreciation charge for the current period amounting to Rs 2,947.62 million (Rs 1,760.05 million) is including Rs 53.97 million (Rs 31.10 million) which has been capitalised as part of self manufactured assets and Rs Nil (Rs 10.85 million) capitalised to operational assets being pre-operative in nature.

   The depreciation charged in the profit and loss account amounting to Rs 2,893.65 million (Rs 1,717.98 million) is net of the amount capitalised.

2. Capital work in progress includes advances for capital goods Rs 1,718.75 million (Rs 667.80 million).

SUZLON ENERGY LIMITED
Schedules to the Consolidated Balance Sheet
as at March 31, 2008

Particulars	As at March 31, 2008	As at March 31, 2007
SCHEDULE - G: INVESTMENTS		
LONG-TERM INVESTMENTS		
In associates [See Schedule P, Note 2]		
Investment in associates	30,852.58	—
Add: Share of post acquisition profit	557.50	—
	31,410.08	—
Others (at cost, fully paid)		
Government and other securities (non trade)	0.40	0.37
Trade investments*	—	0.03
Other non trade investments	7.30	155.26
* amount below Rs 0.1 million	**7.70**	155.66
	31,417.78	**155.66**
SCHEDULE - H: CURRENT ASSETS, LOANS AND ADVANCES		
Current assets		
Inventories		
Raw materials	19,574.28	16,933.14
Semi finished goods, finished goods, work-in-progress and contracts in progress	20,953.21	14,227.95
Land and land lease rights	118.81	164.39
Stores and spares	202.03	37.50
	40,848.33	**31,362.98**
Sundry debtors		
(Unsecured)		
Outstanding for a period exceeding six months		
Considered good	4,159.28	2,671.01
Considered doubtful	223.89	104.30
	4,383.17	2,775.31
Others, considered good	27,853.23	19,681.40
	32,236.40	22,456.71
Less: Provision for doubtful debts	223.89	104.30
	32,012.51	**22,352.41**
Cash and bank balances		
Cash on hand	11.41	9.38
Cheques on hand	922.85	697.11
Balances with scheduled banks		
in current accounts	1,527.23	861.82
in margin accounts	1,256.00	926.88
in term deposit accounts	6,041.10	1,930.89
Balances with non scheduled banks		
in current accounts	9,911.46	10,956.87
in margin accounts	29,836.29	—
in term deposit accounts	20,095.67	—
	69,602.01	**15,382.95**
Other current assets		
(Unsecured and considered good)		
Due from customers	14,893.48	3,351.61
	14,893.48	**3,351.61**

SUZLON ENERGY LIMITED
Schedules to the Consolidated Balance Sheet
as at March 31, 2008

Particulars	As at March 31, 2008	2007
Loans and advances		
(Unsecured and considered good, except otherwise stated)		
Deposits		
with customers as security deposit	308.35	357.23
with others	503.41	548.09
Advance against taxes	—	309.21
[Net of provision for income tax and fringe benefit tax Rs Nil (Rs 2,783.2 million)]		
MAT credit entitlement	1,457.71	512.32
Advances recoverable in cash or in kind or for value to be received		
Considered good	15,980.47	10,348.66
Considered doubtful	22.14	27.01
	16,002.61	10,375.67
Less: Provision for doubtful loans and advances	22.14	27.01
	15,980.47	10,348.66
	18,249.94	**12,075.51**
	175,606.27	**84,525.46**
SCHEDULE - I: CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors	30,435.19	16,029.02
Other current liabilities	11,872.21	6,097.82
Interest accrued but not due	290.02	27.26
Due to customers	7,937.06	—
Advances from customers	14,295.64	11,185.90
	64,830.12	**33,340.00**
Provisions		
Provision for taxes	110.38	—
Gratuity, superannuation and leave encashment	385.14	388.74
Performance guarantee, operation, maintenance and warranty, liquidated damages	5,950.02	4,597.77
Dividend	1,513.06	9.07
Tax on dividend	266.17	3.22
	8,224.77	**4,998.80**
	73,054.89	**38,338.80**
SCHEDULE - J: MISCELLANEOUS EXPENDITURE (To the extent not adjusted or written off)		
Preliminary expenses	—	8.49
Add: Addition during the year	15.41	8.65
Less: Written off during the year	15.41	17.14
	—	—

SUZLON ENERGY LIMITED
Schedules to the Consolidated Profit and Loss Account for the year ended March 31, 2008

Particulars		April 01, 2007 to March 31, 2008	April 01, 2006 to March 31, 2007
SCHEDULE - K: OTHER INCOME			
Interest income			
From banks		1,866.31	178.66
From others		462.56	313.14
Dividend income*		0.01	6.26
Income from infrastructure development		—	134.53
Miscellaneous income		316.57	332.41
		2,645.45	**965.00**
SCHEDULE - L: COST OF GOODS SOLD			
Raw materials consumed, including project business and traded goods			
Opening stock		16,933.14	10,430.31
Add: Purchases, including purchases for project business and traded goods		98,022.64	65,412.68
		114,955.78	**75,842.99**
Less: Closing stock		19,574.28	16,933.14
	(A)	**95,381.50**	**58,909.85**
(Increase)/Decrease in stock			
Opening balance:			
Semi finished goods, finished goods, work-in-progress and contracts in progress		14,227.95	2,969.95
Land and land lease rights		164.39	394.09
	(B)	**14,392.34**	**3,364.04**
Closing balance:			
Semi finished goods, finished goods, work-in-progress and contracts in progress		20,953.21	14,227.95
Land and land lease rights		118.81	164.39
	(C)	**21,072.02**	**14,392.34**
(Increase)/Decrease in stock			
	(B)-(C)=(D)	**(6,679.68)**	**(11,028.30)**
	(A)+(D)	**88,701.82**	**47,881.55**

SUZLON ENERGY LIMITED
Schedules to the Consolidated Profit and Loss Account for the year ended March 31, 2008

Particulars	April 01, 2007 to March 31, 2008	April 01, 2006 to March 31, 2007
SCHEDULE - M: OPERATING AND OTHER EXPENSES		
Stores and spares	1,701.29	1,093.73
Power and fuel	463.74	306.54
Factory expenses	488.49	212.65
Repairs and maintenance:		
Plant and machinery	42.02	13.59
Building	40.32	34.37
Others	110.42	94.12
Operation and maintenance charges	128.73	183.07
Design change and technological upgradation charges	511.81	551.08
Rent	504.36	283.02
Rates and taxes	154.66	87.57
Provision for operation, maintenance and warranty	689.04	859.07
Provision for performance guarantee	2,356.96	1,026.96
Quality assurance expenses	75.83	147.84
R & D, certification and product development	104.22	117.47
Insurance	252.05	194.61
Advertisement and sales promotion	547.54	390.03
Infrastructure development expenses	22.01	—
Freight outward and packing expenses	4,663.21	2,286.41
Sales commission	121.94	238.23
Travelling, conveyance and vehicle expenses	1,550.40	917.80
Communication expenses	340.82	217.31
Auditors' remuneration and expenses	93.62	58.29
Consultancy charges	842.73	760.97
Charity and donations	91.65	167.60
Other selling and administrative expenses	1,882.35	1,360.60
Exchange differences, net	(357.77)	492.04
Bad debts written off	157.22	3.10
Provision for doubtful debts and advances	172.29	39.76
(Profit)/loss on sale of investments, net	(34.26)	(76.47)
(Profit)/loss on assets sold/discarded, net	35.67	15.76
	17,753.36	**12,077.12**
SCHEDULE - N: EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	9,800.19	6,446.04
Contribution to provident and other funds	323.70	78.53
Staff welfare expenses	306.16	157.86
	10,430.05	**6,682.43**
SCHEDULE - O: FINANCIAL CHARGES		
Interest		
Fixed loans	3,817.07	1,660.14
Others	1,503.20	862.46
	—	—
Bank charges	649.11	240.84
	5,969.38	**2,763.44**

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in rupees million unless otherwise stated)

I SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The Consolidated Financial Statements relate to Suzlon Energy Limited (‘SEL’ or ‘the Company’) and its subsidiaries, associate and joint venture (together referred to as ‘Suzlon’ or ’the Group’). The Consolidated Financial Statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 (‘the Rules’) and in conformity with accounting principles generally accepted in India (‘Indian GAAP’) as applicable, and the relevant provisions of the Companies act, 1956 (‘the Act’). The accounting policies have been consistently applied by the Group; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

b) Principles of Consolidation

The Consolidated Financial Statements of the Group are prepared in accordance with Accounting Standard 21 — ’Consolidated Financial Statements’, Accounting Standard 23 — ’Accounting for Investments in Associates in Consolidated Financial Statements’ and Accounting Standard 27 — ’Financial Reporting of Interests in Joint Ventures’ as notified by the Rules.

Subsidiaries

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The unrealized profits or losses resulting from the intra group transactions and intra group balances have been eliminated.

The excess of the cost to the Company of its investment in the subsidiaries over the Company’s portion of equity on the acquisition date is recognized in the financial statements as goodwill and is tested for impairment annually. The excess of Company’s portion of equity of the Subsidiary over the cost of investment therein is treated as Capital Reserve. The Company’s portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and adjusting the charge/ (reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the Consolidated Financial Statements and are presented in the same manner as the Company’s standalone financial statements.

Share of Minority Interest in the net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority Interest’s share of net assets is presented separately in the balance sheet.

Associates

Investments in entities in which the Group has significant influence but not a controlling interest, are reported according to the equity method i.e. the investment is initially recorded at cost. Cost of investment in associates, over the net assets at the time of acquisition of the investment in the associates is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment annually. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Group’s share of net assets of the associates. The consolidated profit and loss account includes the Group’s share of the results of the operations of the associate.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Company for its independent financial statements.

Joint Venture

Interests in joint venture have been accounted by using the proportionate method as per Accounting Standard 27 — Financial Reporting of Interests in Joint Ventures as notified by the Rules.

c) Use of Estimates

The presentation of financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated.

d) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises of sale of goods and services and is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable

Sales

Revenue from sale of goods is recognised in the profit and loss account when the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order, and the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey and supply-and-installation projects) are recognised in revenue based on the stage of completion of the individual contract using the percentage-of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Contracts in progress, if any are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in 'Contracts in progress' upon dispatch of the complete set of components which are specifically identified for a customer and are within the scope of supply, as per the terms of the respective sale order for the wind power systems.. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price is recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Project Execution Income

Revenue from services relating to project execution are recognized on completion of the respective service, as per terms of respective sales order.

Power Generation Income

Power generation income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the power generation reports issued by the concerned authorities.

Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided, net of taxes.

Interest Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend Income

Dividend income from investments is recognised when the right to receive payment is established.

e) Fixed Assets and Intangible Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalized upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realizable value.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create produce and make the asset ready for its intended use. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding five years. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of the assets belonging to each cash generating unit (CGU) are reviewed at each balance sheet date to assess whether the same are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets with CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in prior accounting period is reversed if there has been a change in estimates of recoverable amount.

f) Depreciation and Amortisation

Depreciation/amortisation is provided on management's estimate of useful lives of the fixed assets or intangible assets or where applicable, at rates specified by respective statutes, whichever is higher.

g) Inventories

Inventories of raw materials including stores; spares and consumables; packing materials; semi-finished goods; work-in-progress, contracts in progress and finished goods are valued at the lower of cost and estimated net realizable value. Cost is determined on weighted average basis.

The cost of work-in-progress, project work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

h) Investments

Long-term investments are carried at cost. However, provision is made to recognize a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

i) Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

Derivatives

The Company is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange and option contracts, where the counterparty is a bank. The forward contracts or options are not used for trading or speculation purposes.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. To the extent, hedges are designated effective, neither gain nor loss is recognised in the profit and loss account. In the absence of a designation as an effective hedge, loss is recognised in the profit and loss account.

Foreign Operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in classification.

j) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account.

k) Retirement and Other Employee Benefits

Employee benefits in the nature of defined contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Retirement benefits in the form of gratuity and pension are defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method as at the balance sheet date.

Defined contributions to superannuation fund through its employees' trust are charged to the profit and loss account on accrual basis.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided based for on the basis of an actuarial valuation, using projected unit credit method, as at the balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

l) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts.

Contingent assets are not recognised.

m) Taxes on Income

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax.

Current tax and fringe benefit tax are measured after taking into consideration, the deductions and exemptions admissible under the applicable tax laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various companies of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum alternative tax (MAT) credit, by whatever name known is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period under which MAT is permitted to be set off under the applicable tax laws. In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the ICAI, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay income tax higher than MAT during the specified period.

n) Operating Leases

Assets acquired on lease, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the profit and loss account as incurred.

Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

o) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

p) Employee Stock Options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. List of subsidiaries which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2008	2007
AE-Rotor Holding B.V.	Netherlands	100%	100%
AE-Rotor Techniek B.V.	Netherlands	100%	100%
Cannon Ball Wind Energy Park-1, LLC	USA	100%	100%
Eve Holding NV	Belgium	—	100%
Hansen Drives Limited	India	71.28%	—
Hansen Transmissioes Mechanicas Ltda	Brazil	71.28%	100%
Hansen Transmissions Inc	USA	71.28%	100%
Hansen Transmissions International NV	Belgium	71.28%	100%
Hansen Transmissions Limited	United Kingdom	71.28%	100%
Hansen Transmissions Pty Limited	Australia	71.28%	100%
Hansen Transmissions South Africa Pty Limited	South Africa	71.28%	100%
Hansen Transmissions Tianjin Industrial Gearboc Co. Limited	Peoples Republic of China	71.28%	100%
Lommelpark NV	Belgium	71.28%	—
S E Drive Technik GmbH	Germany	100%	100%
SE Composites Limited (formerly Suzlon Towers International Limited)	India	100%	100%
SE Forge Limited	India	100%	100%
Suzlon Electricals International Limited (formerly Suzlon Rotor International Limited)	India	100%	100%
Suzlon Energia Elocia do Brasil Lda	Brazil	100%	100%
Suzlon Energy (Tianjin) Limited	China	100%	100%
Suzlon Energy A/S	Denmark	100%	100%
Suzlon Energy Australia Pty. Limited	Australia	100%	100%
Suzlon Energy B.V.	Netherlands	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Suzlon Energy Italy Srl	Italy	100%	100%
Suzlon Energy Korea Co Limited	Republic of South Korea	100%	100%
Suzlon Energy Limited, Mauritius	Mauritius	100%	100%
Suzlon Energy Portugal Energia Elocia Unipessoal Lda	Portugal	100%	100%
Suzlon Engitech Private Limited	India	100%	100%
Suzlon Generators Private Limited	India	75%	75%
Suzlon Gujarat Windpark Limited	India	100%	100%
Suzlon Infrastructure Services Limited	India	100%	100%
Suzlon Power Infrastructure Private Limited	India	100%	100%
Suzlon Rotor Corporation	USA	100%	100%
Suzlon Structures Private Limited	India	75%	75%
Suzlon Towers and Structures Limited	India	100%	100%
Suzlon Wind Energy A/S	Denmark	100%	100%
Suzlon Wind Energy Corporation	USA	100%	100%
Suzlon Wind Energy Espana, S.L	Spain	100%	—
Suzlon Wind Energy Limited	United Kingdom	100%	100%
Suzlon Wind International Limited	India	100%	100%
Suzlon Windenergie GmbH	Germany	100%	75%
Suzlon Windkraft GmbH	Germany	100%	100%
Suzlon Windpark Management GmbH	Germany	100%	100%
Windpark Olsdorf Watt Gmbh & Co KG	Germany	100%	100%

2. Details of the Company's ownership interest in associate, which have been included in the consolidation are as follows:-

Name of Company	% shares held	Original cost of investment	Goodwill/ (capital reserve)	Accumulated profit/(loss) as at March 31, 2008*	Carrying amount of investments as at March 31, 2008
REpower Systems AG, Germany* (Including its subsidiaries and jointly managed and associated companies) . . .	35.83	30,852.58	24,259.50	557.45	31,410.03

* See Note 9

The Group's share of goodwill and share of profits have been computed based on the financial statements of REpower Systems AG, Germany for the period June 1, 2007 to December 31, 2007, which have been certified by management. These financial statements have been prepared based on the audited results published by REpower Systems AG, Germany for the year ended December 31, 2007.

3. Details of the Company's ownership interest in joint ventures, which have been included in the consolidation are as follows:-

Name of Company	% shares held	Country of incorporation	Carrying amount of investments as at March 31, 2008
Renewable Energy Technology Centre GmbH	50.00	Germany	0.80

4. Impact of ICAI Announcement on Derivatives

Pursuant to ICAI Announcement dated March 29, 2008 on "Accounting for Derivatives", the Group has, based on the principles of prudence enunciated in Accounting Standard-1 on "Disclosure of Accounting Policies", recognised mark to market ('MTM') losses on derivative contracts outstanding as at March 31, 2008 to the extent the losses are not offset by the fair value gain on the underlying hedge items. In determining the 'MTM' losses, any compensating gains on underlying transactions (including firm commitments and highly probable forecast transactions) have been netted off and accordingly, the Group has recognized MTM losses of approximately Rs 230 million during the year ended March 31, 2008.

5. Exceptional Items

Details of exceptional items aggregating to Rs 1,511.69 million (net of taxes of Rs 360.00 million) are as below.

a) The Company has faced certain issues with residents of Dhule and Sangli, in Maharashtra, India resulting into disruption of the smooth operations of the WTGs in these regions, which have resulted into generation shortfall from that guaranteed. The Company has incurred Rs 654.60 million towards restoration costs of these WTGs. The Company is of the opinion that this event is "force majeure". The generation guarantee liability for the WTGs installed in the regions of Dhule and Sangli has been computed taking into account the events of force majeure and are based on the best estimate of the management.

b) The Company has announced a retrofit program to resolve blade crack issues noticed in some of its S88 turbines in the United States and Portugal. The retrofit program involves the structural strengthening of blades on S 88 (2.1 MW) turbines. The retrofit program will be carried out by maintaining a rolling stock of temporary replacement blades, to minimise the downtime for operational turbines. The Company has provided for an amount of approximately Rs 1,217.09 million towards the same.

6. Disclosures pursuant to Accounting Standard-7 (AS-7) 'Construction Contracts'

Particulars	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007
Contract revenue recognised during the year	**57,346.29**	18,065.48
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	**60,725.56**	16,963.29

Particulars	As at March 31, 2008	As at March 31, 2007
Amount of customer advances outstanding for contracts in progress up to the reporting date	**16,072.73**	482.20
Retention amount due from customers for contract in progress up to the reporting date	**Nil**	Nil
Due from Customers	**14,893.48**	3,351.60
Due to Customers	**7,937.06**	Nil

7. Hansen Transmissions International NV, Belgium ('Hansen'), an erstwhile 100% subsidiary, allotted 181,800,458 shares to Institutional Investors through a fresh 'issue of shares, raising approximately Euro 440 million (gross) and the trading of these shares commenced in December 2007 on London Stock Exchange. Hansen plans to use the net proceeds primarily to fund the expansion of its manufacturing capacity through the construction of integrated manufacturing facilities in India and China. Following the fresh issue of the shares by Hansen, the effective stake of the Company in Hansen has reduced to approximately 71.28%. As a result of dilution of effective stake of the Company in Hansen, there is a gain on dilution, of Rs 12,002.48 million, which has been credited to reserves in the consolidated financial statements.

8. Zero Coupon Convertible Bonds

On June 11, 2007 the Company has made an issue of zero coupon convertible bonds aggregating USD 300 Million (approximately Rs 12,237.00 million) comprising of 300,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase I Bonds'), which are:

1) convertible by the holders at any time on or after July 22, 2007 but prior to close of business on June 5, 2012. Each bond will be converted into 22.70 fully paid up equity shares with face value of Rs 10 per share (since adjusted to 113.50 fully paid up equity shares with face value of Rs 2 per share [See note 11(d)]) at an initial conversion price of Rs 1,798.40 per equity share of Rs 10 each (since adjusted to Rs 359.68 per equity share of Rs 2 each [See note 11(d)) at a fixed exchange rate conversion of Rs 40.83 = USD 1.

2) convertible in whole but not in part at the option of the Company at any time on or after June 11, 2009 subject to satisfaction of certain conditions.

3) redeemable in whole but not in part at the option of the Company at any time if less than 10 percent of the aggregate principal amount of the Bonds originally issued is outstanding, subject to satisfaction of certain conditions.

4) redeemable on maturity date at 145.23% of its principal amount if not redeemed or converted earlier.

Further, on October 10, 2007 the Company has made an additional issue of zero coupon convertible bonds aggregating USD 200 Million (approximately Rs 7,862.00 million) comprising of 200,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase II Bonds'), which are:

1) convertible by the holders at any time on or after November 20, 2007 but prior to close of business on October 4, 2012. Each bond will be converted into 21.46 fully paid up equity shares with face value of Rs 10 per share (since adjusted to 107.30 fully paid up equity shares with face value of Rs 2 per share [See note 11(d)]) at an initial conversion price of Rs 1,857.75 per equity share of Rs 10 each (since adjusted to Rs 371.55 per equity share of Rs 2 each [See note 11(d)]) at a fixed exchange rate conversion of Rs 39.87 = USD 1.

2) convertible in whole but not in part at the option of the Company at any time on or after October 10, 2009 subject to satisfaction of certain conditions.

3) redeemable in whole but not in part at the option of the Company if less than 10 percent of the aggregate principal amount of the Bonds originally issued is outstanding, subject to satisfaction of certain conditions.

4) redeemable on maturity date at 144.88% of its principal amount, if not redeemed or converted earlier.

The Phase I and Phase II bonds are redeemable subject to satisfaction of certain conditions mentioned in their respective offering circulars, and hence have been currently designated as a monetary liability. Further, the Company has not provided for the proportionate premium on redemption of the Phase I and Phase II Bonds for the period up to March 31, 2008 amounting to Rs 725.86 million (approximately USD 18,096,735) and Rs 284.93 million (approximately USD 7,103,641) respectively. In the opinion of the management, the likelihood of redemption cannot presently be ascertained. Accordingly, no provision for any liability has been made in the consolidated financial statements and hence, the proportionate premium on redemption has been disclosed as a contingent liability.

Following are the details of utilisation of Zero Coupon Convertible Bonds:

Sl. No.	Description	As at March 31, 2008
I.	Sources of Funds	
	Proceeds	20,099.00
	Issue expenses	(229.16)
	Net Proceeds	**19,869.84**
II.	Application of Funds	
	Repayment of acquisition facility loans	19,869.84
	Total	**19,869.84**
III.	**Unutilised Funds**	**—**

9. The Company has through its subsidiaries purchased 33.85% stake in REpower Systems AG ('REpower') for a consideration of approximately Euro 453 Million and simultaneously also has voting pooling agreements with Areva and Martifer who in aggregate hold approximately 53.25% on June 6, 2007, the date of final settlement of the takeover offer. Since REpower is a listed entity in Germany, the Company has been informed that, REpower is restrained from sharing any information with external parties before they are made available to all the shareholders of REpower. In order to smoothen the process of consolidation of the financials of REpower with the Company and based on the guidance provided in the relevant accounting standards issued by the ICAI, the financials of REpower are being consolidated with a three-month lag to that of the Company. Further, the Company has been informed that based on laws currently prevailing in Germany, the Company has restricted access to information and cannot get access to accounting records and information more than that provided to any other investor holding shares in REpower. Accordingly, the results of REpower for the period June 1, 2007 to December 31, 2007 have been consolidated in the results of the Company for the year ended March 31, 2008 using equity method of accounting and without making any adjustments for alignment of accounting policies.

10. Employee Stock Option Scheme

a) Suzlon Energy employee stock option plan 2005 (Scheme I)

The Company instituted the 2005 Plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on June 16, 2005 (grant date). Scheme I covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme I, the Company has granted 921,000 options of Rs 10 each (since adjusted to 4,605,000 options of Rs 2 each [See Note 11(d)]) to eligible employees at an exercise price of Rs 255 per equity share of Rs 10 each (since adjusted to Rs 51 per equity share of Rs 2 each [See Note 11(d)]) , which is 50% of the issue price determined in the initial public offering (IPO) of the Company in accordance with SEBI guidelines i.e., Rs 510 per equity share of Rs 10 each (since adjusted to Rs 102 per equity share of Rs 2 each [See Note 11(d)]). Under the terms of Scheme I, 30% of the options will vest in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the grant date in the following manner:

Date of vesting	Proportion of Vesting
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The employee stock options granted shall be capable of being exercised within a period of five years from the date of first vesting i.e. June 16, 2006. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2008, vesting rights were exercised by employees for 236,100 shares of Rs 10 each (since adjusted to 1,180,500 shares of Rs 2 each [See Note 11(d)]). Further, 75,500 employee stock options of Rs 10 each (since adjusted to 377,500 options of Rs 2 each [See Note 11(d)]) were cancelled as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below

Particulars	Year Ended as at March 31, 2008	2007
Options outstanding at April 1, 2007	**3,153,000**	4,445,000
Granted during the year	**Nil**	Nil
Forfeited/cancelled during the year	**114,500**	125,000
Exercised during the year	**1,180,500**	1,167,000
Expired during the year	**Nil**	Nil
Options outstanding at March 31, 2008	**1,858,000**	3,153,000
Exercisable at the end of the year (included in options outstanding as at March 31, 2008)	**246,000**	160,500

b) Suzlon Energy employee stock option plan 2006 (Scheme II)

The Company instituted the 2006 Plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on November 23, 2007 (grant date). Scheme II covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme II, the Company has granted 103,900 options of Rs 10 each (since adjusted to 519,500 options of Rs 2 each [See Note 11(d)]) to eligible employees at an exercise price of Rs 961 per equity share of Rs 10 each (since adjusted to Rs 192.20 per equity share of Rs 2 each [See Note 11(d)]), which is 51.28% of the weighted average price over a period of six months prior to date of grant, i.e., Rs 1,874 per equity share of Rs 10 each (since adjusted to Rs 374.80 per equity share of Rs 2 each [See Note 11(d)]). Under the terms of Scheme II, 50% of the options will vest in the employees at the end of the first year, 25% at the end of the second year and the balance of 25% at the end of third year from the grant date in the following manner:

Date of vesting	Proportion of Vesting
November 23, 2008	50%
November 23, 2009	25%
November 23, 2010	25%

The employee stock options granted shall be capable of being exercised within a period of five years from the date of first vesting i.e. November 23, 2008. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particulars	Year Ended as at March 31, 2008
Options outstanding at April 1, 2007	Nil
Granted during the year	519,500
Forfeited/cancelled during the year	Nil
Exercised during the year	Nil
Expired during the year	Nil
Options outstanding at March 31, 2008	519,500
Exercisable at the end of the year (included in options outstanding as at March 31, 2008)	Nil

Fair Value of the Option

The Company applies the intrinsic value based method of accounting for determining compensation cost for Scheme I and Scheme II.

The Company has charged Rs 21.41 million (Rs 72.99 million) and Rs 23.88 million (Rs Nil) at the rate of Rs 51 per option and Rs 182.60 per option respectively, being the intrinsic value of options under the Scheme I and Scheme II for the year ended March 31, 2008. Had the Company adopted the fair value method based on 'Black-Scholes' model for pricing and accounting the options, the cost would have been Rs 68.39 per option (Rs 66.32 per option) and Rs 284.10 per option (Rs Nil) for the Scheme I and Scheme II respectively, and accordingly, the profit after tax would have been lower by Rs 33.39 million (Rs 24.87 million).

Consequently the basic and diluted earnings per share after factoring the above impact would be as follows:

Particulars	As at March 31, 2008	As at March 31, 2007
Earnings per share (before exceptional items)		
- Basic	8.09	5.97
- Diluted	7.88	5.96
Earnings per share (after exceptional items)		
- Basic	7.05	5.97
- Diluted	6.87	5.96

11. Other Notes

a) The Company through its wholly-owned subsidiary, AE-Rotor Holding B.V., the Netherlands (AE-Rotor) has on May 9, 2006, purchased 100% of the share capital of Eve Holding NV, Belgium for a consideration of Rs 25,026.37 million. By virtue of the acquisition of Eve Holding by AE-Rotor, the Company has 100% ownership of Hansen Transmissions International NV, Belgium along with its subsidiaries, which are engaged in the business of design, development, manufacturing and supply of industrial and wind gear boxes and is the second largest wind energy gearbox manufacturer in the world. The consolidated financial statements for the year ended March 31, 2007, inter alia include the financial statements of Eve Holding N.V., Belgium from May 9, 2006. Accordingly, the consolidated financial statements for the year ended March 31, 2008 are to that extent not comparable with the consolidated financial figures of the prior periods presented.

b) In preparation for the listing, all the shares of Hansen have been transferred from EVE to AE-Rotor in the month of November 2007. The Company approved the dissolution of EVE which was put into liquidation on November 19, 2007. In accordance with a pre-listing agreement involving the managers, certain managers have acquired 8,529 ordinary shares in Hansen. The shares were transferred by AE-Rotor to the relevant managers. AE-Rotor has bought back the management option certificates issued to certain key management personnel.

c) On December 20, 2007, the Company has raised Rs 21,826.96 million through allotment of 11,386,000 Equity Shares of Rs 10 each (since adjusted to 56,930,000 equity shares of Rs 2 each [See Note 11(d)]) at a price of Rs 1,917 per equity share of Rs 10 each (since adjusted to Rs 383.40 per equity share of Rs 2 each[See Note 11(d)]) to selected Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutional Placements (QIP) under Chapter XIII-A of the SEBI (DIP) Guidelines, 2000.

d) Effective January 28, 2008, the Company has subdivided the face value of equity shares from Rs 10 each to Rs 2 each (share split), after obtaining shareholders approval vide resolution passed through postal ballot dated December 6, 2007. Accordingly, the figures for number of equity shares and price of shares disclosed in the financial statements have been adjusted for the impact of share split except in case of disclosures under 'Schedule A- Share Capital'. Further, the basic and diluted earnings per share disclosed have been computed for the current year and recomputed for the previous year based on the revised face value of Rs 2 each.

e) Effective April 1, 2007, Suzlon Infrastructure Services Ltd ('SISL') has commenced activities related to erection, installation and commissioning of WTGs.

f) Suzlon Power Infrastructure Private Limited ('SPIPL'), a 100% subsidiary of the Company, has made an application for a Transmission license to the Gujarat Electricity Regulatory Commission, Ahmedabad ('GERC') on January 28, 2008. The transmission lines covered under the application will support the power evacuation arrangements and transmission of power for the wind sites and any other generating sources located in the Kutch region of Gujarat, India. In expectation of receipt of the license by SPIPL, Suzlon Gujarat Wind Park Private Limited , has inventorised the costs incurred by it on developing a part of these lines till March 31, 2008 aggregating Rs 548.78 million. The extent of the costs which can be inventorised has been determined based on lower of cost incurred and valuation conducted by an external valuer. These lines would eventually be transferred to SPIPL, based on a valuation of the investment approved by the regulator.

g) The Company has made a provision for dividend in the books of account considering the number of equity shares outstanding as at the balance sheet date. However, the Company is obliged to pay dividend to those share holders and bond holders, if any who convert their stock options into equity shares and bonds into Equity Shares respectively after the balance sheet date and upto the book closure date for dividend purposes. Incremental dividend and dividend distribution tax thereon if any will be paid out of the balance available in the profit and loss account

h) **Details of security for the secured loans in consolidated financial statements are as follows:**

(i) ***Term Loans from banks and financial institutions***

- Rs 77.54 million (Rs 104.78 million) secured by way of first charge on specific plant and machinery, land, second charge on windmills and corporate guarantee of the Company.
- Rs Nil million (Rs 24.15 million) secured by way of hypothecation of stocks, debtors and on specific receivables.
- Rs 619.07 million (Rs 643.80 million) secured by way of mortgage of plant and machinery and other fixed assets, hypothecation on current assets and corporate guarantee of the Company.
- Rs 200.76 million (Rs 217.68 million) secured by hypothecation of plant and machinery and other fixed assets.
- Rs 69.99 million (Rs 828.08) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets.
- Rs 313.36 (Rs Nil) secured by way of first charge on all plant and machineries and other fixed assets and second charge on all current assets and corporate guarantee of the Company.
- Rs 185.25 million (Rs Nil) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets, personal guarantee of directors and corporate guarantee of the Company.
- Rs 986.40 million (Rs 601.08 million) secured by charge on moveable properties receivables of the power generated from windmill.
- Rs 12,351.63 million (Rs 7,870.32 million) secured by way of first rank mortgage and floating charge on assets.
- Rs 265.21 million (Rs 256.33 million) secured by way of first rank mortgage and floating charge on assets and corporate guarantee of the Company.
- Rs 80.20 million (Rs 111.71 million) secured by way of first charge windmills and land, personal guarantee of directors and corporate guarantee of the Company.
- Rs 46,608.93 million (Rs Nil) secured against pledge/ negative lien on shares of certain subsidiaries, pledge on shares of REpower Systems AG and corporate guarantee of the Company.

(ii) ***Term loans from others***

- Rs Nil (Rs 862.50 million) secured by way of first charge on certain immovable properties.
- Rs 150.65 million (Rs 199.31 million) secured by way of first charge on certain immovable and movable fixed assets, specific security deposits, book-debts and second charge on current assets.
- Rs 36.92 million (Rs 41.97 million) secured by charge on certain windmills, receivables of the power generation from windmills and mortgage of land.

(iii) ***Working capital facilities from banks and financial institutions***

- Rs 8,159.10 million (Rs 7,516.72 million) secured by hypothecation of inventories, book debts and other current assets, both present and future and first and second charge on certain immovable fixed assets.
- Rs 353.03 million (Rs 160.08 million) secured by hypothecation of inventories, book debts and other current assets, both present and future, second charge on certain immovable fixed assets and corporate guarantee of the Company.

- Rs Nil (Rs 405.09 million) secured by first rank mortgage and floating charge on assets of the Company.

- Rs 116.69 million (Rs Nil) secured by lien on inventories, book debts, all deposit accounts, certain fixed assets and corporate guarantee of the Company.

- Rs 89.37 million (Rs Nil) secured by hypothecation of all current assets, second charge on fixed assets and corporate guarantee of the Company.

(iv) ***Vehicle loan***

- Rs 0.21 million (Rs 0.71 million) secured against vehicle under hire purchase contract.

i) Operating leases

Premises

Suzlon has taken certain premises on cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 220.70 million (Rs 126.56 million).

The group has also taken furnished/unfurnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to six years The lease rental charge during the year is Rs 415.53 million (Rs 156.56 million) and maximum obligation on long — term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

	Year Ended March 31,	
Obligation on non-cancellable operating leases	**2008**	**2007**
Not later than one year	**488.97**	102.71
Later than one year and not later than five years	**758.53**	177.60
Later than five years	**52.71**	49.46

j) Post employment benefits

SEL and certain subsidiary companies have defined benefit plans.

The following table summarises the components of net benefit expense recognised in the profit and loss account.

Net employees benefit expense recognised in the profit and loss account.

	Year Ended March 31,	
Particulars	**2008**	**2007**
Current service cost	**68.82**	48.93
Interest cost on benefit obligation	**26.07**	21.01
Expected return on plan assets	**(17.12)**	(12.38)
Net actuarial (gain) / loss recognised in the year	**8.51**	(0.58)
Past service cost	**Nil**	21.80
Net Benefit expense	**86.28**	78.78

Details of defined benefit obligation

	Year Ended March 31,	
Particulars	**2008**	**2007**
Defined benefit obligation	**540.65**	539.08
Fair value of plan assets	**397.58**	337.72
Present value of unfunded obligations	**7.76**	7.40
Less: Unrecognised past service cost	**Nil**	Nil
Plan Liability	**143.07**	201.36

Changes in the present value of the defined benefit plan are as follows:

Particulars	Year Ended March 31, 2008	2007
Opening defined benefit obligation	**539.18**	461.02
Interest cost	**25.98**	21.01
Current service cost	**69.48**	72.43
Benefits paid	**(31.47)**	(17.98)
Actuarial (gains) / losses on obligation	**(62.03)**	2.79
Closed defined benefit obligation	**540.61**	539.27

Changes in the fair value of plan assets are as follows:

Particulars	Year Ended March 31, 2008	2007
Opening fair value of plan assets	**337.74**	241.76
Expected return	**17.10**	12.32
Contributions by employer*	**83.08**	111.35
Benefits paid	**(31.52)**	(18.05)
Actuarial gains / (losses)	**(8.82)**	(9.69)
Closing fair value of plan assets	**397.58**	337.69

Further the principal assumptions with respect to discount rate, expected return on plan assets, salary escalation rate and attrition rate used in determining the defined benefit gratuity plan obligations differ from subsidiary to subsidiary.

The estimates of future salary increases take into account the inflation, seniority, promotion and other relevant factors.

k) Provisions

In pursuance of Accounting Standard-29 (AS-29) "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of accounts in the following manner:

Particulars	Performance Guarantee	Operation, Maintenance and Warranty	Provision for Liquidated Damages
Opening balance	**1,809.15**	**2,529.18**	**259.44**
	(1,414.50)	(1,728.99)	(27.30)
Additions due to acquisition	—	—	—
	(—)	(436.00)	(—)
Additions	**2,357.01**	**1,646.70**	**431.96**
	(1,026.96)	(1,520.59)	(363.10)
Utilization	**1,332.32**	**1,366.74**	**197.01**
	(632.31)	(1,156.40)	(130.96)
Reversal	—	—	187.46
	(—)	(—)	(—)
Closing balance	**2,833.94**	**2,809.24**	**306.93**
	(1,809.15)	(2,529.18)	(259.44)

The provision for performance guarantee (PG) represents the expected outflow of resources against claims for performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor, machine availability etc.

The provision for operation, maintenance and warranty (O&M) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTGs and components there of over the period of free O&M, which varies according to the terms of each sales order.

The closing balance of the provision for operation, maintenance and warranty in the balance sheet represents the amount required for operation, maintenance and warranty for the unexpired period on WTGs and components there of, on the field under warranty. The charge to the profit and loss account is the balancing figure. However, the breakup of charge to profit and loss account of "provision for operation, maintenance and warranty" is as under:

a) Amount of provision required for the WTGs sold during the year Rs 1,646.70 million (Rs 1,520.59 million)

b) Less: Utilization against opening provision, booked by the subsidiary under various expenditure by nature Rs 957.66 million (Rs 661.52 million)

c) Charge to profit and loss account Rs 689.04 million (Rs 859.07 million)

Provision for liquidated damages (LD) represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

l) The standalone profit and loss account includes a charge of Rs 541.00 million (Rs 584.84 million) on account of design change and technological upgradation charges and Rs 201.53 million (Rs 143.70 million) on account of operation and maintenance charges part of which have got eliminated on consolidation. However, the cost incurred by the subsidiary for rendering the services/ affecting the sales have been booked under various expenditures by their nature.

12. Break-up of the accumulated deferred tax asset/(liability), net is given below:

		Deferred tax asset/(liability) as at March 31	
Particulars		**2008**	**2007**
Deferred tax assets:			
Unabsorbed losses and depreciation		1,239.32	511.28
Employee benefits		161.11	84.91
Provision for performance guarantee, LD and operation, maintenance and warranty		867.59	953,90
Provision for doubtful debts		64.36	23.84
Others		147.88	33.27
	(a)	**2,480.26**	**1,607.20**
Deferred tax liability			
Difference in depreciation of fixed assets		2,713.17	1,803.14
Others		0.19	0.55
	(b)	**2,713.36**	**1,803.69**
Deferred tax asset/(liability) (net)	**[(c)=(a)-(b)]**	(233.10)	(196.49)
Tax effect of share issue expenses eligible for income tax deduction U/s 35D, credited to securities premium	**(d)**	15.10	19.70
Total deferred tax asset/(liability)	**(c)+(d)**	**(218.00)**	**(176.79)**

13. Earnings Per Share (EPS)

Particulars		2008	2007
		All amounts in Rupees million except per share data	
		As at March 31,	
Basic			
Profit after share of profit of associates and minority interest		**10,300.99**	8,640.32
Less: Preference dividend and tax thereon		**2.34**	23.03
Profit attributable to equity shareholders	A	**10,298.65**	8,617.29
Add: Exceptional items, net of taxes		**1,511.69**	—
Profit before exceptional items	B	**11,810.34**	8,617.34
Weighted average number of equity shares	C	**1,455,672,492**	1,43,83,63,468
Basic EPS (Rs) of face value of Rs 2 each			
- before exceptional items	B/C	**8.11**	5.99
- after exceptional items	A/C	**7.07**	5.99
Diluted			
Weighted average number of equity shares	C	**1,45,56,72,492**	1,43,83,63,468
Add: Equity shares for no consideration arising on grant of share options under ESOP 2005 and ESOP 2006	D	**16,09,325**	23,07,690
Add: Potential equity shares that could arise on conversion of zero coupon convertible bonds	E	**3,75,93,265**	—
Weighted average number of equity shares for diluted EPS	F = (C+D+E)	**1,494,875,082**	1,440,671,158
Diluted EPS (Rs) of face value of Rs 2 each			
- before exceptional items	B/F	**7.90**	5.98
- after exceptional items	A/F	**6.89**	5.98

14. Statement showing the use of proceeds from Initial Public Offer up to March 31, 2008

S. No.	Description	As at March 31, 2008
I.	Sources of Funds	
	IPO Proceeds	**13,648.97**
	Issue Expenses	(406.71)
	Net Proceeds	**13,242.26**
II.	Application of Funds	
i)	Setting up and expansion of manufacturing facilities in India	1,177.45
ii)	Capitalization of subsidiaries	3,193.34
iii)	Setting up of new corporate house and corporate learning centre	427.34
iv)	Redemption of preference shares allotted to the private equity investors	1,000.00
	Growth opportunities in domestic and international markets and general corporate purposes	5,735.77
v)	Reallocation of funds vide special resolution at AGM dated July 25, 2007 for capitalisation of subsidiaries and / or for growth opportunities in domestic and international markets	1,708.36
	Total	**13,242.26**
III.	**Unutilised Funds**	—

15. Statement showing the use of proceeds from Qualified Institutional Placements up to March 31, 2008

On December 20, 2007, the Company has raised Rs. 21,826.96 million through allotment of 11,386,000 Equity Shares of Rs. 10 each (since adjusted to 56,930,000 equity shares of Rs 2 each [See Note 11(d)]) at a price of Rs 1,917 per equity share of Rs 10 each (since adjusted to Rs 383.40 per equity share of Rs 2 each[See Note 11(d)]) to selected Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutional Placements (QIP) under Chapter XIII-A of the SEBI (DIP) Guidelines, 2000. The details of utilization of QIP proceeds are given below:

Sl. No.	Description	As at March 31, 2008
I.	**Sources of funds**	
	Proceeds from Issue	21,826.96
	Issue Expenses	(262.63)
	Net Proceeds	**21,564.33**
II.	**Utilisation of funds**	
	Repayment of Acquisition facility loans	11,292.29
	Working Capital requirement and General corporate purposes	3,411.17
	Investments in subsidiaries for Capital expenditure and Working Capital requirement	1,353.70
	Total	**16,057.16**
III.	**Unutilised funds**	**5,507.17**

Of the unutilised funds, Rs 5,500.00 million is lying as fixed deposits with Industrial Development Bank of India, India and the balance Rs 7.10 million is lying in the escrow account with Housing Development Finance Corporation Bank, India.

16. Managerial Remuneration to Directors

Particulars	Year Ended March 31, 2008	2007
Salaries	**13.00**	13.00
Contribution to Superannuation Fund	**2.74**	2.70
Sitting Fees	**0.20**	0.42
	15.94	16.12

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

17. a. Contingent liabilities

Particulars	As at March 31 2008	2007
Guarantees given on behalf of other companies in respect of loans granted to them by banks	**Nil**	3.60
Guarantees given in connection with acquisition of shares of REpower	**46,936.20**	Nil
Claims against the Company not acknowledged as debts	**3.83**	13.67
Disputed labour cost liabilities	**0.17**	3.18
Disputed service tax liabilities	**27.12**	17.51
Premium on redemption of zero coupon convertible bonds	**1,010.79**	Nil

The disputed Income tax demand outstanding as on date is Rs 192.30 million. Based on the decisions of the Appellate authorities and the interpretations of other relevant provisions, the Company is of the opinion that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.

b. Capital commitments

Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances is Rs 18,999.18 million (Rs 11,930.89 million).

18. Derivative Instruments and Unhedged Foreign Currency Exposure

Particulars of derivatives	Purpose
Forward contract outstanding as at balance sheet date:	
Buy Euro 150,522,982 (Euro 38,619,539)	Hedge of forex Euro liabilities
Buy GBP Nil (GBP 51,966)	Hedge of forex GBP liabilities
Buy USD 309,759,304 (USD 311,404,324)	Hedge of forex USD liabilities
Sell DKK Nil (DKK 10,928,006)	Hedge of forex DKK receivable
Sell USD 286,961,890 (USD 33,369,600)	Hedge of forex USD receivable
Sell Euro 118,198,046 (Euro 21,500,000)	Hedge of forex Euro receivable
Sell AUD 32,500,000 (AUD Nil)	Hedge of forex AUD receivable

Option contract outstanding as at balance sheet date:

USD 135.00 million (10.00 million) zero cost 1:2 forward put options outstanding

USD Nil (16.50 million) call spread options outstanding

Euro 177.50 million (12.00 million) zero cost barrier call options outstanding

Euro 115.00 million (Nil) zero cost put spread options outstanding

Particulars of unhedged foreign currency exposure as at the balance sheet

Particulars	Year Ended March 31, 2008	2007
Creditors	**4,319.59**	2,465.75
Debtors	**16,206.43**	2,011.38
Loans given	**3,441.50**	2,778.44
Loans received	**5,965.62**	1,927.25
Bank balance in current accounts and term deposit accounts	**3,535.65**	923.85
Zero coupon convertible bonds	**20,055.00**	Nil

19. Related Party Disclosures

(A) **Related parties with whom transactions have taken place during the year**

a) ***Entities where Key Management Personnel (KMP)/ Relatives of Key Management Personnel ("RKMP') has significant influence***

Sarjan Realities Limited, Suzlon Infrastructure Limited (formerly Aspen Infrastructures Limited), Senergy Global Private Limited, SE Shipping Lines Pte Ltd, Shubh Realty (South) Private Limited, Sugati Holdings Private Limited, Samanvaya Holdings Private Limited, Sanman Holdings Private Limited, Suruchi Holdings Private Limited, Tanti Holdings Limited, Vinod R. Tanti (HUF), Girish R. Tanti (HUF), Jitendra R. Tanti (HUF)

Note- Sarjan Realities Limited and Suzlon Infrastructure Limited (formerly Aspen Infrastructures Limited) were associates in FY 2006-07.

b) ***Key Management Personnel***

Tulsi R. Tanti, Girish R. Tanti

c) ***Relatives of Key Management Personnel***

Gita T. Tanti, Jitendra R. Tanti, Lina J. Tanti, Nidhi T. Tanti, Pranav T. Tanti, Rambhaben Ukabhai, Sangita V. Tanti, Trisha J. Tanti, Vinod R. Tanti, Esha G. Tanti,

d) ***Employee Funds***

Suzlon Energy Ltd. - Superannuation Fund

Suzlon Energy Ltd. - Employees Group Gratuity Scheme

Suzlon Infrastructure Services Ltd. - Superannuation Fund

Suzlon Infrastructure Services Ltd. - Employees Group Gratuity Scheme

Suzlon Towers & Structure Ltd. - Superannuation Fund

Suzlon Towers & Structure Ltd. - Employees Group Gratuity Scheme

Suzlon Power Infrastructure Pvt. Ltd. - Superannuation Fund

Suzlon Power Infrastructure Pvt. Ltd - Employees Group Gratuity Scheme

Suzlon Generators Pvt. Ltd. - Superannuation Fund

Suzlon Generators Pvt. Ltd. - Employees Group Gratuity Scheme

(B) Transactions between the group and related parties during the year and the status of outstanding balances as at March 31, 2008

Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets (including intangibles)	—	**378.32**	—	—	—
	(28.96)	(2.68)	(–)	(–)	(–)
Sale of fixed assets		**0.59**	—	—	—
	(0.34)	(–)	(–)	(–)	(–)
Subscription to/purchase of equity shares	—	—	—	—	—
	(–)	(–)	(0.15)	(0.35)	(–)
Redemption of preference shares	—	—	—	—	—
	(–)	(43.58)	(13.10)	(82.50)	(–)
Sale of investments	—	—	—	—	—
	(–)	(22.03)	(–)	(48.70)	(–)
Sale of goods	—	**54.59**	—	—	—
	(1,080.46)	(28.18)	(142.47)	(142.47)	(–)
Purchase of goods and services	—	**2,539.06**	—	—	—
	(1,898.40)	(446.87)	(–)	(–)	(–)
Transformer division acquisition	—	**42.47**	—	—	—
	(–)	(–)	(–)	(–)	(–)
Loans/deposit given		**3,204.90**	—	—	—
	(4,820.50)	(172.30)	(–)	(–)	(–)
Interest received/receivable	—	**193.00**	—	—	—
	(173.82)	(68.96)	(–)	(–)	(–)
Interest paid	—	**15.85**	—	—	—
	(–)	(–)	(–)	(–)	(–)
Dividend received/receivable	—	—	—	—	—
	(6.30)	(–)	(–)	(–)	(–)
Dividend paid	—	—	—	—	—
	(–)	(599.91)	(191.88)	(726.95)	(–)
Rent received	—	—	—	—	—
	(–)	(0.11)	(–)	(–)	(–)
	(–)	(–)	(–)	(–)	(–)
Leaser rent paid	**(–)**	**767.73**	**(–)**	**0.60**	**(–)**
	(–)	(0.10)	(–)	(–)	(–)
Managerial Remuneration	—	—	**15.72**	—	—
	(–)	(–)	(15.72)	(–)	(–)
Contribution to various funds	—	—	—	—	**87.03**
	(–)	(–)	(–)	(–)	39.54
Outstanding balances					
Advances from customers	—	—	**7.50**	**7.50**	—
	(–)	(–)	(7.50)	(7.50)	(–)
Sundry debtors	—	**37.29**	—	—	—
	(2.09)	(–)	(–)	(–)	(–)
Loans/deposits outstanding	—	—	—	—	—
	(3,682.78)	(757.20)	(–)	(–)	(–)
Advances/deposits to supplier	—	**129.77**	—	**0.50**	—
	(17.58)	(0.02)	(–)	(–)	(–)
Sundry creditors	—	**245.78**	—	—	—
	(20.30)	(14.18)	(–)	(–)	(–)
Corporate guarantees	—	—	—	—	—
	(3.04)	(–)	(–)	(–)	(–)

Note: Figures in brackets pertain to balances as on March 31, 2007

(C) Disclosure of significant transactions with related parties

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31 2008	2007
Purchase of fixed assets (including intangibles)	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Limited (Formerly Aspen Infrastructure Ltd)	**172.76**	26.72
		Sarjan Realities Ltd	**163.39**	2.24
Sale of Fixed Assets	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Limited (Formerly Aspen Infrastructure Ltd)	**0.30**	0.34
		Sarjan Realities Ltd	**0.10**	—
		Shubh Realty (South) Pvt. Ltd.	**0.19**	—
Subscription to/purchase of equity shares	RKMP	Lina J. Tanti	—	0.08
	RKMP	Sangita V. Tanti	—	0.08
	RKMP	Gita T. Tanti	—	0.08
	KMP	Girish R. Tanti	—	0.08
	RKMP	Vinod R. Tanti	—	0.08
	KMP	Tulsi R. Tanti	—	0.08
Redemption of preference shares	Entities where KMP/ RKMP has significant influence	Tanti Holdings Ltd	—	25.58
Sale of investments	Entities where KMP/ RKMP has significant influence	Vinod R. Tanti	—	10.00
	RKMP	Rambhaben Ukabhai	—	22.90
	RKMP	Nidhi T. Tanti	—	12.90
	RKMP	Trisha J. Tanti	—	12.90
Loan/deposits given	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Ltd (Formerly Aspen Infrastructure Ltd)	**2,647.30**	3,525.50
		Sarjan Realities Ltd	**420.10**	1,295.000
		Shubh Realty (South) Pvt Ltd	**137.50**	150.00
Sale of goods	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Limited (Formerly Aspen Infrastructure Ltd)	—	1,080.10
		Sarjan Realities Ltd	—	0.35
Purchase of goods and services	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Limited (Formerly Aspen Infrastructure Ltd)	**2,007.37**	1,879.20
		S E Shipping Lines PTE,Ltd	**510.71**	—
Interest received	Entities where KMP/ RKMP has significant influence	Sarjan Realities Ltd	**75.79**	112.38
		Suzlon Infrastructures Limited (Formerly Aspen Infrastructure Ltd)	**79.86**	61.43
		Shubh Realty (South) Pvt Ltd	**37.35**	67.65
Dividend received	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Ltd (Formerly Aspen Infrastructure Ltd)	—	5.00
		Sarjan Realities Ltd	—	1.30
Dividend paid	KMP	Tulsi R. Tanti and Girish R. Tanti	—	191.88
	RKMP	Relatives of KMP	—	726.95
	Entities where KMP/ RKMP has significant influence	Tanti Holdings Ltd (formerly known as Suzlon Capital Ltd)	—	599.91
Interest paid/payable	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Ltd. (Formerly Aspen Infrastructure Ltd.)	**15.85**	—

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31 2008	2007
Rent received	Entities where KMP/ RKMP has significant influence	Synergy Global Pvt Ltd	—	0.11
Leaser rent paid	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructures Ltd (Formerly Aspen Infrastructure Ltd)	**767.67**	
Managerial Remuneration	KMP	Tulsi R. Tanti	**11.64**	11.64
	KMP	Girish R. Tanti	**4.08**	4.07
Contribution to various funds	Employee Funds	Suzlon Energy Limited Superannuation Fund	**35.27**	28.78
	Employee Funds	Suzlon Energy Limited Employees Group Gratuity Scheme	**29.08**	1.42
	Employee Funds	Suzlon Infrastructure Services Limited Superannuation Fund	**13.62**	4.69

20. Disclosure as required by Clause 32 of Listing Agreement with Stock Exchanges

Type of relationship	Name	Amount outstanding as at March 31, 2008	Maximum Amount outstanding during the year
Companies in which directors are interested	Sarjan Realities Limited	—	**1,712.30**
	Suzlon Infrastructure Limited (formerly Aspen Infrastructures Limited)	—	**2,985.00**
	Shubh Realty (South) Private Limited	—	**894.70**

Note:

a) No loans have been granted by the Company to any person for the purpose of investing in the shares of Suzlon Energy Limited or any of its subsidiaries.

b) There are no balances outstanding from companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956.

21. Segment Reporting

The Company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system.

The Company's operations predominantly relate to manufacture and sale of of WTGs and gear box. Others mainly include sale/sub-lease of land, infrastructure development income and power generation income.

Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

A) Primary Business Segment

	Year Ended March 31, 2008					Year Ended March 31, 2007				
	Sale of WTG	Sale of Gear Box	Others	Eliminations	Total	Sale of WTG	Sale of Gear Box	Others	Eliminations	Total
Total external sales	1,12,614.83	22,129.00	2,050.47	—	1,36,794.30	59,975.24	18,560.74	1,321.32	—	79,857.30
Add: Inter segment sales	24.24	1,919.12	—	(1,943.36)	—	10.38	—	—	(10.38)	—
Segment revenue	1,12,639.07	24,048.12	2,050.47	(1,943.36)	1,36,794.30	59,985.62	18,560.74	1,321.32	(10.38)	79,857.30
Segment results	14,754.05	2,320.96	355.68	(129.50)	17,301.19	9,246.56	2,222.60	313.66	—	11,782.82
Add/(Less) items to reconcile with profit as per profit and loss account										
Add:										
Other Income					2,359.73					680.40
Less:										
Financial charges					(5,969.38)					(2,763.44)

	Year Ended March 31, 2008					Year Ended March 31, 2007				
	Sale of WTG	Sale of Gear Box	Others	Eliminations	Total	Sale of WTG	Sale of Gear Box	Others	Eliminations	Total
Less:										
Preliminary exp w/off					(15.41)					(17.14)
Profit before tax and exceptional items					13,676.13					9,682.64
Provision for current tax					2,678.51					1,635.98
MAT credit Entitlement					(806.75)					(512.32)
Deferred Tax					(22.76)					(125.70)
Fringe benefit tax					144.00					36.64
Total tax					1,992.99					1,034.60
Profit before tax and exceptional items					11,683.14					8,648.04
Exceptional items (net of tax) . . .					1,511.69					—
Profit after tax and exceptional items					10,171.45					8,648.04
Add: Share in associate's profit after tax					557.50					—
Less: Minority interest					(427.98)					(7.72)
Net profit					10,300.97					8,640.32
Segment assets	136,230.39*	49,784.09	6,814.08	—	192,828.56	62,156.90	38,875.08	3,543.99	—	1,04,575.97
Common assets					71,072.13				—	20,836.94
Enterprise assets					23,900.69				—	1,25,412.90
Segment liabilities	58,697.99	11,293.73	883.62	—	70,875.34	30,851.35	7,036.22	438.92	—	38,326.49
Common liabilities					112,012.24				—	51,975.62
Enterprise liabilities					182,887.58				—	90,302.11
Capital expenditure during the year	8,967.86	11,329.34	1,044.00	—	21,341.20	5,714.80	3,491.29	954.58	—	10,160.67
Segment depreciation	1,587.94	1,190.19	115.52	—	2,893.65	945.30	695.42	77.28	—	1,718.00
Non-cash expenses other than depreciation	15.41				15.41	17.00	—	0.10		17.10
*includes equity-accounted investments	31,410.03	—	—	—	31,410.03	—	—	—	—	—

B) Geographical Segment

	Year Ended March 31, 2008						Year Ended March 31, 2007					
Particulars	India	Europe	USA	China	Others	Total	India	Europe	USA	China	Others	Total
Segment revenue	56,186.98	31,824.37	25,553.80	4,785.28	18,443.90	136,794.33	41,693.25	16,363.46	16,517.48	3,142.93	2,140.18	79,857.30
Segment assets	64,701.12	95,204.42	13,742.47	9,407.35	9,773.24	1,92,828.60	45,256.05	42,082.89	11,206.59	4,827.21	1,203.23	104,575.97
Capital expenditure incurred	8,429.23	11,949.23	269.57	579.20	113.97	21,341.20	3,268.81	4,718.10	868.41	1,291.58	13.77	10,160.67

22. Prior year amounts have been reclassified wherever necessary to confirm with current year presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedules 'A' to 'P'

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

For S. R. BATLIBOI & Co.
Chartered Accountants

Tulsi R. Tanti
Chairman and Managing Director

Per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Hemal A. Kanuga Company
Secretary

Girish R. Tanti
Director

Place : Pune
Date : May 20, 2008

Place: Pune
Date : May 20, 2008

Place: Mumbai
Date : May 20, 2008

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006

Auditor's Report

The Board of Directors
Suzlon Energy Limited

1. We SNK & Co. and S. R. Batliboi & Co. have audited the attached consolidated balance sheet of Suzlon Energy Limited ('SEL') and its subsidiaries as described in Schedule P, Note 1 and joint venture as described in Schedule P, Note 2 (together referred to as the 'Group') as at March 31, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto ("consolidated financial statements"). These consolidated financial statements are the responsibility of SEL's management and have been prepared by management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 998.13 Crores as at March 31, 2009, Group's share of total revenues of Rs. 1,650.11 Crores and Group's share of total cash flows of Rs. (8.54) Crores for the year then ended. These financial statements and other financial information have been audited solely by SNK & Co. on which, S. R. Batliboi & Co. has placed reliance for the purpose of this report.

4. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 957.45 Crores as at March 31, 2009, Group's share of total revenues of Rs. 5,539.83 Crores and Group's share of total cash flows of Rs. 163.09 Crores for the year then ended. These financial statements and other financial information have been audited solely by S. R. Batliboi & Co. on which, SNK & Co. has placed reliance for the purpose of this report.

5. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 40,159.69 Crores as at March 31, 2009, Group's share of the total revenue of Rs. 18,157.09 Crores and Group's share of total cash flows amounting to Rs. (3,543.73) Crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

   These financial statements include the audited financial statements of subsidiaries, having Group's share of total assets of Rs. 37,036.50 Crores as at March 31, 2009, Group's share of total revenues of Rs. 11,284.44 Crores and Group's share of total cash flows amounting to Rs. (4,226.46) Crores for the year then ended, which have been audited by member firms of Ernst & Young Global in the relevant countries and whose reports have been furnished to us, and our opinion is based solely on their reports.

6. We did not audit the financial statements of certain subsidiaries, whose financial statements, reflect Group's share of total assets of Rs. 1.00 Crores as at March 31, 2009, Group's share of total revenues of Rs. 0.41 Crores and Group's share of total cash flows amounting to Rs. 3.76 Crores for the year then ended. These financial statements and other financial information have been certified by management and our opinion is based solely on these management certified accounts.

7. We did not audit the financial statements of joint ventures, whose financial statements, reflect Group's share of total assets of Rs. 71.05 Crores as at March 31, 2009, Group's share of total revenues of Rs. 339.63 Crores and Group's share of total cash flows amounting to Rs. 62.67 Crores for the year then ended. These financial

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006

statements and other financial information have been certified by management, and our opinion is based solely on these management certified accounts.

8. Without qualifying our opinion, we draw attention to Schedule P, Note 9 regarding non-provision of proportionate premium on redemption of 'US$500 Million Zero Coupon Convertible Bonds due 2012' amounting to Rs. 226.11 Crores which has been considered by the Group as a contingent liability.

9. We report that the consolidated financial statements have been prepared by SEL's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006.

10. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

    (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31**,** 2009**;**

    (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

    (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

SNK & Co
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No 46238
Place: Mumbai
Date: June 27, 2009

S. R. Batliboi & Co
Chartered Accountants

per Arvind Sethi
Partner
Membership No 89802
Place: Mumbai
Date: June 27, 2009

SUZLON ENERGY LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

All amounts in Rupees Million unless otherwise stated

Particulars	Schedule	As at March 31, 2009	As at March 31, 2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	2,996.59	2,993.90
Employee stock options outstanding	B	104.39	102.19
Reserves and surplus	C	82,216.58	77,916.95
		85,317.56	**81,013.04**
Preference shares issued by subsidiary company		**25.00**	**25.00**
Share application money pending refund [See Schedule P, Note 11(d)]		**950.00**	**—**
Minority interest		**23,134.50**	**10,243.82**
Loan funds			
Secured loans	D	102,766.21	70,664.32
Unsecured loans	E	45,929.50	28,681.60
		148,695.71	**99,345.92**
Deferred tax liabilities		**4,417.43**	**2,058.94**
		262,540.20	**192,686.72**
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)	F		
Gross block		151,024.08	55,998.38
Less: Accumulated depreciation/amortisation		18,210.00	10,318.44
Net block		132,814.08	45,679.94
Capital work-in-progress		19,840.18	11,196.74
		152,654.26	**56,876.68**
Investments	G	**50.83**	**31,417.78**
Deferred tax assets		**2,549.27**	**1,840.88**
Foreign currency monetary translation difference account [See Schedule P, Note 3]		**3,980.13**	**—**
Current assets, loans and advances	H		
Inventories		71,736.50	40,848.33
Sundry debtors		53,927.88	32,012.51
Cash and bank balances		30,698.44	69,602.01
Other current assets		33,457.12	14,893.48
Loans and advances		29,008.92	18,249.94
		218,828.86	**175,606.27**
Less : Current liabilities and provisions	I		
Current liabilities		105,947.29	64,830.12
Provisions		9,575.86	8,224.77
		115,523.15	**73,054.89**
Net current assets		**103,305.71**	**102,551.38**
Miscellaneous expenditure (To the extent not written off or adjusted)	J	**—**	**—**
		262,540.20	**192,686.72**
Significant accounting policies and notes to consolidated financial statements	P		

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Mumbai
Date : June 27, 2009

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Mumbai
Date : June 27, 2009

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : June 27, 2009

SUZLON ENERGY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

All amounts in Rupees Million unless otherwise stated

Particulars	Schedule	April 01, 2008 to March 31, 2009	April 01, 2007 to March 31, 2008
INCOME			
Sales and service income		260,817.01	136,794.30
Other income	K	4,488.43	2,679.71
		265,305.44	**139,474.01**
EXPENDITURE			
Cost of goods sold	L	168,568.03	88,701.82
Operating and other expenses	M	42,675.48	16,807.17
Employees' remuneration and benefits	N	21,657.51	10,430.05
Financial charges	O	10,539.31	5,969.38
Depreciation/amortisation	F	5,731.42	2,893.64
Preliminary expenditure written off	J	0.90	15.41
		249,172.65	**124,817.47**
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		**16,132.79**	**14,656.54**
Less: Exceptional items [See Schedule P, Note 5]		(8,962.85)	(2,852.14)
PROFIT BEFORE TAX		**7,169.94**	**11,804.40**
Current tax		2,111.10	2,316.15
MAT credit entitlement		(40.31)	(806.75)
Earlier year — current tax		(0.74)	2.31
Deferred tax		671.23	(22.77)
Fringe benefit tax		139.93	144.00
PROFIT AFTER TAX		**4,288.73**	**10,171.46**
Add : Share in associate's profit after tax		23.23	557.50
Less: Share of profit of minority		(1,947.15)	(427.98)
NET PROFIT		**2,364.81**	**10,300.98**
Balance brought forward		16,901.07	11,630.38
PROFIT AVAILABLE FOR APPROPRIATIONS		**19,265.88**	**21,931.36**
APPROPRIATIONS			
Proposed dividend on equity shares		—	—
Residual dividend of previous year		1.32	1,496.99
Dividend on preference shares		—	2.00
Tax on dividends		8.68	263.80
Transfer to general reserve		—	3,267.50
Surplus carried to balance sheet		**19,255.88**	**16,901.07**
Earnings per share (in Rs) [See Schedule P, Note 16]			
— Basic [Nominal value of share Rs 2]		**1.58**	7.07
— Diluted [Nominal value of share Rs 2]		**1.52**	6.89
Significant accounting policies and notes to consolidated financial statements	P		

The schedules referred to above and the notes to accounts form an integral part of the consolidated profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Mumbai
Date : June 27, 2009

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Mumbai
Date : June 27, 2009

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : June 27, 2009

SUZLON ENERGY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009
All amounts in Rupees Million unless otherwise stated

Particulars	Year Ended March 31, 2009	Year Ended March 31, 2008
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and exceptional items	**16,132.79**	**14,656.54**
Adjustments for:		
Depreciation/ amortisation	5,731.42	2,893.64
Loss on assets sold / discarded, net	0.15	35.67
Profit on sale of investments, net	(931.82)	(34.26)
Preliminary expenses incurred	(0.90)	(15.41)
Preliminary expenses written off	0.90	15.41
Interest income	(1,769.26)	(2,328.87)
Interest expenses	9,012.09	5,320.27
Dividend income*	(0.02)	(0.01)
Premium on redemption of preference shares of subsidiary	(16.43)	—
Provision for operation, maintenance and warranty	3,667.25	689.04
Provision for performance guarantee	2,808.77	1,562.51
Provision for liquidated damages	2,843.30	244.50
Bad debts written off	37.91	157.22
Provision for doubtful debts and advances	210.23	172.29
Adjustments for consolidation	(326.66)	3,747.22
Exchange differences, net	(6.00)	(149.89)
Employee stock option scheme	84.47	45.28
Wealth-tax	0.58	0.35
Operating profit before working capital changes	**37,478.77**	**27,011.50**
Movements in working capital		
(Increase) / decrease in sundry debtors and unbilled revenue	(26,572.04)	(21,478.78)
(Increase) / decrease in inventories	(18,490.78)	(9,485.35)
(Increase) / decrease in loans and advances	(4,351.80)	(8,741.76)
(Increase) / decrease in margin money deposits	(1,083.71)	(329.10)
Increase / (decrease) in current liabilities and provisions	8,567.19	27,838.51
Cash (used in) / generated from operations	(4,452.37)	14,815.02
Direct taxes paid (net of refunds)	(2,372.18)	(2,117.82)
Net cash (used in) / generated from operating activities before exceptional items	**(6,824.55)**	**12,697.20**
Exceptional items paid	(5,413.25)	(654.64)
Net cash (used in) / generated from operating activities	**(12,237.80)**	**12,042.56**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(33,308.43)	(21,287.16)
Proceeds from sale of fixed assets	142.21	82.72
Paid for acquisition of subsidiaries	(41,775.74)	—
Purchase of investments	(4,000.76)	(30,704.62)
Sale / redemption of investments	4,003.31	—
Inter-corporate deposits repaid / (granted)	(1,157.80)	4,433.34
Interest received	2,862.98	1,108.77
Dividend received*	0.02	0.01
Premium on redemption of preference shares of subsidiary	16.43	—
Net cash flow used in investing activities	**(73,217.78)**	**(46,366.94)**
CASH FLOW FROM FINANCING ACTIVITIES		
Share application money received	950.00	—
Proceeds from issuance of share capital including premium, under stock option scheme	69.41	60.20
Proceeds from issuance of share capital including premium to qualified institutional buyers	—	21,826.96

SUZLON ENERGY LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2009 — (Continued)

Particulars	Year Ended March 31, 2009	Year Ended March 31, 2008
Debenture, zero coupon convertible bond and share issue expenses	(50.55)	(491.86)
Proceeds from issuance of share capital by subsidiary, net of issue expense	3,944.60	26,607.50
Proceeds on sale of stake of subsidiary, net	4,772.53	—
Buy back of management option certificates	—	(284.69)
Proceeds from issuance of debentures	3,000.00	—
Proceeds from long term borrowings	14,862.40	45,142.44
Proceeds from issuance of zero coupon convertible bonds	—	20,099.00
Repayment of long term borrowings	(16,169.48)	(18,193.56)
Proceeds /(Repayment) from short term borrowings, net	38,392.61	(1,555.48)
Interest paid	(9,256.67)	(5,057.55)
Dividend paid	(1,514.38)	(8.78)
Tax on dividend paid	(262.25)	(3.18)
Net cash flow from financing activities	**38,738.22**	**88,141.00**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(46,717.36)**	**53,816.62**
Add: Cash and bank balances taken over on acquisition of subsidiary	6,692.47	—
Add/(less): Effect of exchange difference on cash and cash equivalents	37.61	73.34
Total	**(39,987.28)**	**53,889.96**
Cash and cash equivalents at the beginning of the year	68,345.98	14,456.02
Cash and cash equivalents at the end of the year	28,358.70	68,345.98

Components of Cash and Cash Equivalents	As at March 31, 2009	As at March 31, 2008
Cash and cheques on hand	436.51	934.26
With scheduled banks		
in current account	8,042.14	11,438.69
in margin account	6,791.34	31,092.29
in term deposit accounts	15,428.45	26,136.77
less: in margin money deposits	(2,339.74)	(1,256.03)
	28,358.70	**68,345.98**

Notes

1 The figures in brackets represent outflows.

2 Previous period's figures have been regrouped / reclassified, wherever necessary to confirm to current year presentation.

* Amount below Rs. 0.10 million

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Mumbai
Date : June 27, 2009

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Mumbai
Date : June 27, 2009

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : June 27, 2009

SUZLON ENERGY LIMITED

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009
All amounts in Rupees Million unless otherwise stated

Particulars	As at March 31, 2009	As at March 31, 2008
SCHEDULE — A : SHARE CAPITAL		
Authorised		
2,225,000,000 (2,225,000,000) equity shares of Rs 2/- each	4,450.00	4,450.00
	4,450.00	**4,450.00**
Issued and subscribed		
Equity		
1,498,295,400 (1,496,934,400) equity shares of Rs 2/- each fully paid-up	2,996.59	2,993.90
[Of the above equity shares, 1,259,276,500 (1,259,276,500) shares of Rs 2/- each were allotted as fully paid bonus shares by utilisation of Rs 1,740.40 million (Rs 1,740.40 million) from general reserve, Rs 10.30 million (Rs 10.30 million) from capital redemption reserve and Rs 768 million (Rs 768 million) from securities premium account]		
[Outstanding Employee Stock Options exercisable into 571,000 (246,000) equity shares of Rs 2/- each fully paid] [See Schedule P, Note 10]		
	2,996.59	**2,993.90**
SCHEDULE — B : EMPLOYEE STOCK OPTIONS OUTSTANDING		
Employee stock options outstanding	121.99	178.32
Less: Deferred employee compensation outstanding	17.60	76.13
	104.39	**102.19**
SCHEDULE — C : RESERVES AND SURPLUS		
Capital redemption reserve		
As per last balance sheet	**150.00**	**150.00**
Unrealised gain on dilution [See Schedule P, Note 6 and Note 7]	**14,029.33**	**12,002.48**
Securities premium account		
As per last balance sheet	34,566.24	13,226.94
Add : Additions during the year	136.10	21,831.15
	34,702.34	35,058.09
Less : Expenses on issue of equity shares to qualified institutional buyers	—	262.66
Expenses on issue of debentures [See schedule P, Note 11(a)]	50.55	—
Expenses on issue of zero coupon convertible bonds	—	229.20
	34,651.79	**34,566.23**
General reserve		
As per last balance sheet	9,528.17	6,263.50
Add : Transferred from profit and loss account	—	3,267.50
Add : Adjustment as per transitional provisions of AS-11 (net of tax of Rs Nil) [See Schedule P, Note 3]	10.99	—
	9,539.16	9,531.00
Less: Adjustment for employee benefits provision	—	2.83
	9,539.16	**9,528.17**
Capital reserve on consolidation	**0.30**	**0.30**
Foreign currency translation reserve		
(Exchange differences during the year on net investment in non-integral operations)		
As per last balance sheet	4,768.70	(45.18)
Movement during the year	(178.58)	4,813.88
	4,590.12	**4,768.70**
Profit and loss account	**19,255.88**	**16,901.07**
	82,216.58	**77,916.95**

Particulars	As at March 31, 2009	As at March 31, 2008
SCHEDULE — D : SECURED LOANS [See Schedule P, Note 11(e)]		
12.5% secured redeemable non-convertible debentures [See Schedule P, Note 11(a)]	**3,000.00**	**—**
Term loans		
From banks and financial institutions	59,819.93	61,758.35
From others	177.47	187.57
	59,997.40	**61,945.92**
Working capital facilities from banks and financial institutions	**39,762.57**	**8,718.19**
Vehicle loans	**6.24**	**0.21**
	102,766.21	**70,664.32**
SCHEDULE — E : UNSECURED LOANS		
Long-term		
Zero coupon convertible bonds [See Schedule P, Note 9]	25,355.00	20,055.00
Capital from profit participation rights [See Schedule P, Note 11(b)]	675.20	
From banks and financial institutions	140.55	810.76
From others	4,666.39	111.23
	30,837.14	**20,976.99**
Short-term		
From banks and financial institutions	14,430.46	7,686.11
From others	661.90	18.50
	15,092.36	**7,704.61**
	45,929.50	**28,681.60**

SCHEDULE — F : FIXED ASSETS (INCLUDING INTANGIBLE ASSETS)

	Gross Block						Depreciation/Amortisation						Net block	
Assets	As at April 1, 2008	Additions	Acquisition (See Note 3)	Translation Adjustment	Deductions/ Adjustments	As at March 31, 2009	As at April 1, 2008	For the Year	Acquisition (See Note 3)	Translation Adjustment	Deductions/ Adjustments	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Goodwill on consolidation	13,923.14	57,929.47	—	1,841.63	1,924.03	**71,770.21**	—	—	—	—	—	—	**71,770.21**	**13,923.14**
Freehold land	1,472.51	24.08	209.99	30.92	—	**1,737.50**	—	—	—	—	—	—	**1,737.50**	**1,472.51**
Leasehold land	170.58	377.03	—	42.53	—	**590.14**	7.81	15.16	—	1.84	—	**24.81**	**565.33**	**162.77**
Buildings	10,269.24	8,969.62	640.79	877.00	16.49	**20,740.16**	1,000.53	617.06	112.29	49.31	3.83	**1,775.36**	**18,964.80**	**9,268.71**
Site development	—	999.97	—	—	—	**999.97**	—	21.18	—	—	—	**21.18**	**978.79**	—
Plant and machinery	25,931.58	15,117.49	1,164.72	1,562.76	119.13	**43,657.42**	7,146.75	3,592.58	391.95	427.14	61.97	**11,496.45**	**32,160.97**	**18,784.83**
Wind research and measuring equipments	247.54	10.96	—	2.07	—	**260.57**	143.61	42.10	—	0.02	—	**185.73**	**74.84**	**103.93**
Computer and office equipments	2,445.31	976.04	261.49	126.97	61.92	**3,747.89**	1,290.95	493.47	13.56	69.71	41.67	**1,826.02**	**1,921.87**	**1,154.36**
Furniture and fixtures	664.33	978.69	1,648.60	73.47	46.80	**3,318.29**	257.98	368.47	806.16	30.78	35.36	**1,428.03**	**1,890.26**	**406.35**
Vehicles	162.11	110.70	—	6.66	13.44	**266.03**	72.44	37.88	—	2.47	9.84	**102.95**	**163.08**	**89.67**
Intangible assets						—	—					—		
Designs and drawings	567.34	1,091.18	1,160.54	33.77	—	**2,852.83**	321.47	286.73	45.91	9.63	—	**663.74**	**2,189.09**	**245.87**
SAP software	144.70	172.42	792.95	18.04	45.04	**1,083.07**	76.90	282.65	318.92	7.26	—	**685.73**	**397.34**	**67.80**
	55,998.38	**86,757.65**	**5,879.08**	**4,615.82**	**2,226.85**	**151,024.08**	**10,318.44**	**5,757.28**	**1,688.79**	**598.16**	**152.67**	**18,210.00**	**132,814.08**	**45,679.94**
Capital work-in-progress													19,840.18	11,196.74
TOTAL	**55,998.38**	**86,757.65**	**5,879.08**	**4,615.82**	**2,226.85**	**151,024.08**	**10,318.44**	**5,757.28**	**1,688.79**	**598.16**	**152.67**	**18,210.00**	**152,654.26**	**56,876.68**
Previous year	43,210.76	14,681.21	—	3,395.34	5,288.93	55,998.38	7,015.82	2,947.62	—	461.34	106.34	10,318.44	45,679.94	

Note:

1. Depreciation charge for the current year amounting to Rs 5,757.28 million (Rs 2,947.62 million) includes Rs 25.88 million (Rs 53.97 million) which has been capitalised as part of self manufactured assets. The depreciation charged in the profit and loss account amounting to Rs 5,731.42 million (Rs 2,893.64 million) is net of the amount capitalised.
2. Capital work in progress includes advances for capital goods Rs 613.40 million (Rs 1,718.75 million).
3. Additions to gross block and depreciation charge for the current year includes balances taken over on account of REpower Systems AG, on June 06, 2008 which amounts to Rs 5,879.08 million and Rs 1,688.79 million respectively. [Also see Schedule P, Note 4]

Particulars	As at March 31, 2009	As at March 31, 2008
SCHEDULE — G : INVESTMENTS		
LONG-TERM INVESTMENTS		
In associates		
Cost of Investment	—	30,852.58
Add: Share of post acquisition profit	—	557.50
	—	**31,410.08**
Others (at cost, fully paid)		
Government and other securities (non trade)	0.19	0.40
Trade investments	—	—
Other non trade investments	50.64	7.30
	50.83	7.70
* amount below Rs 0.01 million		
	50.83	**31,417.78**
SCHEDULE — H : CURRENT ASSETS, LOANS AND ADVANCES		
Current assets		
Inventories		
Raw materials	38,112.02	18,835.22
Semi finished goods, finished goods, work-in-progress and contracts in progress	31,597.74	20,953.21
Land and land lease rights	335.73	118.81
Stores and spares	1,691.01	941.09
	71,736.50	**40,848.33**
Sundry debtors		
(Unsecured)		
Outstanding for a period exceeding six months		
Considered good	8,525.08	4,159.28
Considered doubtful	402.76	223.89
	8,927.84	4,383.17
Others, considered good	45,402.80	27,853.23
	54,330.64	32,236.40
Less: Provision for doubtful debts	402.76	223.89
	53,927.88	**32,012.51**
Cash and bank balances		
Cash on hand	14.75	11.41
Cheques on hand	421.76	922.85
Balances with scheduled banks		
in current accounts	741.07	1,527.23
in margin accounts	1,949.84	1,256.03
in term deposit accounts	1,599.10	6,041.10
Balances with non scheduled banks		
in current accounts	7,301.07	9,911.46
in margin accounts	4,841.50	29,836.26
in term deposit accounts	13,829.35	20,095.67
	30,698.44	**69,602.01**

Particulars	As at March 31, 2009	As at March 31, 2008
Other current assets		
(Unsecured and considered good)		
Due from customers	33,457.12	14,893.48
	33,457.12	**14,893.48**
Loans and advances		
(Unsecured and considered good, except otherwise stated)		
Deposits		
with customers as security deposit	195.56	308.35
with others	1,553.88	503.41
Advance against taxes, net	505.30	—
MAT credit entitlement	1,511.62	1,457.71
Inter corporate deposits	1,162.50	4.70
Advances recoverable in cash or in kind or for value to be received		
Considered good	24,080.06	15,975.77
Considered doubtful	65.57	22.14
	24,145.63	15,997.91
Less: Provision for doubtful loans and advances	65.57	22.14
	24,080.06	15,975.77
	29,008.92	**18,249.94**
	218,828.86	**175,606.27**
SCHEDULE — I : CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors	59,961.70	30,435.19
Other current liabilities	18,278.84	11,872.21
Interest accrued but not due	438.83	290.02
Due to customers	135.20	7,937.06
Advances from customers	27,132.72	14,295.64
	105,947.29	**64,830.12**
Provisions		
Provision for taxes, net	—	110.38
Gratuity, superannuation and leave encashment	731.98	385.14
Performance guarantee, operation, maintenance and warranty, liquidated damages	8,831.28	5,950.02
Dividend	—	1,513.06
Tax on dividend	12.60	266.17
	9,575.86	**8,224.77**
	115,523.15	**73,054.89**
SCHEDULE — J : MISCELLANEOUS EXPENDITURE		
(To the extent not adjusted or written off)		
Preliminary expenses	—	—
Add : Addition during the year	0.90	15.41
Less : Written off during the year	0.90	15.41
	—	—

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

All amounts in Rupees Million unless otherwise stated

Particulars		April 01, 2008 to March 31, 2009	April 01, 2007 to March 31, 2008
SCHEDULE — K : OTHER INCOME			
Interest income			
From banks		1,472.28	1,866.31
From others		296.98	462.56
Dividend income*		0.02	0.01
Premium on redemption of preference shares of subsidiary		16.43	—
Profit on sale of investments, net [See Schedule P, Note 7]		931.82	34.26
Other operating income		1,770.90	316.57
* Amount below Rs 0.01 million			
		4,488.43	**2,679.71**
SCHEDULE — L : COST OF GOODS SOLD			
Raw materials consumed, including project business			
Opening stock		18,835.22	16,933.14
Add : Purchases, including purchases for project business		198,479.89	97,021.55
		217,315.11	**113,954.69**
Less : Closing stock		38,112.02	18,835.22
	(A)	**179,203.09**	**95,119.47**
Trading purchases	**(B)**	**226.39**	**262.03**
(Increase)/ Decrease in stock			
Opening balance:			
Semi finished goods, finished goods, work-in-progress and contracts in progress		20,953.21	14,227.95
Land and land lease rights		118.81	164.39
	(C)	**21,072.02**	**14,392.34**
Closing balance:			
Semi finished goods, finished goods, work-in-progress and contracts in progress		31,597.74	20,953.21
Land and land lease rights		335.73	118.81
	(D)	**31,933.47**	**21,072.02**
(Increase)/Decrease in stock	**(E) = (C)−(D)**	**(10,861.45)**	**(6,679.68)**
	(A)+(B)+(E)	**168,568.03**	**88,701.82**
SCHEDULE — M : OPERATING AND OTHER EXPENSES			
Stores and spares		3,275.55	1,701.29
Power and fuel		922.74	463.74
Factory expenses		657.03	488.49
Repairs and maintenance:			
Plant and machinery		149.62	42.02
Building		51.43	40.32
Others		124.10	110.42
Operation and maintenance charges		1,288.03	128.73

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009 — (Continued)

Particulars	April 01, 2008 to March 31, 2009	April 01, 2007 to March 31, 2008
Design change and technological upgradation charges	943.64	511.81
Rent	1,204.20	504.36
Rates and taxes	218.19	154.66
Provision for operation, maintenance and warranty	3,667.25	689.04
Provision for performance guarantee	2,808.77	1,562.51
Liquidated damages	2,843.30	244.50
Quality assurance expenses	476.00	75.83
R & D, certification and product development	574.77	104.22
Insurance	660.55	252.05
Advertisement and sales promotion	716.77	547.54
Infrastructure development expenses	23.26	22.01
Freight outward and packing expenses	11,356.27	4,663.21
Sales commission	112.45	121.94
Travelling, conveyance and vehicle expenses	2,702.75	1,550.40
Communication expenses	933.80	340.82
Auditors' remuneration and expenses	206.46	93.62
Consultancy charges	2,535.21	842.73
Charity and donations	173.74	91.65
Other selling and administrative expenses	3,220.52	1,637.85
Exchange differences, net	580.79	(543.77)
Bad debts written off	37.91	157.22
Provision for doubtful debts and advances	210.23	172.29
Loss on assets sold/discarded, net	0.15	35.67
	42,675.48	**16,807.17**
SCHEDULE — N : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	19,463.85	9,800.19
Contribution to provident and other funds	1,592.58	323.70
Staff welfare expenses	601.08	306.16
	21,657.51	**10,430.05**
SCHEDULE — O : FINANCIAL CHARGES		
Interest		
Fixed loans	3,812.83	3,817.07
Debentures	97.59	—
Others	5,101.67	1,503.20
Bank charges	1,527.22	649.11
	10,539.31	**5,969.38**

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rupees million unless otherwise stated)

I SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The consolidated financial statements relate to Suzlon Energy Limited ('SEL' or 'the Company') and its subsidiaries, associates and joint venture (together referred to as 'Suzlon' or 'the Group'). The consolidated financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Group; and the accounting policies not referred to otherwise, are in conformity with Indian Generally Accepted Accounting Principles ('Indian GAAP').

b) Principles of consolidation

The consolidated financial statements of the Group are prepared in accordance with Accounting Standard 21 — 'Consolidated Financial Statements', Accounting Standard 23 — 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 — 'Financial Reporting of Interests in Joint Ventures' as notified by the Rules.

Subsidiaries

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions and intra group balances have been eliminated.

The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as goodwill and is tested for impairment annually. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as Capital Reserve. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and the charge/(reversal) on account of realignment is adjusted to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

Share of minority interest in the net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is presented separately in the balance sheet.

Associates

Investments in entities in which the Group has significant influence but not a controlling interest, are reported according to the equity method i.e. the investment is initially recorded at cost. Cost of investment in associates, over the net assets at the time of acquisition of the investment in the associates is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment annually. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated profit and loss account includes the Group's share of the results of the operations of the associate.

Joint Venture

Interests in joint venture have been accounted by using the proportionate consolidation method as per Accounting Standard 27 — Financial Reporting of Interests in Joint Ventures as notified by the Rules.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Company for its independent financial statements.

c) Use of estimates

The presentation of financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and that the revenue can be reliably measured. Revenue comprises of sale of goods and services and is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

Sales

Revenue from sale of goods is recognised in the profit and loss account when the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order, and the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey and supply-and-installation projects) are recognised in revenue based on the stage of completion of the individual contract using the percentage-of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Contracts in progress, if any are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in 'Contracts in progress' upon dispatch of the complete set of components which are specifically identified for a customer and are within the scope of supply, as per the terms of the respective sale order for the wind power systems.. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Project execution income

Revenue from services relating to project execution is recognised on completion of the respective service, as per the terms of respective sales order.

Power generation income

Power generation income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the power generation reports issued by the concerned authorities.

Service and maintenance income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided, net of taxes.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

e) Fixed assets and intangible assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalized upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realisable value.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create produce and make the asset ready for its intended use. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of the assets belonging to each cash generating unit (CGU) are reviewed at each balance sheet date to assess whether the same are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets with CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in prior accounting period is reversed if there has been a change in estimates of recoverable amount.

f) Depreciation and amortisation

Depreciation is provided on the written down value method (WDV) and is based on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher. Intangible assets are amortised on a straight line basis over a period of five years.

g) Inventories

Inventories of raw materials including stores; spares and consumables; packing materials; semi-finished goods; work-in-progress, contracts in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, project work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

i) Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates.

Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard-11 (AS-11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences relating to long term monetary items are dealt with in the following manner:

a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset.

b) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

All other exchange differences are recognised as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

Foreign operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in classification.

j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account.

k) Retirement and other employee benefits

Employee benefits in the nature of defined contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Retirement benefits in the form of gratuity and pension are defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method as at each balance sheet date.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided based for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

l) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts.

Contingent assets are not recognised or disclosed.

m) Taxes on income

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax.

Current tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities, after taking into consideration, the applicable deductions and exemptions admissible under the applicable tax laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various companies of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum alternative tax (MAT) credit, by whatever name known is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay income tax higher than that computed under MAT, during the period under which MAT is permitted to be set off under the applicable tax laws. In the year, in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay income tax higher than MAT during the specified period.

n) Operating leases

Assets acquired on lease, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the profit and loss account as incurred.

o) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

p) Employee stock options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

q) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

r) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. a. List of subsidiaries which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2009	2008
AE-Rotor Holding B.V	The Netherlands	100.00%	100.00%
Cannon Ball Wind Energy Park-I, LLC	USA	100.00%	100.00%
Eve Holding NV**	Belgium	—	—
Hansen Drives Limited	India	61.28%	71.28%
Hansen Drives Limited	Hong Kong	61.28%	—
Hansen Drives Pte Limited	Singapore	61.28%	—
Hansen Transmissions Inc	USA	61.28%	71.28%
Hansen Transmissions International NV	Belgium	61.28%	71.28%

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2009	2008
Hansen Transmissions Ltd.	United Kingdom	61.28%	71.28%
Hansen Transmissions Mecanicas Ltda	Brazil	61.22%	71.21%
Hansen Transmissions Pty Ltd.	Australia	61.28%	71.28%
Hansen Transmissions Pty Ltd.	South Africa	61.28%	71.28%
Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd.	PR China	61.22%	71.21%
Hansen Wind Energy Drives (China) Co Ltd.	PR China	60.67%	—
Lommelpark NV	Belgium	61.28%	71.28%
PowerBlades GmbH****	Germany	37.57%	—*
PowerBlades SA	Portugal	66.29%	—*
REpower Australia Pty Ltd.	Australia	73.65%	—*
REpower Benelux b.v.b.a	Belgium	73.65%	—*
REpower Betriebs — und Beteiligungs GmbH	Germany	73.65%	—*
REpower Canada Inc	Canada	73.65%	—*
REpower Diekat S.A.****	Greece	44.19%	—*
REpower Espana S.L	Spain	73.65%	—*
REpower Investitions — und Projektierungs GmbH & Co. KG	Germany	73.65%	—*
REpower Italia s.r.l	Italy	73.65%	—*
REpower S.A.S	France	73.65%	—*
REpower Systems AG	Germany	73.65%	—*
REpower UK Ltd.	United Kingdom	73.65%	—*
REpower USA Corp.	USA	73.65%	—*
REpower Wind Systems Trading (China) Ltd.	PR China	73.65%	—*
RETC Renewable Energy Technology Centre	Germany	86.83%	50.00%
SE Composites Limited	India	100.00%	100.00%
SE Drive Technik GmbH	Germany	100.00%	100.00%
SE Electricals Limited (Formerly Suzlon Electricals International Limited)	India	100.00%	100.00%
SE Forge Limited	India	82.90%	100.00%
SE Solar Private Limited	India	100.00%	—
Sunrise Wind Project Private Limited	India	61.28%	—
Suzlon Blade Technology B.V. (Formerly AE Rotor Techniek B.V.)	The Netherlands	100.00%	100.00%
Suzlon Energia Eolica do Brasil Ltda	Brazil	100.00%	100.00%
Suzlon Energy (Tianjin) Limited	PR China	100.00%	100.00%
Suzlon Energy A/S	Denmark	100.00%	100.00%
Suzlon Energy Australia Pty. Ltd.	Australia	100.00%	100.00%
Suzlon Energy B.V	Netherlands	100.00%	100.00%
Suzlon Energy GmbH	Germany	100.00%	100.00%
Suzlon Energy Korea Co., Ltd.	Republic of South Korea	100.00%	100.00%
Suzlon Energy Limited	Mauritius	100.00%	100.00%
Suzlon Engitech Limited (Formerly Suzlon Engitech Private Limited)	India	100.00%	100.00%

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2009	2008
Suzlon Generators Limited (Formerly Suzlon Generators Private Limited)	India	75.00%	75.00%
Suzlon Gujarat Wind Park Limited	India	100.00%	100.00%
Suzlon Infrastructure Services Limited	India	100.00%	100.00%
Suzlon North Asia Ltd	Hong Kong	100.00%	—
Suzlon Power Infrastructure Limited (Formerly Suzlon Power Infrastructure Private Limited)	India	100.00%	100.00%
Suzlon Rotor Corporation	USA	100.00%	100.00%
Suzlon Structures Limited (Formerly Suzlon Structures Private Limited)	India	75.00%	75.00%
Suzlon Towers and Structures Limited	India	100.00%	100.00%
Suzlon Wind Energy A/S	Denmark	100.00%	100.00%
Suzlon Wind Energy Corporation	USA	100.00%	100.00%
Suzlon Wind Energy Equipment Trading (Shanghai) Co. Ltd.	PR China	100.00%	—
Suzlon Wind Energy Espana, S.L	Spain	100.00%	100.00%
Suzlon Wind Energy Italy s.r.l. (Formerly Suzlon Energy Italy s.r.l.)	Italy	100.00%	100.00%
Suzlon Wind Energy Limited	United Kingdom	100.00%	100.00%
Suzlon Wind Energy Nicaragua Sociedad Anonima	Nicaragua	100.00%	—
Suzlon Wind Energy Portugal Energia Elocia Unipessoal Lda (Formerly Suzlon Energy Portugal Energia Elocia Unipessoal Lda)	Portugal	100.00%	100.00%
Suzlon Wind Energy Romania SRL	Romania	100.00%	—
Suzlon Wind Enerji Sanayi Ve Ticaret Limited Sirketi	Turkey	100.00%	—
Suzlon Wind International Limited	India	100.00%	100.00%
Suzlon Windenergie GmbH	Germany	100.00%	100.00%
Suzlon Windkraft GmbH***	Germany	—	100.00%
Suzlon Windpark Management GmbH	Germany	100.00%	100.00%
Tarilo Holding B.V	Netherlands	100.00%	—
WEL Windenergie Logistik GmbH	Germany	73.65%	—*
Windpark Olsdorf Watt Gmbh & Co. KG	Germany	100.00%	100.00%

* The Company through its subsidiaries held 35.83% in REpower Systems AG ('REpower') as on March 31, 2008 and hence investments in REpower has been accounted as an associate using equity method in the consolidated financial statements for the year ended March 31, 2008.

** The liquidation process of Eve Holding NV has been completed during the year.

*** Suzlon Windkraft GmbH has been merged with Suzlon Energy GmbH during the year.

**** The Group holds 73.65% in REpower and REpower holds more than 50% stake in these companies

b. List of subsidiaries which are not included in the consolidation based on materiality:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2009	2008
REpower Geothermie GmbH	Germany	73.65%	—
REpower Windpark Betriebs GmbH	Germany	73.65%	—
Sister — sistemas e Technologia de Energias renovaveis Lda	Portugal	55.24%	—
Windpark Blockland GmbH & Co KG	Germany	73.65%	—
Windpark Meckel/Gilzem GmbH & Co KG	Germany	73.65%	—

c. In respect of the following components of consolidated financial statements, the accounting policies followed by the subsidiary companies are different from that of the Company:

Components of Consolidated Financial Statements	Particulars	Amount as at March 31, 2009	Proportion of the Component
Depreciation	Some of the subsidiaries have provided depreciation on straight line method as against the written down value method followed by the Company	4,212.87	73.51%
Accumulated depreciation	Some of the subsidiaries have provided depreciation on straight line method as against the written down value method followed by the Company	13,364.90	73.39%
Inventory	Some of the subsidiaries have determined cost of inventory by using the first-in first-out (FIFO) cost formula as against the weighted average cost formula followed by the Company	14,437.22	20.13%
Employee compensation expenses for stock options	Some of the subsidiaries have accounted stock options granted to employees using the fair value method as against the intrinsic value method followed by the Company	502.94	91.01%

2. Details of the Company's ownership interest in joint ventures, which have been included in the consolidation are as follows:-

Name of Company	% Shares Held	Country of Incorporation	Contingent Liabilities as at March 31, 2009	Capital Commitments as at March 31, 2009
REpower Portugal — Sistemas Eolicos, S.A.	50.00	Portugal	Nil	Nil
REpower North (China) Ltd.	50.01	PR China	Nil	Nil

3. Change in accounting policy

In line with notification of the Companies (Accounting Standards) Amendment Rules 2006 issued by Ministry of Corporate Affairs on March 31, 2009 on March 31, 2009 amending Accounting Standard-11 (AS-11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), the Company has chosen to exercise the option under para 46 inserted in the standard by the notification. Accordingly, exchange differences on all long term monetary items, with retrospective effect from April 01, 2007, are:

(a) To the extent such items are used for the acquisition of a depreciable capital asset, added to / deducted from the cost of the asset and depreciated over the balance life of the asset. As a result, an amount of Rs 81.92 million [net of depreciation of Rs. 7.82 million and tax of Rs. Nil] have been added to fixed assets, being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset.

(b) In other cases, accumulated in the “Foreign currency monetary translation difference account” and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

(c) As a result of point (a) and (b) above, Rs 10.99 million [net of tax of Rs. Nil] was credited to general reserve which was recognised as loss in the profit and loss account till the previous financial year ended March 31, 2008.

(d) Rs 1307.93 million amortisation cost charged to the profit and loss account during the year.

(e) Rs 3,980.13 million accumulated in the “Foreign currency monetary translation difference account”, being the amount remaining to be amortised as at March 31, 2009.

As a result of the above change in the accounting policy, the net profit before tax for the year is higher by Rs 4050.41 million.

4. REpower Systems AG

The Company through its subsidiaries held 35.83% in REpower Systems AG (‘REpower’) as at March 31, 2008. On June 6, 2008, the Company, through its subsidiary further acquired approximately 30% of the equity capital of REpower Systems AG (‘REpower’) held by Areva. Consequently, REpower has become a subsidiary of the Company with effect from June 6, 2008. Accordingly, the consolidated financial statements for the year ended March 31, 2009 are to that extent not comparable with the consolidated financial statements of March 31, 2008. Further, pursuant to an agreement dated December 15, 2008 entered into with the Martifer Group, the Company agreed to acquire Martifer’s holdings of 22.4% in REpower through a subsidiary by making payments in three tranches: Euro 65 Million in December 2008, Euro 30 Million in April 2009 and the final tranche of Euro 175 Million in May 2009. The first tranche of Euro 65 Million has been paid in December 2008, thereby increasing its effective holding in REpower to 73.65% as at March 31, 2009. Post year-end, the second and third tranches have been paid and consequently its effective holding in REpower is 90.72%.

In financial year 2007-2008, the financials of REpower have been consolidated using equity method of accounting with a three-month time lag to that of the Company and accordingly, the financial statements of REpower for the period June 1, 2007 to December 31, 2007 have been consolidated in the financial statements of the Company for the year ended March 31, 2008. Appropriate entries have been effected in the consolidated financial statements of the Company for the year ended March 31, 2009, wherein the aforesaid three-month time lag on consolidation of REpower financials as at March 31, 2008 has been adjusted.

5. Exceptional items

The details of exceptional items aggregating to 8,962.85 million (Rs 2,852.14 million) are as below

a) Foreign exchange losses of Rs 1,313.48 million (foreign exchange gain of Rs 44.00 million) arising due to restatement of zero coupon convertible bonds of USD 500 million at year end exchange rates.

b) Provision for blade retrofit/replacement costs aggregating Rs 2,215.89 million (Rs 1,217.09 million) and consequential generation/availability costs of Rs 1,895.05 million (Rs 203.71 million).

c) Costs of site restoration aggregating Rs Nil (Rs 654.60 million) and cost of consequential generation losses aggregating Rs Nil (Rs 590.74 million) relating to disruption of operation of WTG’s in Dhule and Sangli by local residents.

d) Mark-to-market losses of 3,538.43 million (Rs 230.00 million) in respect of foreign exchange forward / option contracts, taken for hedging purposes.

Exceptional items for the prior year comparatives include amounts in respect of items which have been classified as exceptional in current year.

6. SE Forge Limited (‘SEFL’), an erstwhile 100% subsidiary of the Company, allotted 41,254,125 equity shares to IDFC Private Equity Fund III, through a fresh ‘issue of shares’, raising Rs 3,944.60 million (net of issue expenses). Following the fresh issue of shares by SEFL, the effective stake of the Company in SEFL has reduced to 82.90%. As a result of dilution of effective stake of the Company in SEFL, there is a resultant gain of

Rs 2,951.31 million which has been credited to "Unrealised gain on dilution" disclosed under "Reserves and Surplus" in the consolidated financial statements.

7. On January 26, 2009, AE-Rotor Holding B.V. ('AERH'), a wholly owned subsidiary of the Company has sold 67,010,421 shares (10% equity) in Hansen Transmissions International NV ('Hansen') to funds managed by Ecofin Limited ("Ecofin"), a London based specialized investment firm. Following this disposal, the Suzlon Group has a voting and economic interest in Hansen of 61.28%. As a result of sale, the goodwill of Rs 1,924.03 million and unrealised gain on dilution of Rs 1,672.21 million has been reduced proportionately and the profit on sale Rs 928.57 million has been shown as "Profit on sale of investments" under "Other Income".

8. Disclosures pursuant to Accounting Standard-7 (AS-7) 'Construction Contracts'

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Contract revenue recognised during the year	**16,5513.96**	57,346.29

Particulars	As at March 31, 2009	2008
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	**126,917.98**	6,0725.56
Amount of customer advances outstanding for contracts in progress up to the reporting date	**Nil**	16,072.73
Retention amount due from customers for contract in progress up to the reporting date	**7,127.87**	Nil
Due from customers	**33,457.12**	14,893.48
Due to customers	**135.20**	7,937.06

9. Zero coupon convertible bonds

On June 11, 2007 the Company made an issue of zero coupon convertible bonds aggregating USD 300 million (Rs 12,237.00 million) comprising of 300,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase I Bonds'), which were:

1) convertible by the holders at any time on or after July 22, 2007 but prior to close of business on June 5, 2012, each bond to be converted into 113.50 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 359.68 per equity share of Rs 2 each at a fixed exchange rate conversion of Rs 40.83 = USD 1.

2) convertible in whole but not in part at the option of the Company at any time on or after June 11, 2009 subject to satisfaction of certain conditions.

3) redeemable in whole but not in part at the option of the Company at any time if less than 10 percent of the aggregate principal amount of the Phase I Bonds originally issued is outstanding, subject to satisfaction of certain conditions.

4) redeemable on maturity date at 145.23% of its principal amount if not redeemed or converted earlier.

Further, on October 10, 2007 the Company made an additional issue of zero coupon convertible bonds aggregating USD 200 Million (Rs 7,862.00 million) comprising of 200,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase II Bonds'), which were:

1) convertible by the holders at any time on or after November 20, 2007 but prior to close of business on October 4, 2012, each bond to be converted into 107.30 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 371.55 per equity share of Rs 2 each at a fixed exchange rate conversion of Rs 39.87 = USD 1.

2) convertible in whole but not in part at the option of the Company at any time on or after October 10, 2009 subject to satisfaction of certain conditions.

3) redeemable in whole but not in part at the option of the Company if less than 10 percent of the aggregate principal amount of the Phase II Bonds originally issued is outstanding, subject to satisfaction of certain conditions.

4) redeemable on maturity date at 144.88% of its principal amount, if not redeemed or converted earlier.

Subsequent to the year-end, the Company proposed a restructuring of its Zero Coupon Convertible Bonds, with an approval of the Reserve Bank of India ('RBI') and the bondholders were offered the following options as part of the restructuring;

- Cash buyback of bonds @ 54.55% of the face value of US $1000 per bond
- Issue of new bonds in place of old bonds at a fixed ratio of 3:5 (60 cents to dollar) bearing a coupon of 7.5 per cent per annum, payable semi-annually. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each June 2012 New Bond at 150.24 per cent of its principal amount and each October 2012 New Bond at 157.72 per cent of its principal amount on the relevant Maturity Date. The conversion price is set at Rs 76.68 per share. These bonds do not have any financial covenants and are of the same maturity as the old bonds.
- Consent fee of US$15 Million to be paid across both the series, for those bondholders who consent to the relaxation of covenants

As a result of the restructuring, the outstanding position of the zero coupon convertible bonds is as follows;

Particulars	Phase I Bonds (USD)	Phase II Bonds (USD)	Total (USD)
Old bonds exchanged [A]	59,332,000	34,672,000	94,004,000
New Bonds issued in the ratio of 3:5 [B]	35,592,000	20,796,000	56,388,000
Bonds bought back for cash [C]	29,366,000	43,960,000	73,326,000
Cash paid for buyback [D]	16,019,702	23,980,180	39,999,882
Old bonds o/s [E]	211,302,000	121,368,000	332,670,000
Value of total bonds outstanding [F]=B+E	246,894,000	142,164,000	389,058,000
Value of old bonds G=A+C+E	300,000,000	200,000,000	500,000,000
Consent Fee paid	11,846,947	1,869,863	13,716,810

The Phase I and Phase II bonds are redeemable subject to satisfaction of certain conditions mentioned in their respective offering circulars, and hence has been currently designated as a monetary liability. Further, the Company has not provided for the proportionate premium on redemption of the Phase I and Phase II Bonds for the period up to March 31, 2009 amounting to Rs 1,547.34 million (approximately USD 30,513,445) and Rs 713.75 million (approximately USD 14,075,009) respectively. In the opinion of the management, the likelihood of redemption cannot presently be ascertained. Accordingly, no provision for any liability has been made in the financial statements and hence, the proportionate premium on redemption has been disclosed as a contingent liability.

10. Employee stock option scheme

a) Suzlon Energy employee stock option plan 2005 (Scheme I)

The Company instituted the 2005 Plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on June 16, 2005 (grant date). Scheme I covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme I, the Company has granted 4,605,000 options of Rs 2 each to eligible employees at an exercise price of Rs 51 per equity share of Rs 2 each, which is 50% of the issue price determined in the initial public offering (IPO) of the Company in accordance with SEBI guidelines i.e., Rs 102 per equity share of Rs 2 each. Under the terms of Scheme I, 30% of the options will vest in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the grant date in the following manner:

Date of Vesting	Proportion of Vesting
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The employee stock options granted shall be capable of being exercised into equity shares within a period of five years from the date of first vesting i.e. till June 16, 2011. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period except for the lock-in, if any, in terms of the Insider Trading Code of the Company. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2009, vesting rights were exercised by employees for 1,361,000 (1,180,500) shares of Rs 2 each under scheme I. Further, 118,000 (114,500) employee stock options of Rs 2 each under scheme I were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	As at March 31, 2009	As at March 31, 2008
Opening balance of options outstanding	**1,858,000**	3,153,000
Granted during the year	**Nil**	Nil
Forfeited/cancelled during the year	**118,000**	114,500
Exercised during the year	**1,361,000**	1,180,500
Expired during the year	**Nil**	Nil
Closing balance of options outstanding	**379,000**	1,858,000
Exercisable at the end of the year (Included in closing balance of option outstanding)	**379,000**	246,000

b) Suzlon Energy employee stock option plan 2006 (Scheme II)

The Company instituted Scheme II for all eligible employees with effect from November 23, 2007 (grant date) in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on March 10, 2007. Scheme II covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme II, the Company has granted 519,500 options of Rs 2 each to eligible employees at an exercise price of Rs 192.20 per equity share of Rs 2 each which is 51.28% of the weighted average price over a period of six months prior to date of grant, i.e., Rs 374.80 per equity share of Rs 2 each. Under the terms of Scheme II, 50% of the options will vest in the employees at the end of the first year, 25% at the end of the second year and the balance of 25% at the end of third year from the grant date in the following manner:

Date of Vesting	Proportion of Vesting
November 23, 2008	50%
November 23, 2009	25%
November 23, 2010	25%

The employee stock options granted shall be capable of being exercised into equity shares within a period of five years from the date of first vesting i.e. till November 23, 2013. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period except for the lock-in, if any, in terms of the Insider Trading Code of the Company. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2009, vesting rights were exercised by employees for Nil (Nil) shares of Rs 2 each. Further, 78,000 (Nil) employee stock options of Rs 2 each were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	As at March 31, 2009	2008
Opening balance of options outstanding	**519,500**	Nil
Granted during the year	**Nil**	519,500
Forfeited/cancelled during the year	**78,000**	Nil
Exercised during the year	**Nil**	Nil
Expired during the year	**Nil**	Nil
Closing balance of options outstanding	**441,500**	519,500
Exercisable at the end of the year (Included in closing balance of option outstanding)	**192,000**	Nil

Fair value of the option

The Company applies the intrinsic value based method of accounting for determining compensation cost for Scheme I and Scheme II.

The Company has charged Rs 10.42 million (Rs 21.41 million) and Rs 39.30 million (Rs 23.88 million) at the rate of Rs 51 per option and Rs 182.60 per option respectively, being the difference between intrinsic value of options and exercise price under the Scheme I and Scheme II for the year ended March 31, 2009. Had the Company adopted the fair value method based on 'Black-Scholes' model for pricing and accounting the options, the cost would have been Rs 63.34 per option (Rs 68.39 per option) and Rs 272.37 per option (Rs 284.10 per option) for the Scheme I and Scheme II respectively, and accordingly, the net profit after tax would have been lower by Rs 15.53 million (Rs 33.39 million).

Consequently the basic and diluted earnings per share after factoring the above impact would be as follows:

Particulars	As at March 31, 2009	2008
Earnings per share		
— Basic	1.57	7.05
— Diluted	1.51	6.87

11. Other notes

a) During the current year, the Company has issued 12.50% secured redeemable Non-Convertible Debentures ('NCDs') aggregating Rs 3000.00 million to Life Insurance Corporation of India ('LIC'). The Company has incurred expenses amounting to Rs 50.56 million towards issue of NCDs. These NCDs are secured by pledge of shares of the Company held by promoters to the extent of 1.5 times the NCD amount and subservient charge on the Pondicherry factory. The company is required to maintain minimum security cover of 1.5 times at all times during the tenor of the debenture. The tenor of the debentures is seven years and they shall be redeemed in three equal annual instalments commencing from the end of the 5th year from the date of allotment.

b) REpower Systems AG ('REpower), a subsidiary of the Company had issued profit participation certificates of EURO 10 Million in May 2004. For profit participation certificates, a basic interest rate of 7.90% in addition to a variable interest rate dependent on net income is paid. The participation right has a maturity of seven years and the same falls due at the end of May 2011 and the same has been disclosed under unsecured loans.

c) Borrowing costs amounting to Rs 393.39 million (Rs 49.37 million) have been capitalised to qualifying assets.

d) During the current year, the Board of Directors of the Company had approved a rights issue of equity shares of the Company to a maximum extent of Rs 18,000.00 million. In anticipation of the right issue, the Company had received Rs 2,000.00 million from a promoter group company as advance towards the share application money. The rights issue was suspended due to market conditions prevailing at that time; and Rs 1,050.00 million out of Rs. 2,000.00 million was refunded to the promoter group company. Subsequently on March 27, 2009, the Company considering the market conditions and in turn its inability to come out with a right issue, has decided to refund the remaining advance amount outstanding towards share application money. Accordingly, the amount has been refunded post the balance sheet date.

e) Details of security for the secured loans in consolidated financial statements are as follows:

(i) Term Loans from banks and financial institutions

- Rs 34,019.89 million (Rs 46,608.93 million) secured against pledge/ negative lien on shares of certain subsidiaries and corporate guarantee of the Company.
- Rs 13,166.48 million (Rs 12,351.63 million) secured by way of first rank mortgage and floating charge on assets.
- Rs 5,643.13 million (Rs 69.99 million) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets.
- Rs 4,000.00 million (Rs Nil) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets, first mortgage and charge on fixed asset of subsidiary and pledge of share of subsidiary.
- Rs 943.58 million (Rs Nil) secured by way of charge on land and assignments of electricity proceeds.
- Rs 806.47 million (Rs 986.40 million) secured by charge on moveable properties and receivables of the power generated from windmill.
- Rs 589.98 million (Rs 619.07 million) secured by way of mortgage of plant and machinery and other fixed assets, hypothecation on current assets and corporate guarantee of the Company.
- Rs 261.74 million (Rs 313.36 million) secured by way of first charge on all plant and machinery and other fixed assets and second charge on all current assets and corporate guarantee of the Company.
- Rs 177.49 million (Rs 200.76 million) secured by hypothecation of plant and machinery and other fixed assets.
- Rs 111.69 million (Rs 185.25 million) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets, personal guarantee of directors and corporate guarantee of the Company.
- Rs 50.83 million (Rs 80.20 million) secured by way of first charge on windmills, land, personal guarantee of directors and corporate guarantee of the Company.
- Rs 48.57 million (Rs 77.54 million) secured by way of first charge on specific plant and machinery, land, second charge on windmills and corporate guarantee of the Company.
- Rs Nil (Rs 265.21 million) secured by way of first rank mortgage and floating charge on assets and corporate guarantee of the Company.

(ii) Term loans from others

- Rs 148.33 million (Rs 150.65 million) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets and movable fixed assets.
- Rs 29.15 million (Rs 36.92 million) secured by charge on certain windmills, receivables of the power generation from windmills and mortgage of land.

(iii) Working capital facilities from banks and financial institutions

- Rs 38,988.18 million (Rs 8,159.10 million) secured by hypothecation of inventories, book debts and other current assets, both present and future and first and second charge on certain immovable and movable fixed assets.

- Rs 490.41 million (Rs 353.03 million) secured by hypothecation of inventories, book debts and other current assets, both present and future, second charge on certain immovable fixed assets and personal guarantee of the director.

- Rs 151.99 million (Rs 116.69 million) secured by lien on inventories, book debts, all deposit accounts, certain fixed assets and corporate guarantee of the Company.

- Rs 131.97 million (Rs 89.37 million) secured by hypothecation of all current assets, second charge on fixed assets and corporate guarantee of the Company.

(iv) Vehicle loan

- Rs 6.24 million (Rs 0.21 million) secured against vehicle under hire purchase contract.

f) The profit and loss account of the Company includes a charge of Rs 1,000.58 million (Rs 541.00 million) on account of design change and technological upgradation charges and Rs 1,132.62 million (Rs 201.53 million) on account of operation and maintenance charges, part of which have got eliminated on consolidation. However, the costs incurred by the subsidiary for rendering the services/ affecting the sales have been booked under various expenditure heads based on their nature.

g) Miscellaneous income includes income in the nature of government grant aggregating Rs 543.12 million (Rs 131.46 million). Other current liabilities include deferred grants of Rs 474.26 million (Rs 554.81 million).

h) The Group through one of its subsidiaries has agreed with one of its customers to extend deferred credit of Rs 10,446.26 million. The amount would be received on achievement of performance milestone by the WTGs covered under this agreement or at the end of the agreed credit period, whichever is earlier. The subsidiary will have first charge on the WTGs covered under this agreement. Further, the outstanding amount would earn interest at an agreed rate.

12. Operating leases

Premises

The Group has taken certain premises on cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 338.53 million (Rs 220.70 million).

The Group has also taken furnished/unfurnished offices and certain other premises under non-cancellable operating lease agreements. The lease rental charge during the year is Rs 842.46 million (Rs 415.53 million) and maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement is as follows:

	Year Ended March 31,	
Obligation on Non-Cancellable Operating Leases	**2009**	**2008**
Not later than one year	748.92	488.97
Later than one year and not later than five years	1,593.69	758.53
Later than five years	590.76	52.71

13. Post employment benefits

Net employees benefit expense recognised in the profit and loss account:

Particulars	Year Ended March 31, 2009	2008
Current service cost	80.45	69.52
Interest cost on benefit obligation	32.77	25.97
Expected return on plan assets	(21.46)	(17.12)
Net actuarial loss recognised in the year	33.82	8.51
Past service cost	(0.68)	Nil
Net Benefit expense	124.90	86.88

Details of defined benefit obligation

Particulars	Year Ended March 31, 2009	2008
Defined benefit obligation	707.68	540.65
Fair value of plan assets	493.56	397.58
Present value of unfunded obligations	214.13	143.07
Less: Unrecognised past service cost	Nil	Nil
Plan Liability	214.12	143.07

Changes in the present value of the defined benefit plan are as follows:

Particulars	Year Ended March 31, 2009	2008
Opening defined benefit obligation	540.65	539.19
Interest cost	32.77	25.98
Current service cost	80.45	69.52
Benefits paid	(30.88)	(31.47)
Actuarial (gains) / losses on obligation	53.59	(62.57)
Exchange rate variation	31.09	—
Closed defined benefit obligation	707.67	540.65

Changes in the fair value of plan assets are as follows:

Particulars	Year Ended March 31, 2009	2008
Opening fair value of plan assets	397.56	337.72
Expected return	21.46	17.10
Contributions by employer	98.75	83.08
Benefits paid	(30.72)	(31.52)
Actuarial gains / (losses)	(15.59)	(8.82)
Exchange rate variation	22.08	—
Closing fair value of plan assets	493.54	397.56

Amounts for the current and previous periods are as follows:

Particulars	Year Ended March 31, 2009	2008	2007
Defined benefit obligation	707.68	540.65	539.27
Plan assets	493.56	397.58	337.69
Surplus / (deficit)	214.12	143.07	201.58
Experience adjustments on plan liabilities	Nil	Nil	Nil
Experience adjustments on plan assets	Nil	Nil	Nil

The principal assumptions with respect to discount rate, expected return on plan assets, salary escalation rate and attrition rate used in determining the defined benefit plan obligations differs from subsidiary to subsidiary.

The estimates of future salary increases take into account the inflation, seniority, promotion and other relevant factors.

14. Provisions

In pursuance of Accounting Standard-29 (AS-29) "Provisions, Contingent Liabilities and Contingent Assets", the provisions required have been incorporated in the books of accounts in the following manner:

Particulars	Performance Guarantee	Operation, Maintenance and Warranty	Provision for Liquidated Damages
Opening balance	**2,833.86**	**2,809.24**	**306.92**
	(1809.15)	(2,529.18)	(259.44)
Additions due to acquisition	**—**	**1,272.79**	**—**
	(—)	(—)	(—)
Additions	**4,703.82***	**4,609.72**	**2,843.30**
	(2,356.96)	(1,646.74)	(431.96)
Utilisation	**5,953.84**	**2,055.79**	**2,538.73**
	(1,332.35)	(1,366.68)	(197.01)
Reversal	**—**	**—**	**—**
	(—)	(—)	(18.75)
Closing balance	**1,583.84**	**6,635.95**	**611.49**
	(2,833.86)	(2,809.24)	(306.92)

* includes Rs 1,895.05 million (Rs 794.40 million) classified as exceptional item.

The provision for performance guarantee (PG) represents the expected outflow of resources against claims for performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor, machine availability etc.

The provision for operation, maintenance and warranty (O&M) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTGs and components thereof over the period of free O&M, which varies according to the terms of each sales order.

The closing balance of the provision for operation, maintenance and warranty in the balance sheet represents the amount required for operation, maintenance and warranty for the unexpired period on WTGs and components there of, on the field under warranty. The break up of charge to profit and loss account of "provision for operation, maintenance and warranty" is as under:

a) Amount of provision required for the WTGs sold during the year Rs 4,609.72 million (Rs 1,646.74 million)

b) Less: Utilization against opening provision, booked by the subsidiary under various expenditure heads by their nature amounting to Rs 942.47 million (Rs 957.66 million)

c) Charge to profit and loss account Rs 3,667.25 million (Rs 689.04 million)

Provision for liquidated damages (LD) represents the expected claims which the Group may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

15. Break-up of the accumulated deferred tax asset/(liability), net is given below:

Particulars	As at March 31 2009	2008
Deferred tax assets:		
Unabsorbed losses and depreciation	**1,689.26**	1,239.32
Employee benefits	**120.64**	161.11
Provision for guarantee and warranty	**1,143.27**	867.59
Provision for doubtful debts	**78.88**	64.36
Others	**270.16**	162.98
(a)	**3,302.21**	2,495.36
Deferred tax liabilities		
Difference in depreciation of fixed assets	**3,757.32**	2,713.17
Others	**1,412.99**	0.19
(b)	**5,170.31**	2,713.26
Deferred tax liabilities (net) [(c)=(a)−(b)]	**(1,868.10)**	(218.00)

16. Earnings per Share ('EPS')

Particulars		As at March 31, 2009	2008
		All amounts in Rupees million except per share data	
Basic			
Net Profit after share of profit of associates and minority interest		**2,364.81**	10,300.98
Less: Preference dividend and tax thereon		**0.00**	2.34
Profit attributable to equity shareholders	A	**2,364.81**	10,298.64
Weighted average number of equity shares	B	**1,497,932,537**	1,455,672,492
Basic EPS (Rs) of face value of Rs 2 each	A/B	**1.58**	7.07
Diluted			
Weighted average number of equity shares	B	**1,497,932,537**	1,455,672,492
Add: Equity shares for no consideration arising on grant of share options	C	**28,507**	16,09,325
Add: Potential equity shares that could arise on conversion of zero coupon convertible bonds	D	**55,516,717**	37,593,265
Weighted average number of equity shares for diluted EPS	E = (B+C+D)	**1,553,477,761**	1,494,875,082
Diluted EPS (Rs) of face value of Rs 2 each	A/E	**1.52**	6.89

17. Statement showing the use of proceeds from Qualified Institutional Placements up to March 31, 2009

On December 20, 2007, the Company has raised Rs 21,826.96 million through allotment of 56,930,000 equity shares of Rs 2 each at a price of Rs 383.40 per equity share of Rs 2 each to selected Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutional Placements (QIP) under Chapter XIII-A of the SEBI (DIP) Guidelines, 2000. The details of utilisation of QIP proceeds are given below:

Sl. No.	Description	As at March 31, 2009
I	**Sources of funds**	
	Proceeds from Issue	21,826.96
	Issue Expenses	(262.70)
	Net Proceeds	21,564.26
II	**Utilisation of funds**	
	Repayment of Acquisition facility loans	13,504.02
	Working Capital requirement and General corporate purposes	3,411.18
	Investments in subsidiaries for Capital expenditure and Working capital requirement	4,649.06
	Total	**21,564.26**
III	**Unutilised funds**	**Nil**

18. Managerial remuneration to Directors

Particulars	Year Ended March 31, 2009	Year Ended March 31, 2008
Salaries	**12.56**	13.00
Contribution to superannuation fund and provident fund	**2.10**	2.74
Sitting Fees	**0.72**	0.20
Total	**15.38**	15.94

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

In terms of the special resolution approved by the members of the Company, the Company has been authorised to pay remuneration to the managerial personnel within the limits as prescribed under Section II (B) of Part II of Schedule XIII of the Act in case of loss or inadequacy of profits. Accordingly the Company has paid remuneration as per these limits and the excess remuneration paid has been recovered from the directors post the year end.

19.

a. Contingent liabilities

Particulars	As at March 31 2009	As at March 31 2008
Premium on redemption of zero coupon convertible bonds	**2,261.08**	1,010.79
Claims against the Group not acknowledged —		
Excise, custom, service and vat	**207.56**	29.62
Income-tax	**152.30**	192.30
State levies	**39.79**	—
Labour related	**1.60**	1.50
Suppliers and service providers	**270.10**	—
cumulative preference share dividend of subsidiary payable to minority	**2.00**	—

b. Capital commitments

Particulars	As at March 31 2009	2008
Guarantees given in connection with acquisition of shares of REpower	**13,854.19**	46,936.20
Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances	**10,695.87**	18,999.18

20. Derivative instruments and unhedged foreign currency exposure

Particulars of derivatives	Purpose
Forward contract outstanding as at balance sheet date:	
Buy EURO 17,778,459 (EURO 150,522,982)	Hedge of forex EURO liabilities
Buy USD 96,334,246 (USD 309,759,304)	Hedge of forex USD liabilities
Buy CAD 4,733,000 (CAD Nil)	Hedge of forex CAD liabilities
Sell USD 186,439,861 (USD 286,961,890)	Hedge of forex USD receivable
Sell EURO 55,236,982 (EURO 118,198,046)	Hedge of forex EURO receivable
Sell AUD 61,500,000 (AUD 325,00,000)	Hedge of forex AUD receivable

Option contract outstanding as at balance sheet date:

USD 55.00 million (USD 135.00 million) zero cost 1:1.5 forward put options outstanding
USD 246.20 million (USD Nil) long European knock in option outstanding
EURO Nil (EURO 177.50 million) zero cost barrier call options outstanding
EURO Nil (EURO 115.00 million) zero cost put spread options outstanding

Particulars of unhedged foreign currency exposure as at the balance sheet

Particulars	As at March 31, 2009	2008
Current liabilities	17,551.38	4,319.59
Debtors	2,302.94	1,044.53
Loans received	18,740.56	5,965.62
Bank balance in current accounts and term deposit accounts	1,083.74	3,535.65
Zero coupon convertible bonds	25,355.00	20,055.00

21. Related party disclosures

(A) Related parties with whom transactions have taken place during the year

a) Joint Ventures

REpower Portugal — Sistemas Eolicos, S.A., REpower North (China) Ltd.

b) Entities where Key Management Personnel (KMP)/ Relatives of Key Management Personnel ('RKMP') has significant influence

Sarjan Realities Limited, Suzlon Infrastructure Limited, Senergy Global Limited, Shubh Realty (South) Private Limited, Tanti Holdings Limited, Suzlon Foundation, Girish R. Tanti (HUF), SE Steel Limited

c) Key Management Personnel of Suzlon Energy Limited

Tulsi R. Tanti, Girish R. Tanti

d) Relatives of Key Management Personnel of Suzlon Energy Limited

Vinod R. Tanti, Jitendra R. Tanti

e) *Employee Funds*

SE Composites Limited	Superannuation Fund
SE Composites Limited	Employees Group Gratuity Scheme
SE Electricals Limited	Superannuation Fund
SE Electricals Limited	Employees Group Gratuity Scheme
Suzlon Energy Limited	Superannuation Fund
Suzlon Energy Limited	Employees Group Gratuity Scheme
Suzlon Generators Limited	Superannuation Fund
Suzlon Generators Limited	Employees Group Gratuity Scheme
Suzlon Gujarat Wind Park Limited	Superannuation Fund
Suzlon Gujarat Wind Park Limited	Employees Group Gratuity Scheme
Suzlon Infrastructure Services Limited	Superannuation Fund
Suzlon Infrastructure Services Limited	Employees Group Gratuity Scheme
Suzlon Power Infrastructure Limited	Superannuation Fund
Suzlon Power Infrastructure Limited	Employees Group Gratuity Scheme
Suzlon Structures Limited	Employees Group Gratuity Scheme
Suzlon Towers & Structure Limited	Superannuation Fund
Suzlon Towers & Structure Limited	Employees Group Gratuity Scheme
Suzlon Wind International Limited	Superannuation Fund
Suzlon Wind International Limited	Employees Group Gratuity Scheme

(B) Transactions between the Group and related parties during the year and the status of outstanding balances as at March 31, 2009

Particulars	Joint Ventures	Entities Where KMP/ RKMP Has Significant Influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets (including intangibles)	**—**	**1,731.32**	**—**	**—**	**—**
	(—)	(378.32)	(—)	(—)	(—)
Sale of fixed assets	**—**	**—**	**—**	**—**	**—**
	(—)	(0.59)	(—)	(—)	(—)
Sale of goods and services	**1,902.82**	**4.33**	**0.58**	**0.61**	—
	(—)	(54.59)	(—)	(—)	(—)
Purchase of goods and services	**—**	**307.43**	**—**	**—**	**—**
	(—)	(2,028.34)	(—)	(—)	(—)
Transformer division acquisition	**—**	**—**	**—**	**—**	**—**
	(—)	(42.47)	(—)	(—)	(—)
Loans given	**—**	**2,209.70**	**—**	**—**	**—**
	(—)	(3,148.80)	(—)	(—)	(—)
Loans taken	**—**	**1,480.00**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)
Share application money received	**—**	**2,000.00**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)
Deposits given	**—**	**1,223.83**	**0.16**	**—**	**—**
	(—)	(67.50)	(—)	(—)	(—)
Interest received	**—**	**106.87**	**—**	**—**	**—**
	(—)	(193.00)	(—)	(—)	(—)
Interest paid	**—**	**7.79**	**—**	**—**	**—**
	(—)	(15.85)	(—)	(—)	(—)
Rent received	**—**	**0.70**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)
Leaser rent paid	**—**	**157.93**	**0.19**	**—**	**—**
	(—)	(767.73)	(—)	(0.60)	(—)
Donation given	**—**	**94.50**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)
Managerial Remuneration	**—**	**—**	**14.86**	**—**	**—**
	(—)	(—)	(15.72)	(—)	(—)
Contribution to various funds	**—**	**—**	**—**	**—**	**59.04**
	(—)	(—)	(—)	(—)	(87.03)

Particulars	Joint Ventures	Entities Where KMP/ RKMP Has Significant Influence	KMP	RKMP	Employee Funds
Outstanding balances					
Advances from customers	**—**	**—**	**7.50**	**7.50**	**—**
	(—)	(—)	(7.50)	(7.50)	(—)
Sundry debtors	**1,694.53**	**0.65**	**0.25**	**0.29**	**—**
	(—)	(37.29)	(—)	(—)	(—)
Loans outstanding	**—**	**1,162.50**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)
Deposits outstanding	**—**	**1,223.67**	**0.16**	**—**	**—**
	(—)	(6.75)	(—)	(—)	(—)
Advances to supplier and other assets	**—**	**60.59**	**8.68**	**—**	**—**
	(—)	(62.30)	(—)	(0.50)	(—)
Sundry creditors	**—**	**496.89**	**—**	**—**	**—**
	(—)	(187.35)	(—)	(—)	(—)
Share application money pending refund	**—**	**950.00**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)

Note: Figures in brackets pertain to balances as on March 31, 2008

(C) Disclosure of significant transactions with related parties

Type of the Transaction	Type of Relationship	Name of the Entity/Person	Year Ended March 31 2009	2008
Purchase of fixed assets (including intangibles)	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**1,728.28**	172.76
		Sarjan Realities Limited	**1.22**	163.39
Sale of fixed assets	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**—**	0.30
		Sarjan Realities Limited	**—**	0.10
		Shubh Realty (South) Private Limited	**—**	0.19
Sale of goods	Joint Ventures	REpower Portugal — Sistemas Eolicos, S.A.	**1,340.21**	**—**
		REpower North (China) Ltd.	**562.61**	**—**
	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**2.87**	54.59
Purchase of goods and services	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**170.18**	2,007.37
		Synergy Global Limited	**102.95**	11.78
Loans given	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**500.00**	2,591.20
		Sarjan Realities Limited	**1,407.20**	420.10
		Shubh Realty (South) Private Limited	**302.50**	137.50

Type of the Transaction	Type of Relationship	Name of the Entity/Person	Year Ended March 31 2009	Year Ended March 31 2008
Loans taken	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	**1,480.00**	—
Share application money received	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	**2,000.00**	—
Deposits given	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**1,223.67**	67.50
Interest received	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**28.27**	79.86
		Sarjan Realities Limited	**71.80**	75.79
		Shubh Realty (South) Private Limited	**6.80**	37.35
Interest paid	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	**7.79**	—
Rent received	Entities where KMP/ RKMP has significant influence	SE Steel Limited	**0.70**	—
Lease rent paid	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	**157.93**	767.67
Donation given	Entities where KMP/ RKMP has significant influence	Suzlon Foundation	**94.50**	—
Managerial Remuneration	KMP	Tulsi R.Tanti	**8.33**	11.64
	KMP	Girish R. Tanti	**6.67**	4.77
Contribution to various funds	Employee Funds	Suzlon Energy Limited Superannuation Fund	**15.38**	35.27
		Suzlon Energy Limited Employees Group Gratuity Scheme	**25.25**	29.08
		Suzlon Infrastructure Services Limited Superannuation Fund	**5.30**	13.62

The below table provides the transactions between the Group and promoter group entities which are not related parties in accordance with Accounting Standard-18 (AS 18) — 'Related Party Disclosures'

Type of the Transaction	Name of the Entity	Year Ended March 31 2009	Year Ended March 31 2008
Transactions			
Sale of goods	Super Wind Projects Private Limited	**1,976.90**	711.84
	Simran Wind Projects Private Limited	**698.10**	3,843.99
Freight outward	S E Shipping Lines Pte Ltd.	**3,555.67**	510.71
Outstanding Balances			
Debtors	Super Wind Projects Private Limited	**1,624.92**	—
	Simran Wind Projects Private Limited	**650.26**	714.12
Creditors	S E Shipping Lines Pte Ltd.	**1,534.02**	58.43

22. Disclosure as required by Clause 32 of Listing Agreement with stock exchange

Type of Relationship	Name	Amount Outstanding As at March 31, 2009	Maximum Amount Outstanding During the Year
Companies in which directors are interested	Sarjan Realities Limited	**1,162.50**	1,390.70
	Suzlon Infrastructures Limited — loan	**Nil**	500.00
	Suzlon Infrastructures Limited — deposit	**1,223.67**	1,223.67
	Shubh Realty (South) Private Limited	**Nil**	165.00

Note:

No loans have been granted by the Company to any person for the purpose of investing in the shares of Suzlon Energy Limited or any of its subsidiaries.

23. Details of the Company's share in joint ventures included in the consolidated financial statements are as follows (Before inter company eliminations):

Balance Sheet	As at March 31, 2009	Profit and Loss Account	Year Ended March 31, 2009
Share capital	454.54	Sales	3,396.28
Reserves and surplus	87.68	Other income	50.50
Secured loans	168.24	Total income	3,446.78
Total sources of funds	710.46	Cost of good sold	3,164.20
Fixed assets	411.96	Operating and other expenses	(20.18)
Cash and bank balances	626.71	Employee's remuneration and benefits	72.13
Inventories	1,700.11	Financial charges	10.75
Sundry debtors	1,354.83	Depreciation/amortisation	21.02
Loans and advances	960.81	Total expenditure	3,247.92
Total current assets	4,642.40	Profit before tax	198.86
Current liabilities	4,343.90	Tax	70.84
Net current assets	298.50	Profit after tax	128.02
Total application of funds	710.46		

24. Segment reporting

The Company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system.

The Group's operations predominantly relate sale of WTGs and allied activities including sale/sub-lease of land, infrastructure development income; sale of gear boxes; and sale of foundry and forging components. Others primarily include power generation operations.

The Company has classified the activities of sale/sub-lease of land and infrastructure development as part of 'WTG Segment' instead of 'Others Segment' for the year ended March 31, 2009, and has reclassified the corresponding previous period numbers.

The change has caused a reduction in the segment revenue, segment results, segment assets and segment Liabilities by Rs 1,260.33 million, Rs 759.07 million, Rs 6,206.56 million, and Rs 1,637.27 million respectively for the year ended March 31, 2009; and a reduction in the segment revenue, segment result, segment assets and segment liabilities by Rs 1,803.30 million, Rs 329.30 million, Rs 4,463.80 million and Rs 733.90 million, respectively for the year ended March 31, 2008 in 'Others Segment'. There is a corresponding increase in the segment revenue, segment results, segment assets and segment liability amounts as disclosed for the 'WTG Segment' for the respective periods mentioned above.

The company has also reclassified the amounts pertaining to sale of Foundry and Forging Components from 'WTG Segment' to a new segment- 'Foundry and Forging Segment' for the year ended March 31, 2009. The previous period figures have been reclassified for the previous year.

The change has caused a reduction in the segment revenue, segment results, segment assets and segment liabilities by Rs 171.82 million, Rs (429.97) million, Rs 10,129.92 million, and Rs 1,154.33 million respectively for the year ended March 31, 2009; and a reduction in the segment revenue, segment results, segment assets and segment liabilities by Rs 0.14 million, Rs (64.33) million, Rs 3,595.38 million and Rs 906.31 million respectively for the year ended March 31, 2008; in 'WTG Segment'

Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments allocated on a reasonable basis.

Inter segment transfers have been carried out at mutually agreed prices.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

(A) Primary business segment

	Year Ended March 31, 2009						Year Ended March 31, 2008					
Particulars	**WTG**	**Gear Box**	**Foundry & Forging**	**Others**	**Elimination**	**Total**	**WTG**	**Gear Box**	**Foundry & Forging**	**Others**	**Elimination**	**Total**
Total external sales	229,652.34	30,793.72	10,34	360.61	—	260,817.01	114,417.92	22,129.00	0.14	247.24	—	136,794.30
Add: Inter segment sales	41.78	9,142.70	161.48	—	(9,345.96)	—	24.24	1,919.12			(1,943,36)	—
Segment revenue	229,694.12	39,936.42	171.82	360.61	(9,345.96)	260,817.01	114,442.16	24,048.12	0.14	247.24	(1,943.36)	136,794.30
Segment results before exceptional items	19,245.88	5,686.57	(427,97)	211.09	(760.10)	23,955.47	16,128,10	2,320.96	(64,33)	26.45	(129.53)	18,281.65
Exceptional items	8,962,85					8,962.85	2,852.14					2,852.14
Segment results after exceptional items	10,283.03	5,686.57	(427.97)	211.09	(760.10)	14,992.62	13,275.96	2,320.96	(64.33)	26.45	(129.53)	15,429.51
Add/(Less) Items to reconcile with profit /(loss) as per profit and loss account												
Add: other income						2,717.53						2,359.70
Less: Financial charges						(10,539.31)						(5,969.40)
Less: Preliminary expense written off						(0.90)						(15.41)
Profit before tax						7,169.94						11,804.40
current tax						2,110.36						2,468.46
MAT credit entitlement						(40.31)						(956.75)
Deferred tax						671.23						(22.77)
Fringe benefit tax						139.93						144.00
Total tax						2,881.21						1,632.94
Profit after tax						4,288.73						10,171.46
Add: Share in associate's profit after tax						23.23						557.50
Less: Share of profit of minority						(1,947.15)						(427.98
Net profit/ (loss)						2,364.81						10,300.98
Segment assets	255,107.27	69,951.87	10,129.92	2,416.21	—	337,605.27	137,098.84	49,784.09	3,595.38	2,350.29	—	192,828.60
Common assets						40,458.01						72,913.01
Enterprise assets						378,063.28						265,741.61
Segment liabilities	99,440.90	14,407.59	1,154.33	69.00	—	115,071.82	58,525.48	11,293.73	906.31	149.73		70,875.25
Common liabilities						177,673.92						113,853.12
Enterprise liabilities						292,745.74						184,728.37
Capital expenditure during the year	16,658.40	15,266.86	5,504.60	41.76		37,471.62	6,679.06	11,329.34	3,163.04	169.76	—	21,341.20
Segment depreciation	3,361.99	2,050.62	175.68	143.14	—	5,731.43	1,594.37	1,190.19	—	109.08		2,893.64
Non-cash expenses other than depreciation	0.90					0.90	15.41					15.41
*includes equity accounted investments	—					—	31,410.08					31,410.08

B) Geographical segment

	Year Ended March 31, 2009							Year Ended March 31, 2008						
Particulars	**India**	**Europe**	**USA**	**China**	**Australia and New Zealand**	**Others**	**Total**	**India**	**Europe**	**USA**	**China**	**Australia and New Zealand**	**Others**	**Total**
Segment revenue . . .	44,526.60	84,503.23	73,272.86	12,658.72	29,305.76	16,549.84	260,817.01	56,186.96	31,824.36	25,553.80	4,785.28	10,227.98	8,215.92	136,794.30
Segment assets	94,369.20	171,569.92	30,194.91	19,969.88	8,550.51	12,950.85	337,605.27	64,701.12	95,204.42	13,742.46	9,407.35	4,090.13	5,683.12	192,828.60
Capital expenditure incurred . . .	16,313.42	18,415.03	283.53	1,673.02	658.54	128.08	37,471.62	8,429.23	11,949.23	269.57	579.20	51.58	62.39	21,341.20

25. Prior year amounts have been reclassified wherever necessary to confirm with current year presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedules 'A' to 'P'

As per our report of even date

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No. 46238

Place: Mumbai
Date: June 27, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Mumbai
Date: June 27, 2009

For and on behalf of the
Board of Directors

Tulsi R. Tanti
Chairman and Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: June 27, 2009

Consolidated Balance Sheet of REpower Systems AG

Assets	Notes	31.12.2007	31.12.2006
		EUR	EUR
Current assets	4.1.		
Liquid funds	4.1.1.	144,908,913	120,066,967
Interests in project companies		14,850	40,000
Gross amount due from customers for contract work	4.1.2.	61,270,776	36,985,072
Trade receivables	4.1.3.	200,301,030	95,105,017
Receivables from participations	4.1.4.	534,084	417,566
Receivables from associates and joint ventures	4.1.5.	10,536,060	1,565,348
Inventories	4.1.6.	97,510,839	66,212,982
Other financial assets	4.1.7.	5,025,357	4,526,409
Other miscellaneous current assets	4.1.7.	63,381,752	26,717,435
Other current assets	4.1.7.	68,407,109	31,243,844
Total current assets		**583,483,661**	**351,636,796**
Non-current assets	4.2.		
Property, plant and equipment	4.2.1.	49,734,401	22,035,649
Other intangible assets	4.2.2.	20,440,223	13,764,693
Goodwill		1,388,710	1,329,667
Investments in associates and joint ventures	4.2.3.	4,547,200	2,999,372
Other financial assets		626,116	611,763
Loans granted	4.2.4.	7,003,266	6,581,639
Deferred taxes	4.2.5.	5,009,542	7,352,094
Other miscellaneous non-current assets		1,463,002	2,339,515
Other non-current assets		1,463,002	2,339,515
Total non-current assets		90,212,460	57,014,392
Total assets		**673,696,121**	**408,651,188**

Shareholders' Equity and Liabilities	Notes	31.12.2007	31.12.2006
		EUR	EUR
Current liabilities	4.3.		
Current loans and current portion of long-term loans		473,978	109
Trade payables		108,117,135	76,945,568
Liabilities to associates and joint ventures		494,054	0
Advance payments received	4.3.1.	176,966,589	91,407,273
Provisions	4.3.2.	20,765,434	16,969,740
Deferred revenue	4.3.3.	8,403,055	248,922
Income tax liabilities	4.3.4.	982,784	530,130
Other financial liabilities	4.3.5.	8,060,688	3,099,829
Other miscellaneous liabilities	4.3.5.	2,360,859	11,935,396
Other current liabilities	4.3.5.	10,421,547	15,035,225
Total current liabilities		**326,624,576**	**201,136,967**
Non-current liabilities	4.4.		
Non-current loans	4.4.	1,406,818	2,354,760
Capital from profit participation rights	4.4.	10,000,000	10,000,000
Deferred taxes	4.2.5.	9,400,139	7,329,672
Total non-current liabilities		**20,806,957**	**19,684,432**
Shareholders' equity	4.5.		
Subscribed capital	4.5.1.	8,993,576	8,101,797
Share issue for capital increase		0	16,200
Additional paid-in capital	4.5.2.	280,895,128	165,346,006
Currency translation		64,948	(30,461)
Retained earnings		35,597,083	14,374,915
Equity relating to shareholders		**325,550,735**	**187,808,457**
Minority interests	4.5.3.	713,853	21,332
Total shareholders' equity		**326,264,588**	**187,829,789**
Total shareholders' equity and liabilities		**673,696,121**	**408,651,188**

Consolidated Income Statement of REpower Systems AG

Income Statement	Notes	01.01.-31.12.2007	Pre-Year 01.01.-31.12.2006
		EUR	EUR
Revenue	5.1.	680,159,952	458,834,909
Changes in work in progress		(2,006,782)	2,705,553
Total performance		**678,153,170**	**461,540,462**
Other operating income	5.2.	7,003,546	3,034,112
Cost of materials/cost of purchased services		(552,110,733)	(386,506,723)
Personnel expenses	5.3.	(49,554,898)	(28,504,173)
Depreciation on property, plant and equipment and amortization on intangible assets		(6,589,209)	(4,318,263)
Other operating expenses	5.4.	(48,699,560)	(33,060,350)
Operating result		**28,202,316**	**12,185,065**
Interest and similar finance income		6,237,142	2,333,185
Interest and similar finance expenses		(4,866,456)	(3,567,866)
Share of result from associates		(113,863)	249,798
Profit before income tax		**29,459,139**	**11,200,182**
Taxes on income		(8,004,235)	(3,988,859)
Other taxes		(336,465)	(157,768)
Profit for the year		**21,118,439**	**7,053,555**
Share of net income for the year attributable to minority interests		(103,729)	(9,160)
Share of net income for the year attributable to shareholders of the parent company		21,222,168	7,062,715
Earnings per share (undiluted)	5.5.	2.43	0.94
Earnings per share (diluted)	5.5.	2.28	0.91

Cash Flow Statement

Cash Flow Statement	Notes	2007	Pre-Year 2006
		EUR	EUR
Cash flow from operating activities	10.		
Profit for the period before taxes		29,459,139	11,200,182
Adjustments for:			
Depreciation on property, plant and equipment, amortization of intangible assets and write-down of financial assets		6,589,209	4,318,263
Write-down of loans granted		209,813	0
Profits /losses from associates		113,863	(249,798)
Interest income		(6,237,142)	(2,333,186)
Interest expenses		4,656,643	3,567,866
Increase/decrease in provisions		3,795,694	(248,537)
Profit /loss on disposal of fixed assets		99,627	(113,811)
Change in working capital		(82,384,396)	26,730,379
Interest received		6,237,142	1,404,068
Interest paid		(4,656,643)	(3,567,866)
Income tax paid/received		(75,108)	488,568
Other non-cash income and expenditure		(735,742)	(1,944,266)
Cash flows from/used in operating activities		**(42,927,901)**	**39,251,862**
Cash flow from investing activities:	10.		
Proceeds from the sale of fixed assets		2,346,212	187,816
Payments for the purchase of intangible assets		(8,868,846)	(13,192,700)
Payments for the purchase of property, plant and equipment		(34,598,139)	(8,750,473)
Payments for the further purchase of shares in associates and joint ventures		(940,300)	(799,999)
Cash flows used from investing activities		**(42,061,073)**	**(22,555,356)**
Cash flow from financing activities	10.		
Proceeds from increase in shareholders' equity		110,937,821	79,169,633
Loans issued		(632,828)	(492,717)
Loan repayments		(947,942)	(960,346)
Cash flows used in/from financing activities		**109,357,051**	**77,716,570**
Increase in cash and cash equivalents		24,368,077	94,413,076
Cash and cash equivalents at the beginning of the period		120,066,858	25,653,782
Cash and cash equivalents at the end of the period		144,434,935	120,066,858
Cash in bank	10.	144,908,913	120,066,967
Current bank liabilities	10.	(473,978)	(109)
Cash and cash equivalents at the end of the period	10.	**144,434,935**	**120,066,858**

Statement of Changes in Consolidated Shareholders' Equity

	Subscribed Capital	Share Issue for Capital Increase	Additional Paid-In Capital	Currency Translation	Retained Earnings	Equity Attributable to Shareholders	Minority Interests	Total Shareholders' Equity
	In EUR	In EUR	In EUR	In EUR	In EUR	In EUR	In EUR	In EUR
Balance at 01.01.2006	**5,941,198**	**0**	**86,670,543**	**(18,505)**	**7,312,200**	**99,905,436**	**30,492**	**99,935,928**
Capital increase including transaction costs for capital increase less tax advantages	2,160,599		78,172,486			80,333,085		80,333,085
Shares issued (not yet registered)		16,200				16,200		16,200
Share option plans			502,977			502,977		502,977
Foreign currency translation				(11,956)		(11,956)		(11,956)
Net result for the year					7,062,715	7,062,715	(9,160)	7,053,555
Group result				(11,956)	7,062,715	7,050,759	(9,160)	7,041,599
Balance at 31.12.2006	**8,101,797**	**16,200**	**165,346,006**	**(30,461)**	**14,374,915**	**187,808,457**	**21,332**	**187,829,789**
Balance at 01.01.2007	**8,101,797**	**16,200**	**165,346,006**	**(30,461)**	**14,374,915**	**187,808,457**	**21,332**	**187,829,789**
Capital increase including transaction costs for capital increase less tax advantages	826,379	(16,200)	110,238,566			111,048,745		111,048,745
Shares issued (not yet registered)	65,400					65,400		65,400
Successive acquisitions of shares in other entities with existing controlling interests							796,250	796,250
Share option plans			5,310,556			5,310,556		5,310,556
Foreign currency translation				95,409		95,409		95,409
Net result for the year					21,222,168	21,222,168	(103,729)	21,118,439
Group result				95,409	21,222,168	21,317,577	(103,729)	21,213,848
Balance at 31.12.2007	**8,993,576**	**0**	**280,895,128**	**64,948**	**35,597,083**	**325,550,735**	**713,853**	**326,264,588**

Segment Reporting REpower Systems-Group

	Revenues	
	01.01.-31.12.2007	01.01.-31.12.2006
	In TEUR	In TEUR
Germany	237,710,924	190,245,452
Outside Germany	442,449,028	268,589,457
	680,159,952	**458,834,909**

	Assets	
	31.12.2007	31.12.2006
	In TEUR	In TEUR
Germany	667,624,331	401,258,205
Outside Germany	6,071,790	7,392,983
	673,696,121	**408,651,188**

	Debts	
	31.12.2007	31.12.2006
	In TEUR	In TEUR
Germany	336,931,937	209,425,522
Outside Germany	2,546,660	5,033,969
	339,478,597	**214,459,491**

	Investments	
	31.12.2007	31.12.2006
	In TEUR	In TEUR
Germany	45,120,250	24,817,165
Outside Germany	591,743	612,788
	45,711,993	**25,429,953**

	Write Offs	
	01.01.-31.12.2007	01.01.-31.12.2006
	In TEUR	In TEUR
Germany	6,329,686	4,182,440
Outside Germany	259,523	135,823
	6,589,209	**4,318,263**

REpower Systems AG

Statement of Consolidated Fixed Assets 2007

	Acquisition and Production Costs					Depreciation and Amortization					Book Values	
	Balance 01.01.2007	Additions	Reclassifications	Disposals	Balance 31.12.2007	Balance 01.01.2007	Additions	Reclassifications	Disposals	Balance 31.12.2007	31.12.2007	31.12.2006
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Property, plant and equipment												
1. Land, leasehold rights and buildings, including buildings on non-owned land	7,543,073	2,435,768	381,353	(135,881)	10,224,313	1,291,444	255,931	0	0	1,547,375	8,676,938	6,251,629
2. Technical equipment, plant and machinery	10,221,610	3,845,624	(999,767)	(23,756)	13,043,711	3,651,938	1,429,247	(122,608)	(17,488)	4,941,089	8,102,622	6,569,672
3. Other equipment, fixtures, fittings and equipment	16,980,737	6,146,749	333,034	(1,011,461)	22,449,059	8,687,040	2,772,252	122,608	(758,910)	10,822,990	11,626,069	8,293,698
4. Advance payments and plant and machinery in process of construction	920,650	22,169,998	285,380	(2,047,256)	21,328,772	0	0	0	0	0	21,328,772	920,650
Total property, plant and equipment	**35,666,070**	**34,598,139**	**0**	**(3,218,354)**	**67,045,855**	**13,630,421**	**4,457,430**	**0**	**(776,398)**	**17,311,454**	**49,734,401**	**22,035,649**
II. Intangible assets												
1.1. Software and other licences	9,647,911	1,686,348	0	(2,493)	11,331,766	2,566,173	1,742,636	0	0	4,308,809	7,022,957	7,081,739
1.2. Development costs	6,776,109	7,123,455	0	0	13,899,564	93,155	389,143	0	0	482,298	13,417,266	6,682,954
1. Intangible assets	16,424,020	8,809,803	0	(2,493)	25,231,330	2,659,328	2,131,779	0	0	4,791,107	20,440,223	13,764,693
2. Goodwill	4,567,363	59,043	0	0	4,626,406	3,237,696	0	0	0	3,237,696	1,388,710	1,329,667
Total intangible assets	**20,991,383**	**8,868,846**	**0**	**(2,493)**	**29,857,736**	**5,897,024**	**2,131,779**	**0**	**0**	**8,028,803**	**21,828,933**	**15,094,360**
Total	**56,657,453**	**43,466,985**	**0**	**(3,220,847)**	**96,903,591**	**19,527,446**	**6,589,209**	**0**	**(776,398)**	**25,340,257**	**71,563,334**	**37,130,009**

Investments of REpower Systems AG as per 31.12.2007:

Companies	Company share in %
Investments in associated companies	
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100.00
BWU Projekt GmbH, Trampe	100.00
REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg	100.00
REpower North (China) Ltd., Baotou, People's Republic of China	50.01
REpower Espana S.L., Madrid, Spain	100.00
REpower Italia S.r.l., Mailand, Italy	100.00
REpower S.A.S., Nanterre, France	100.00
Eolis S.a.r.l., Nanterre, France	100.00
Fermes Eoliennes de France S.A.S., Surenes, Franc (in liquidation)	100.00
REpower Australia Pty. Ltd., Melbourne, Australia	100.00
REpower Diekat S.A., Athens, Greece	60.00
REpower UK Ltd., Edinburgh, Great Britain	67.00
Windpark Großvargula Betriebs GmbH, Breydin[1] (in liquidation)	100.00
REpower USA Corp., Portland, Oregon, USA	100.00
REpower Benelux bvba., Brussels, Belgium	100.00
REpower Wind Systems Trading (China), Beijing, People's Republic of China	100.00
Powerblades GmbH, Lemwerder	51.00
Other Investments	
Energy Wind Czech s.r.o., Mostkovice, Czech Republic	50.00
REpower Portugal Sistemas Eolicos S.A., Oliveira de Frades, Portugal	50.00
Sister Lda, Lisbon, Portugal	37.50
Windpark Finsterwalde GmbH, Finsterwalde	30.00
Wasserkraft Finowkanal, GmbH, Breydin	100.00
REpower Geothermie GmbH, Breydin	24.90
RETC Renewable Energy Technology Centre, Hamburg	100.00

1) Shareholding via REpower Betriebs- und Bteiligungs GmbH

As per 31.12. 2007 100% owned by REpower Systems AG, traded under the name Verwaltungsgesellschoft 144. Alster mbH, with Intent to resale 50%.

1. Introduction

The REpower Systems Group with REpower Systems AG, Überseering 10, 22297, Hamburg, Federal Republic of Germany, as a listed parent company, operates in the area of manufacturing and selling wind energy turbines as well as in projecting and providing turnkey wind farms.

REpower Systems AG has a duty to prepare consolidated financial statements for the fiscal year ended 31 December 2007. The consolidated financial statements for the year ended 31 December 2007 were prepared in accordance with Article 315a of the German Commercial Code in conjunction with Article 4 of Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002 concerning the adoption of international accounting standards in the currently valid version of the International Financial Reporting Standards (IFRS), applicable in the European Union. Die IFRS comprise the International Financial Reporting Standards (IFRSs) und International Accounting Standards (IASs) published by the International Accounting Standards Board (IASB), as well as interpretations of the International Financial Reporting Interpretations Committee (IFRICs) and its predecessor, the Standing Interpretations Committee (SICs). IFRS requirements were fulfilled completely and led to the presentation of a true and view of the actual situation with regards to the REpower System Group's net assets, financial position and results of operations.

The consolidated financial statements of the company are published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

Individual balance sheet and income statement items as well as the balance sheet are summarised in order to improve the clarity of presentation. These items are explained in the notes. The consolidated financial statements were prepared with the euro as the functional currency. The income statement is broken down according to the total cost method.

The preparation of the consolidated financial statements is carried out on the basis of accounting for assets and liabilities at amortised cost. Excluded from this are derivative financial instruments, which are carried at fair value as of the balance sheet date.

On 25 August 2007, the Supervisory Board resolved to propose a changeover of the parent company's fiscal year to a period of 1 April to 31 March of the following year. The period from 1 January 2008 to 31 March 2008 is thus a short fiscal year. At the Extraordinary General Meeting on 17 October 2007, the company's shareholders endorsed this amendment to the Articles of Association. The financial statements following the consolidated financial statements will thus be to 31 March 2008.

2. Consolidation

2.1. Principles of Consolidation

All significant German and foreign subsidiaries are included in this consolidated financial statements where REpower Systems AG has direct or indirect control of the financial and business policies of these companies.

Capital consolidation of subsidiaries is performed in line with the purchase method. In this process, the cost of the investments acquired is offset against the fair value of the net assets of the subsidiary attributed to the parent company at the time of acquisition. An asset difference resulting from company purchases is capitalised as derivative goodwill. Negative goodwill, which results from capital consolidation at the time of acquisition, is recognised in income immediately. Derivative goodwill is examined at least once annually in the following periods with regards to the value of goodwill and in the event of impairment, amortised if necessary to the lower recoverable amount. Hidden reserves and charges disclosed as a result of fair value accounting of the assets and liabilities as part of a first-time consolidation are carried, amortised or realised in the following periods according to the development of assets and liabilities. Expenses and income, intergroup transactions as well as the receivables and liabilities between the companies included in the consolidation were eliminated in compliance with IAS 27.

Companies which the company manages in conjunction with other partners, as well as associated companies in which the Group has a significant influence on financial and business policy, but without the possibility of control, are included in the consolidated financial statements according to the equity method. In determining goodwill as well as the proportionate fair value of assets and liabilities, the principles of full consolidation apply. Inclusion in accordance with the equity method is based on the IFRS financial statements of these companies at the Group reporting date. Losses from associated companies which exceed the equity holding's carrying amount or other noncurrent receivables from financing the company are not recognised as long as there is no obligation of supplementary payments. Significant receivables and liabilities were eliminated.

The REpower Systems AG financial statements as well as those of the subsidiaries, associated companies and joint ventures are prepared in accordance with a uniform accounting policy. The financial statements of companies included in the consolidation are prepared to the REpower Systems AG reporting date. Intercompany assets and liabilities from subsidiaries whose functional currency is not the euro are translated at the currency exchange rate applicable on the reporting date. Income statement items are translated at the transaction rate for the relevant year. Subsidiaries' equity capital components are translated at the corresponding historical rate when they occur. Exchange differences resulting from translation are recognised as adjustment items for currency translation within Group equity capital.

2.2. *Scope of Consolidation*

2.2.1. Fully Consolidated Companies

The scope of consolidation includes the following German and international companies which are fully consolidated in the consolidated financial statements:

Project Companies	**Share in %**
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100.00
Windpark Großvargula Betriebs GmbH, Breydin (in liquidation)	100.00
REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg	100.00
Eolis S.a.r.l., Nanterre, France	100.00
PowerBlades GmbH, Lemwerder	51.00
Sales companies	
REpower Espana S.L., Madrid, Spain	100.00
FEdeF S.A.S., Surenes, Frankreich (in Liquidation)	100.00
REpower S.A.S., Nanterre, France	100.00
REpower Diekat, Athens, Greece	60.00
REpower UK Ltd., Edinburgh, Great Britain	67.00
REpower Italia SRL., Milan, Italy	100.00
REpower Australia Pty Ltd. Melbourne, Australia	100.00
REpower Wind Systems, Peking, People's Republic of China	100.00
REpower USA Corp., Portland, U.S.A.	100.00
REpower Benelux b.v.b.a., Brussels, Belgium	100.00

REpower Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg, and Windpark Großvargula Betriebs GmbH, Breydin, have investments in German wind farm companies, but no operations. Die Großvargula Betriebs GmbH, which was active exclusively as a general partner to Windpark Großvargula GmbH & Co. KG, a company sold in the 2003 fiscal year, has been in liquidation since 1 January 2007.

REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg was founded as a project company and implemented the first reference project for 5-MW type series wind turbines at Büttel in Schleswig-Holstein, Germany in December 2007. During the 2007 fiscal year, after the disposal of the interest was initially planned, the complete net assets of REpower In- vestitions- & Projektierungs GmbH & Co. KG were sold to an investor as part of an asset deal. Since all company shares on the reporting date remain assigned indirectly or directly to REpower Systems AG, the company shell is included unchanged in the course of full consolidation in the consolidated financial statements.

On 5 June 2007, all shares of the shell company 142. Alster GmbH were purchased for a cash price of TEUR 25 and the company was renamed Power Blades GmbH. 49 percent of the shares were then sold to the Abeking & Rasmussen Group at the pro rata purchase price, so that REpower Systems AG is in possession of 51 percent of Power Blades GmbH shares. In the future, Power Blades GmbH will operate a manufacturing site in Bremerhaven for the manufacture of blades for wind turbines. On the balance sheet date, the company had commenced operations at a low level. The completion of manufacturing site is planned for the middle of 2008. As a result of the REpower Systems AG's controlling interest in Power Blades GmbH, the company is fully consolidated in the consolidated financial statements.

There are investments in ten foreign marketing companies with the purpose of marketing REpower Systems AG wind turbines in Europe (previous year. seven). REpower Wind System Trading (People's Republic of China), with its headquarters in Peking, was founded in 2007 and manages sales activities for the REpower Group in China. The company FEdeF S.A.S. ceased operation of its business activities in the 2006 fiscal year. In the fourth quarter of 2007, the companies REpower U.S.A. Corp, Portland, U.S.A. and REpower Benelux bvba., Brussels, Belgium were newly founded by cash subscriptions of TEUR 50 and TEUR 25 and commences operations. The company REpower U.S.A. Corp. serves to develop the market in the United States of America. REpower Benelux bvba. was formed as a sales and service company for the Belgian market and is responsible for the first offshore project with 5-MW type series equipment at the Thorntonbank wind farm.

2.2.2. Jointly Managed and Associated Companies

In the consolidated financial statements, the following material jointly controlled entities and associated companies are consolidated at equity:

	Group Share of Nominal Capital	
	31.12.2007	**31.12.2006**
	In %	**In %**
REpower Portugal — Sistemas Éolicos S.A., Oliveira de Frades, Portugal	50.00	50.00
REpower (North) China Ltd., Baotou, People's Republic of China	50.01	50.01

The companies serve as sales companies to develop sales markets in foreign countries.

REpower (North) China Ltd. was founded in fiscal year 2006 as part of a joint venture and first operated in the 2007 fiscal year. REpower Systems AG acquired a share of EUR 1.9 million in the company's subscribed capital and provided non-cash contributions of licences and expertise. Further contributions were made in 2007. REpower Systems AG obtained the majority of voting rights and is in the position to exert a material influence on the company's financial and business policies. However, it is barred from controlling REpower (North) China Ltd. due to the rights granted to other shareholders.

3. Accounting Policies

The accounting policies applied in the consolidated financial statements for 2007 are unchanged as against the fiscal year 2006.

With regards to presentation, the following changes were made to the previous year's financial statements, which led to an adjustment of the previous year's information in this financial statement in order to enable comparability. The following information relates to figures from the previous year:

Advance payments on inventories (TEUR 11,932) are allocated to the other assets balance sheet items. In the previous year's financial statements these were allocated to inventories.

Liabilities with a small degree of uncertainty with regards to the probability of occurrence and the amount were reported as provisions in the previous year and are now reported as trade accounts payable (TEUR 8,022) or other current liabilities (TEUR 2,766).

The presentation of other operating income and expenses was adjusted so that this is reported as TEUR 1,306 less.

3.1. Liquid Funds

Liquid funds consist primarily of cash in bank and are carried at nominal value. Amounts in foreign currency are measured as of the reporting date.

3.2. Shares in Project Companies

Shares in project companies are classified as "available-for-sale" as defined by IAS 39 and recognised on the reporting date at fair value or, provided it can be reliably measured, at amortised cost.

3.3. Receivables and Other Financial Assets

Trade receivables, intra-group receivables, receivables from project companies and other primary financial assets allocated to the category "loans and receivables" are carried at the time of preparing the consolidated financial statements at fair value plus transaction costs. Subsequent measurement is performed at amortised cost taking the effective interest rate into account. Default risks are taken into account with appropriate valuation allowances which are determined on the basis of experience and individual risk assessments.

3.4. Inventories

Inventories comprise raw materials and supplies and work in progress. Raw materials and supplies are carried at the lower of cost or net realisable value. Work in progress for which no legally effective, customer-specific order exists is measured at the lower of cost or net realizable value. In addition to material and production overheads, manufacturing costs comprise overheads attributable as per IAS 2, but not financing costs.

3.5. Property, Plant and Equipment

Items of property, plant and equipment are carried at cost and depreciated on a straight-line basis over their economic life. Cost includes all expenses for purchasing the assets, insofar as these can be reliably calculated or estimated. The manufacturing costs of internally generated equipment comprise direct costs as well as attributable overheads. Loan interest costs are not included.

The assessment of depreciation is based on the following estimated economic lives:

	Economic Life Years
Buildings	10-50
Plant and machinery	2-21
Other equipment, office and operating equipment	3-10

3.6. Intangible Assets

Acquired intangible assets are measured at cost and amortised on a straight-line basis over the respective economic life.

Research costs are reported as current expenses. Development costs for future products and other internally generated intangible assets are capitalised at cost, provided that the manufacture of these products is likely to generate an economic benefit to the REpower Systems Group. In the event that the requirements for capitalisation are not given, expenses are recognized directly in income the year in which they occur.

Capitalised development costs comprise all direct costs and overheads attributable to the development process. Financing costs are not capitalised. Amortisation is performed in relation to quantity or on a straight line basis. If the volume of sales can be estimated with reasonable assurance, amortisation is performed according to quantity in relation to the total volume of sales expected. With development costs not related to quantity, amortisation is performed on a straight line basis from the start of production for the expected duration of the developed models.

The following economic lives have been applied:

	Economic Life Years
Capitalised development costs	5*
Licences, software	3-10

* *Years or according to quantity*

3.7. Impairment on Property, Plant and Equipment and Intangible Assets

REpower Systems AG examines the value of fixed assets (property plant and equipment as well as intangible assets) with regards to any impairment requirement.

When carrying out impairment tests derivative goodwill is allocated to the reporting entities for which allocation of derivative goodwill is implemented in the Group's internal reporting system. The reporting units generally correspond to individual Group companies. Payment streams of the reporting entities are discounted by a cost of capital rate orientated to comparable companies. Impairment is performed if the capital value of the streams of payment is less than the carrying amount of intangible assets and property, plant and equipment as well as the net financial instruments of the reporting entity including the allocated derivative goodwill.

Impairment of other intangible assets and property, plant and equipment is performed if certain events or developments result in the carrying amount of the asset no longer being covered by expected disposal proceeds or the discounted net payment streams from any further use. The payment streams are also discounted at a cost of capital rate orientated towards comparable companies. If a determination of the recoverable amount for individual assets is not possible, the stream of payments is determined for the next highest group of assets is for which such a stream of payments can be determined. Reversals are performed if the reasons for impairment are inapplicable in the following period.

Reversal is performed to a level which does not exceed the amount without impairment. A reversal of an impairment of goodwill is not carried out.

3.8. Loans Granted

Loans granted which are allocated to the category "loans and receivables" are carried at fair value upon initial recognition. Subsequent measurement is performed at amortised cost taking the effective interest rate into account.

3.9. *Share Options*

In the consolidated financial statements, share options granted to members of executive bodies and executives are carried in line with the regulations of IFRS 2. Share options grant subscription rights to new company shares from contingent capital and are a form of remuneration. Transactions which are to be fulfilled by granting shares are measured at fair value as of the day they are granted. The fair value of share options on the day they are granted is determined by an external assessor using the Monte Carlo simulation method. The calculated expense is distributed over the period in which the options can be exercised on a straight-line basis and the attributable staff costs of the relevant fiscal year are recognised directly in income in the capital reserves.

3.10. *Provisions*

Provisions are made for all third party obligations where it is probable that the fulfilment of the obligations will result in outflows of resources and a reliable estimate of the amount of the obligation can be made.

Warranty provisions are made both for known individual risks and for general risks. Specific technical warranty risks can be individually quantified by comprehensive documentation and are taken into consideration by individual provisions. The economic risk and the level of provisioning are evaluated on an ongoing basis in coordination with the technical departments taking into account existing risks.

Provisions are recognised for general risks on the basis of experience. The system for establishing collective warranty provisions is as follows:

For turbines erected, provisions are made for the anticipated actual costs per year of the warranty of the contractual warranty period. The actual costs are determined on the basis of past experience and examined on an ongoing basis.

For wind farm projects (turnkey), project-specific provisions are established in respect to guarantee commitments for the park infrastructure. The individual level of the provision depends on the park size and the location of the park in Germany or internationally.

If the provision amounts are material, they are discounted.

3.11. *Liabilities*

Liabilities are measured at amortised cost corresponding to the repayment amount. If the liability amounts are material, they are discounted on the basis of the effective interest rate method.

3.12. *Transaction Costs Incurred for Issuing Equity Instruments*

If transaction costs are incurred for issuing equity instruments these are deducted on equity from the issue proceed minus any related income tax advantages. Only directly attributable external costs are recognised as costs for an equity transaction.

3.13. *Revenue Recognition*

Sales include all proceeds from the sale of wind energy turbines, license revenues and revenues from service and maintenance contracts.

For wind turbine construction orders where on the reporting date both a specific legally effective customer order exists and where the order outcome as well as the expected total costs can be reliably estimated on the basis of Group budgeting and cost accounting, the percentage of completion method in accordance with IAS 11 is used. The degree of completion is calculated according to the cost-to-cost method. Only the costs relating directly to the service rendered are taken into account. Borrowing costs are recognised as an expense. Advance payments received for contracts are deducted directly from future receivables from construction contracts. Contracts for the delivery of wind turbines to customers are considered completed from the initial installation of the equipment. If no installation is agreed, sales are realised at the time that the benefits and risks are passed on to the purchaser and the payment is probable.

License revenues result not only from quota licenses, but also single licenses independent of time or units. Proceeds from licences are realised on installation. In the case of single licenses, sales are realised when the license is granted. Advance payments received on quota licenses are deferred in equity and recognised in income in line with the economic substance of the contract.

Revenues for service and maintenance contracts are realised insofar as the respective services have been rendered.

3.14. Taxes on Income

REpower Systems AG recognises current taxes when they are caused at the level of the amount due. Deferred taxes are recognised according to the liability method, after deferred tax assets or deferred tax liabilities are carried with future tax effects which arise as a result of differences between IFRS and tax accounting of assets and liabilities. The effects of tax rate changes on deferred taxes are recognised in income in the reporting period in which the legislative procedure the change in tax rate is passed. However, the effects of tax changes on equity are also recognised in equity without any effect on income. If the realisation of deferred tax assets does not appear reasonably likely in the future, no recognition occurs.

3.15. Borrowing Costs

Borrowing costs are recorded as an expense and not included in cost of the asset.

3.16. Government Assistance (Investment Subsidies)

Government assistance is recognised according to the character of the subsidised expenses. Insofar as subsidies relate to capitalised assets, the assistance granted reduces the cost of the subsidised assets. Assistance granted as an expenditure allowance is realised in the income statement of the fiscal year in which the subsidised expenses were incurred.

3.17. Transactions in Foreign Currencies

Purchases and sales in foreign currencies are translated using the current price applicable at the time of the transaction. On the balance sheet date, these are recognised using the exchange rate valid at this time. The gains and losses resulting from foreign currency exchange in the translation are recognised in income.

3.18. Financial Instruments

Financial assets are recognised on delivery, i.e. the date of order fulfilment.

Financial instruments consist on the one hand of liquid funds, receivables and other financial assets as well as financial liabilities and loans insofar as these relate to a contract. The initial recognition of financial assets is performed at fair value plus directly attributable transaction costs, insofar as the financial assets are not allocated to the category “at fair value through profit and loss”. The REpower Group has no primary financial assets to be allocated to this category. Subsequent measurement of financial assets is carried out either at fair value or at amortised cost taking the effective interest rate into account depending on the allocation of the individual financial instruments to the categories in accordance with IAS 39.

At initial consolidation financial obligations are carried at fair value minus transaction costs and in subsequent measurement at amortised cost.

Financial assets are derecognised provided that either the rights to streams of cash payments resulting from assets have expired or almost all risk of any form have been passed on to a third party so that the criteria for derecognition are met. Financial obligations are derecognised if obligations have either expired or were cancelled.

3.19. Use of Assumptions

The preparation of these consolidated financial statements requires that the management make estimates and assumptions on which the value of assets and liabilities, contingent liabilities and other financial obligations as of the balance sheet date and sales and expenses in the fiscal year depend. Key estimates and assumptions relate to impairment tests (see note 4.2), guarantee provisions (see note 4.3.2), measurement of share options (see note 4.5.2), the realisation of sales according to the percentage-of-completion method (see note 4.1.2) and the value of deferred tax assets (see note 4.2.5). The actual situation which occurs may differ from these assumptions. Also, changes in the current economic conditions and other events may have a material impact on the actual figures.

3.20. New Accounting Standards and Their Application

The following standards published by the IASB and the IFRIC were applied by the company for the first time in the 2007 fiscal year:

IFRS 7 (Financial Instruments: Disclosure) and the amendments to IAS 1 (‚Presentation of Financial Statements: Equity Disclosures') require information on the importance of financial instruments to the financial position and results of operations of the company and qualitative and quantitative information on the nature and extent of risks which the company is subject to as a result of the financial instruments to the reporting date and how they are managed. The information to be disclosed as per IAS 32 "Financial Instruments: Presentation" and IAS 30 "Disclosures in Financial Statements of Banks and Similar Financial Institutions" are combined and supplemented with new information to be disclosed. IFRS 7 and the change to IAS 1 are mandatory for fiscal years beginning on or after 1 January 2007. In applying IFRS 7 and IAS 1 comprehensive information arises in relation to financial instruments and their relevance to the assessment of net assets, financial position and results of operations as well as a qualitative and quantitative presentation of the nature and extent of risks associated with financial instruments.

IFRIC 7 "Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies' ", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", and IFRIC 10 "Interim Financial Reporting and Impairment" are mandatory for fiscal years beginning on or after 1 January 2007 but due to the nature of business activities they had no material effects on Group net assets, financial position and results of operations at REpower Systems AG.

The application of the following standards and interpretations published by the IASB in 2006 and 2007 is not yet mandatory for the REpower Systems Group in the consolidated financial statements as of 31 December 2007:

In November 2006, the IASB published IFRS 8 "Operating Segments". IFRS 8 replaces IAS 14 "Segment Reporting" and adapts the regulations for segment reporting to the US Statement of Financial Accounting Standards regulation (SFAS) 131 "Disclosures about Segments of an Enterprise and Related Information" with the exception of minor differences. This standard requires that companies disclose quantitative and qualitative information with regards to their reporting segments. Reporting segments are operating segments or combinations of operating segments which fulfil particular criteria. Operating segments are the components of a company for which separate financial information is available, which is regularly examined by the Chief Operating decision maker, in order to evaluate the success of the company and decided how resources are to be distributed. In general, this financial information must be reported on the basis of internal management. On this basis the management can evaluate the business success of operating segments and decide how to allocate resources to the operating segments. IFRS 8 is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet fully assessed the possible effects of IFRS 8 on segment reporting.

In March 2007, the IASB published amendments to IAS 23 "Borrowing Costs". The material changes to the standards concern the discontinuation of the option of directly recognising borrowing costs as an expense which can attributed to the acquisition, construction or production of a qualifying asset. Such borrowing costs must be capitalised as part of the cost of the qualifying asset. This standard applies for the first time to borrowing costs for qualifying assets where capitalisation occurs on or after January 2009. Earlier adoption is permitted. The company has not yet finally assessed the impact of introducing the changes of IAS 23 with regards to the company's net assets, financial position and results of operations.

In September 2007, a revised standard, IAS 1 "Presentation of Financial Statements" was published. The revision aims to improve the possibilities for analysis as well as aiding comparison of financial statements for their users. IAS 1 prescribes the presentation and structure of the financial statements. In addition, it contains the minimum requirements for the content of financial statements. The new standard is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet finally assessed the effect of introducing the changes in accordance with IAS 1 with regards to the company's net assets, financial position and results of operations.

In November 2006, IFRIC 11 "IFRS 2 — Group and Treasury Share Transactions" was published. This regulation deals with the issue of how group-wide, share-based remuneration should be recognised, the effects of employee changes within a group and how share-based remuneration should be treated when the company issues treasury shares or acquires third-party shares. IFRIC 11 is mandatory for fiscal years beginning on or after 1 March 2007. Earlier adoption is permitted. The company has not yet finally assessed the effect of introducing IFRIC 11 with regards to the company's net assets, financial position and results of operations.

In November 2006, IFRIC 12 "Service Concession Agreements" was also published. Service concession agreements are agreements which are made between the government and private companies in order to provide public services such as roads, energy supply and transport. The interpretation prescribes the accounting policies of such agreements between government and private companies. IFRIC 12 is mandatory for fiscal years beginning on or after 1 January 2008. Earlier adoption is permitted. As the Group does not have any service concession agreements as per IFRIC 12, IFRIC 13 has no material effect on Group net assets, financial position and results of operations at REpower Systems AG.

In June 2007, IFRIC 13 "Customer Loyalty Programmes" was published. IFRIC 13 prescribes the accounting policies for revenues from sales processes, and related expenses for obligations arising from customer loyalty programmes such as award, bonus or loyalty programmes. IFRIC 13 clarifies that such business is to be regarded as multi-component transactions where the part of sales which is due to premiums is recognised as a liability until the customer either exercises his premium right or forfeits it. IFRIC 13 is mandatory for fiscal years beginning on or after 30 June 2008. Earlier adoption is permitted. Due to the nature of the Group's business activities, IFRIC 14 has no material effects on Group net assets, financial position of results of operation for REpower Systems AG.

In July 2007, IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published. IFRIC 14 contains general guidelines for determining the excess limit of a pension fund which can be recognised as an asset in accordance with IAS 19 "Employee Benefits". The interpretation also describes how regulatory or contractual minimum financing regulations can have an effect on a pension fund's assets or liabilities. IFRIC 14 is mandatory for fiscal years beginning on or after 1 January 2008. Earlier adoption is permitted. As the Group does not have any pension funds as per IAS 19, IFRIC 13 has no material effect on Group net assets, financial position and results of operations at REpower Systems AG.

4. Information on Individual Balance Sheet Items

4.1. Current Assets

4.1.1. Liquid Funds

The company has only restricted access to cash in bank amounting to TEUR 144,909 (2006: TEUR 120,067), since from these assets, a cash deposit amounting to TEUR 40,401 (previous year: TEUR 65,696) serves as collateral for payments, contract performance and warranty guarantees granted by banks to customers. The reduction of the cash deposit in 2007 is based on a reduction of deposit quotas at the banks and credit insurers who finance us.

4.1.2. Gross Amount Due from Customers for Contract Work

	31.12.2007 In TEUR	31.12.2006 In TEUR
Receivables	90,182	51,597
Less advance payments received	(28,911)	(14,612)
	61,271	**36,985**

This item lists work in progress as of the reporting date which was reported according to the percentage-of-completion method in compliance with IAS 11. Advance payments on contracts recognised are deducted directly. These contracts incurred material costs amounting to TEUR 75,349 (previous year: TEUR 44,306). In 2007, the contribution to the operating result by these projects totalled TEUR 14,833 (previous year: TEUR 7,291).

4.1.3. Trade Receivables

Trade receivables relate primarily to receivables from customers resulting from the delivery of wind turbines.

	31.12.2007 In TEUR	31.12.2006 In TEUR
Trade receivables	200,301	95,105
	200,301	**95,105**

Total specific valuation allowances of TEUR 2,239 were recognised for receivables as of 31 December 2007 (as against TEUR 2,430 as of 31 December 2006).

	2007	2006
	In TEUR	In TEUR
Specific valuation allowances		
As of beginning of fiscal year	4,030	3,580
Reversal	(709)	(1,980)
Addition	2,239	2,430
As of end of fiscal year	**5,560**	**4,030**

4.1.4. Receivables from Participations

Items are composed as follows:

	31.12.2007	31.12.2006
	In TEUR	In TEUR
Receivables from participations		
Loan to Energy Wind Czech s.r.o., (Czech Republic)	71	67
Loan to Windpark Finsterwalde GmbH, Finsterwalde	364	218
Loan to Sister Ltd., Portugal	99	94
Other	0	38
	534	**417**

4.1.5. Receivables from Associated Companies and Joint Ventures

Receivables from associated companies amounting to TEUR 10,536 comprise TEUR 5,190 from REpower Portugal — Sistemas éolicos, S.A. (Portugal) and TEUR 5,346 from REpower North (China) Ltd., Baotou, People's Republic of China. Receivables are primarily due to the delivery of wind turbines.

4.1.6. Inventories

Valuation allowances for inventories amount to TEUR 1,523 as of 31 December 2007 (previous year: EUR 0). TEUR 1,523 of this was recognised in 2007. The carrying amount of inventories which are recognised as expenses during the fiscal year amounts to TEUR 554,117 (previous year: TEUR 383,801).

	31.12.2007	31.12.2006
	In TEUR	In TEUR
Raw materials and supplies	86,119	51,854
Work in progress	11,392	14,359
	97,511	**66,213**

Raw materials and supplies relate to inventories for the production of wind energy turbines. Work in progress relates to turbines under construction.

4.1.7. Other Current Assets

	31.12.2007	31.12.2006
	In TEUR	In TEUR
Other miscellaneous current assets		
Advance payments	40,599	11,932
Accounts due from sales tax refunds	18,489	10,586
Refund for equipment	2,548	1,186
Prepaid insurance premiums (ISK)	801	1,069
Other	945	1,945
	63,382	**26,718**
Other financial assets		
Loans	280	608
Receivables from insurance companies	3,211	1,650
Other	1,534	2,268
	5,025	**4,526**
	68,407	**31,244**

4.2. Non-Current Assets

4.2.1. Non-Current Assets

Land and buildings relate primarily to the production sites used by the company.

Plant and machinery relate primarily to facilities for the production of wind turbines.

Assets under construction on the reporting date relates primarily to expenses for the extension of production locations as well as blade moulds.

The development in property, plant and equipment is shown in the statement of consolidated fixed assets.

4.2.2. Other Intangible Assets

In the 2007 fiscal year, research and development expenses amounted to TEUR 13,375 (previous year: TEUR 14,018), of which TEUR 7,123 was capitalised (previous year: TEUR 5,664).

4.2.3. Jointly Ventures and Associated Companies

Joint ventures and associated companies which are recognised using the equity method achieved a result of TEUR -235 (previous year TEUR 250) in the 2007 fiscal year as well as sales of TEUR 13,085 (previous year: TEUR 18,516). These companies' non-current assets as of 31 December 2007 amounted to TEUR 6,519 (previous year: TEUR 93). Current assets amounted to TEUR 56,353 (previous year: TEUR 10,269), non-current liabilities TEUR 15,481 (previous year: TEUR 6,442) as well as current liabilities TEUR 34,164 (previous year: TEUR 1,586).

4.2.4. Loans Granted

The items contain loans granted to wind farm project companies. If the loans are interest bearing, the interest rates fluctuate in a range between 2.05 percent and 7.0 percent per annum.

4.2.5. Income Tax

Taxes on income are as follows:

	2007 In TEUR	2006 In TEUR
Current income taxes	3,734	241
Income tax assets from previous years	(319)	(407)
Defered tax expense	4,589	4,155
Taxes on income	**8,004**	**3,989**

Deferred taxes are calculated on the basis of future tax rates.

The corporate tax rate for companies in Germany was 25.0 percent for 2007 (previous year: 25.0 percent) in addition to the solidarity surcharge of 5.5 percent (previous year: 5.5 percent). The total rate of corporation tax is thus 26.38 percent. When trade taxes are taken into account, the total tax rate amounts to 40.0 percent (previous year 40.0 percent). This total rate of tax will be reduced to 30.0 percent from 2008 as a result of the company tax reform in 2008. 15.83 percent of this relates to corporation tax of 15 percent in addition to 5.5 percent solidarity surcharge on corporation tax and 14.17 percent to trade tax. The reduction in the tax rate was taken into account when determining the deferred tax assets and liabilities for the German companies. This result in deferred tax income amounting to TEUR 1,463, results which is fully recognised in income.

In the 2007 fiscal year, the current tax advantage of TEUR 176 (previous year: TEUR 1,163) is directly offset against equity capital since these costs are directly related to a capital increase. We refer to note 4.5.2.

The causes for the deviation between the Group's expected and actual tax expense is presented below. Expected tax expense is calculated using the total domestic tax rate of 40 percent for the 2007 and 2006 fiscal years:

	2007 In TEUR	2006 In TEUR
Expected tax expense	11,649	4,417
Employee option programmes/share options	2,124	201
No measurement of capitalised deferred taxes on tax loss carryforwards	190	—
Income taxes for previous years	178	(407)
Non deductible operating expenses	32	31
Tax-free profit distributions	(18)	0
Tax loss carryforwards not capitalised in previous years	(3,707)	—
Reduction of corporate tax in Germany	(1,463)	—
Varying tax rates for income and municipal taxes (trade tax)	(729)	(194)
Losses from partnerships	—	(100)
Other tax effects	(252)	41
Actual tax income	**8,004**	**3,989**

Due to the earnings trend, the tax loss carryforwards not taken into account in previous years are valuable. Initial capitalisation led to an improvement of the result amounting to TEUR 3,707.

Expenses from employee option programmes have influenced the Group's tax rate as these expenses are not deductible as expenses for tax purposes. The tax effect from this amounts to TEUR 2,124. We refer to the information on the share option programme.

The corporation tax credit of TEUR 301 which has not been paid out as a result of a moratorium in German tax law will be paid to REpower Systems AG in instalments from 30 September 2008.

Deferred tax assets and deferred tax liabilities are divided into the following items:

	31.12.2007 In TEUR	31.12.2006 In TEUR
Assets		
Tax loss carryforwards	3,977	7,233
Provisions	827	13
Intercompany profits	36	103
Other	169	3
Deferred tax assets	**5,009**	**7,352**
Liabilities		
Gross amount due from customers for contract work	4,372	2,917
Development costs	4,025	2,673
Property, plant and equipment	990	1,569
Other	13	171
Deferred tax liabilities	**9,400**	**7,330**
Offsetting		
Deferred tax assets	868	1,379
Deferred tax liabilities	5,259	1,357

Deferred taxes on tax loss carryforwards were recognised at the level of the tax impact of the expected usable tax losses of the German and international Group companies. The key factor for determining the value of deferred tax assets is the estimation of probability of a reversal of measurement differences and the utility of tax loss carryforwards which led to deferred tax assets. These depend on the occurrence of future taxable profit during the periods in which measurement differences relating to tax are reversed and tax loss carryforwards can apply. According to the current status, tax loss carryforwards can be carried forward without restriction in subsequent years in all countries where tax loss carryforwards occur. Due to the expected taxable income situation, it is assumed that appropriate benefits can be realised from deferred tax assets.

For deferred tax assets from tax loss carryforwards, it is expected that TEUR 3,109 will be utilised in the next year. The remaining amount will be used in subsequent periods. All other deferred tax assets will be utilised in the 2008 fiscal year in their full amount (TEUR 1,032). It is expected that in the 2008 fiscal year deferred tax liabilities of TEUR 5,030 will be deployed, and an amount of TEUR 4,370 in the following year.

In the fiscal year tax loss carryforwards amounting to TEUR 190 were not applied (previous year: TEUR 3,707) since their realisation is unlikely.

4.3. *Current Liabilities*

4.3.1. Advance Payments Received

Advance payments received relate to advance payments by customers which are not related to construction contracts.

4.3.2. Provisions

Provisions relate primarily to deferrals for guarantee expenses. Assuming a level of EUR 16.4 million in the previous year and a utilisation of EUR 7.8 million and additions of EUR 11.6 million, on the balance sheet date, taking reversals of EUR 1.0 million into account, there are provisions for guarantees of EUR 19.2 million.

Taking utilisation and additions are taken into account, other provisions increased from EUR 0.5 million to EUR 1.5 million.

4.3.3. Deferred Revenue

Advance payments for revenue are reported as deferred revenue.

4.3.4. Income Tax Liabilities

Income tax liabilities primarily relate to current deferred taxes for the fiscal year.

4.3.5. Other Current Liabilities

Other current liabilities are composed as follows:

	31.12.2007 In TEUR	31.12.2006 In TEUR
Other financial liabilities		
Liabilities to employees	6,199	3,100
Customers with credit balances	1,685	0
Other	177	0
	8,061	**3,100**
Other miscellaneous liabilities		
Sales tax	1,454	10,946
Other liabilities to the tax office	537	557
Social security liabilities	340	196
Other	30	236
	2,361	**11,935**
	10,422	**15,035**

4.4. *Noncurrent Loans and Capital From Profit Participation Rights*

Of a total of non-current loans and profit participation rights which amount to TEUR 11,407 (previous year: TEUR 12,355), TEUR 10,000 relates to a profit participation right taken up in May 2004 that has a duration to 2011 as well as liabilities to banks amounting to EUR 1,047. For profit participation rights, a basic interest rate of 7.9 percent in addition to a variable interest rate dependent on net income is paid. In fiscal year 2007, this amounted to TEUR 200 (previous year: EUR 0). The interest rate for bank loans was between 3.0 percent and 8.0 percent per year. Non-current bank liabilities amounting to TEUR 1,407 (previous year: TEUR 2,350) are secured by liens and assignments of security from electricity proceeds as well as from claims from insurance contracts.

4.5. *Equity Capital*

The change to equity capital components is represented in the statement of changes to Group equity.

4.5.1. Subscribed Capital

The subscribed capital of REpower Systems AG as of 31 December 2007 was EUR 8,993,576 (previous year: EUR 8,117,997) and is divided into 8,993,576 (previous year: 8,117,997) no-par value ordinary bearer shares, each with a notional share of capital of EUR 1.00. This includes 65,400 shares (previous year: 16,200) issued as part of an employee option programme which is entered into the commercial register after the reporting date. In the previous year, it was shown in a special equity item.

In the 2007 fiscal year, 810,179 shares (previous year: 2,160,599) were issued as part of a capital increase from authorised capital against cash contributions and 65,400 shares issued as part of the employee option programme. As part of the share issue, an amount of TEUR 110,503 (previous year: TEUR 79,918) was transferred to capital reserves. The total issue amount totalled TEUR 111,329 (previous year: TEUR 82,078).

Authorised Capital

By way of resolution passed by the Annual General Meeting on 30 May 2006, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital of REpower Systems AG on one or several occasions by issuing new shares against cash or non-cash contributions up to EUR 4,050,898 up to 29 May 2011. After a partial utilisation of EUR 810,179 in the 2007 fiscal year, EUR 3,240,719 still remains available for future capital increases.

Contingent Capital

There is a contingent capital increase of subscribed capital of up to EUR 2,475,000.00. The contingent capital increase is to be carried out only in the event of an option or convertible bond issue.

Furthermore, there is a contingent capital increase of subscribed capital of up to EUR 504,300. The contingent capital increase is carried out with the issue of up to 504,300 new ordinary bearer shares only insofar as the holders of subscription rights exercise their rights in the context of employee option programmes.

Issuing Profit Participation Certificates

The company was authorised by the Annual General Meeting on 9 June 2004 to issue further profit participation certificates amounting to up to EUR 20,000,000 by 8 June 2009. REpower Systems AG has not yet exercised this right.

4.5.2. Capital Reserve

The development of the capital reserve is presented in the statement of changes in shareholders' equity.

As part of the capital increases described in note 4.5.1 "Subscribed capital", funds of TEUR 110,503 (previous year: EUR 79,918) were provided in the form of capital reserve.

The issuing costs attributable to the capital increase amounted to TEUR 441 (previous year: TEUR 2,908) minus applicable tax benefits amounting to TEUR 177 (previous year: TEUR 1,163) were deducted from the capital reserve resulting from the issue of new shares.

Share Option Programme

REpower Systems AG operates a share option programme which offers beneficiaries the right to acquire one share per option at an established basis price. A cash payment is not possible. The options can be exercised during an agreed time period each with a duration of five years, but no earlier than two years after they are granted (blocking period). Options may only be exercised when the relevant employee at the time of exercise is still employed at REpower Systems Group and the XETRA share price of REpower Systems AG at any time (for options issued in 2007: at least 21 days) has been at least 120 percent of the basis price.

As of 31 December 2007, as part of the share option programme, shares issued to the Executive Board and company management in the years from 2005 to 2007 performed as follows in the 2007 fiscal year:

	Number	Basis Price or Share Price Upon Exercise (Weighted Average)
		In EUR
Options outstanding at the beginning of the fiscal year	259,100	37.33
Granted	234,715	112.20
Exercised	(65,400)	125.03
Forfeited/lapsed	(2,215)	112.20
Options outstanding at the end of the fiscal year	**426,200**	**80.40**
Of which exercisable	**1,750**	**9.34**

The fair value of share options granted on the grant date is determined by an external assessor on the basis of the following assumptions and factors:

Granted in Fiscal Year	2007	2006
Basic price	EUR 112.20	EUR 46.79
Share price of REpower Systems AG shares	EUR 122.50	EUR 44.32
Risk-free interest rate	4.47%	3.71%
Expected volatility	43.37%	43.30%
Remaining blocking period (in months)	24	24
Remaining maturity	60	48
Fair value per share option	EUR 50.32	EUR 13.91

Expected volatility is based on historical volatility which is determined from daily closing prices for REpower Systems AG shares. The REpower Systems share performance in the first half of 2007 was influenced significantly by a takeover battle for REpower Systems AG carried out by two companies. Due to the one-off nature of this event and the extreme share price fluctuations involved, the historical data was adjusted for the period of the takeover battle.

The Monte Carlo simulation method used maps the performance target in the form of an increase in the share price of REpower Systems by at least 20 percent compared to the basis price and allows for the possibility of early exercise within the time period for exercising options and the beneficiaries' early exercise behaviour, i.e. the possibility that employees exercise their option before the end of the time period.

On 20 March 2007, as a result of the capital increase (see above) resolved by the REpower Systems AG Executive Board with the approval of the Supervisory Board, the company reduced the basis price of outstanding options in relation to the dilution resulting from the capital increase. The increase in total fair value of the 2006 tranche which resulted totalled TEUR 403. The total fair value for the 2005 tranche decreased to TEUR 17 and was thus not taken into account on the balance sheet. Since the blocking period for the 2006 tranche at the time of the change had not yet expired, an amount of TEUR 242 was recognized as an expense on a straight line basis for the previously concluded part attributable to the blocking period.

The value of changed share options as of 20 March 2007 is determined by an external assessor on the basis of the following assumptions and factors:

	2006	
Granted in Fiscal Year	Originally	20.03.2007
Basis price	EUR 46.79	EUR 42.54
REpower Systems AG share price	EUR 44.32	EUR 150.89
Risk-free interest rate	3.71%	3.88%
Expected dividend — 2008	EUR 0.53	EUR 0.41
Expected dividend — 2009	EUR 1.05	EUR 0.73
Expected dividend — 2010	EUR 1.16	EUR 0.80
Expected volatility	43.30%	38.79%
Remaining blocking period (in months)	24	24
Remaining maturity (in months)	48	48
Fair value per share option	EUR 13.91	EUR 111.84

Since the performance target of an increase in the REpower Systems share price by at least 20 percent more than the basis price was already achieved, modelling early exercise was not undertaken for this calculation.

At the Annual General Meeting of 21 June 2007, a resolution was made to adjust the option conditions for the 2006 share option plan to the conditions of the newly established 2007 share option plan. The fair value of amended share options as of 21 June 2007 is determined by an external assessor on the basis of the following assumptions and factors:

	2006	
Granted in Fiscal Year	20.03.2007	21.06.2007
Basis price	EUR 42.54	EUR 42.54
REpower Systems AG share price	EUR 150.89	EUR 127.93
Risk-free interest rate	3.88%	4.48%
Expected dividend — 2008	EUR 0.41	EUR 0.41
Expected dividend — 2009	EUR 0.73	EUR 0.73
Expected dividend — 2010	EUR 0.80	EUR 0.80
Expected volatility	38.79%	41.30%
Remaining blocking period (in months)	24	24
Remaining maturity (in months)	48	60
Fair value per share option	EUR 111.84	EUR 91.43

In the 2007 fiscal year, the company recognised staff costs from share-based payments totalling TEUR 5,310 (previous year: TEUR 503).

4.5.3. Minority Interests

Minority interests relate to the shares of third parties in German and international Group companies.

5. Information on the Income Statement

5.1. Revenue

In 2007 and 2006, the operations of companies in the REpower Systems Group related almost exclusively to developing, manufacturing and projecting wind turbines. 34.9 percent (previous year: 41.5 percent) of sales in the turbine business were generated from the German market, 65.1 percent (previous year: 58.5 percent) from international markets.

	2007 In TEUR	2006 In TEUR
Revenue from the sale of wind turbines	630,742	419,061
Service/maintenance and sales of materials	30,288	25,064
Electricity proceeds	1,607	1,519
Licence revenues	8,614	5,117
Other	8,909	8,074
	680,160	**458,835**

5.2. Other Operating Income

Other operating income breaks down as follows:

	2007 In TEUR	2006 In TEUR
Insurance payments/compensation	5,212	2,352
Income from exchange rate differences	450	162
Investment subsidies, research and development subsidies	368	52
Income from the disposal of fixed assets	56	60
Land income	12	13
Other	905	395
	7,003	**3,034**

The item insurance payments/compensation includes payments by insurers and suppliers. The rise in this item is primarily due to the settlement of a marine transport claim and contractually agreed penalties for delays in delivery delay.

5.3. Personnel Expenses

	2007 In TEUR	2006 In TEUR
Wages and salaries	42,316	22,540
Social security contributions	7,239	5,964
	49,555	**28,504**

The average annual number of employees was:

	2007	2006
Salaried employees	714	494
Waged employees	372	278
	1,086	**772**

5.4. Other Operating Expenses

Other operating expenses are composed as follows:

	2007 In TEUR	2006 In TEUR
Guarantee expenses	10,125	2,412
Legal and consulting costs	7,541	5,755
Travel expenses	4,922	3,797
Purchased services	4,667	3,343
Office and land costs	4,023	2,117
Costs of training and appointing staff	2,857	1,748
Administrative costs	2,459	1,823
IT & telecommunication costs	2,390	1,619
Vehicle costs	2,195	1,386
Write-off/impairment of receivables	1,530	2,063
Advertising and trade fair expenses	1,234	963
Costs of monetary transactions	1,077	970
Repairs and maintenance	979	2,886
Insurance costs	402	716
Other	2,298	1,462
	48,699	**33,060**

5.5. Earnings Per Share

Basic earnings per share is generated by dividing the REpower Systems AG shareholders' share of earnings and the weighted average number of shares in circulation during the fiscal year. A dilution of earnings per share results from what is known as potential shares. This include options which only dilute earnings if these result in an issue of shares at a value below the average share price. There was a dilution effect in both tranches of the share option plan.

	2007 In EUR	2006 In EUR
Consolidated net profit assigned to REpower Systems AG shareholders	21,222,168	7,062,715
In addition: dilutive effects of share options	0	0
Fully diluted consolidated net profit assigned to REpower Systems AG shareholders	21,222,168	7,062,715
Weighted average of shares outstanding (basic)	8,731,325	7,507,801
Effect of share options	588,938	259,350
Weighted average of shares outstanding (fully diluted)	9,320,263	7,767,151
Earnings per share (basic)	**2.43**	**0.94**
Earnings per share (fully diluted)	**2.28**	**0.91**

6. Contingent Liabilities and Other Financial Obligations

	31.12.2007 In TEUR	31.12.2006 In TEUR
Other financial obligations		
Obligations from lease and rental contracts		
Due within one year	3,720	1,619
Due between 1 and 5 years	10,765	5,138
Due in more than 5 years	334	354
	14,819	**7,111**
Contingent liabilities		
Land charges	3,068	3,068
Letters of comfort	12,412	360
	15,480	**3,428**

At REpower Systems AG and in the companies included in the scope of consolidation, all leases are operating leases. Lease payments are recognised on a straight-line basis directly in the P&L account over the contract period. Obligations from lease and rental contracts relate primarily to obligations from the rental of office and warehouse space. Expenses amounting to TEUR 2,424 (previous year: TEUR 1,065) were recognised for lease and rental contracts.

On the balance sheet date, letters of comfort for associated companies and joint ventures amounted to EUR 12.4 million (previous year: EUR 0.36 million).

As of the balance sheet date there are purchase commitments amounting to approximately EUR 551.6 million (previous year: EUR 419.7 million) to purchase inventories and approximately EUR 21.4 million (previous year: EUR 15.5 million) to purchase property, plant and equipment.

7. Financial Risks and Financial Instruments

7.1. Principles of Risk Management

With regard to financial assets, financial liabilities and planned transactions, REpower Systems AG is subject to risks from changes in the price of raw material and purchasing prices, exchange rates, interest rates and the share price. The aim of financial risk management is to limit the market risks through current operating and financially orientated activities. In order to do this, specific hedging instruments are used according to the assessment of risk. Risks are only hedged if they have an effect on the Group's cash flow. Derivative financial instruments are only used in exceptional circumstances to hedge exchange rate risks in customer contracts and are not used for trading or speculative purposes.

The principles of financial policy are agreed on an annual basis by the Executive Board and monitored by the Supervisory Board. The implementation of financial policy as well as ongoing risk management is the responsibility of Group Treasury, with the involvement of Group Controlling. Certain transactions require only the prior consent of the Executive Board, which is also regularly informed of the scope and amount of current risk exposure. Treasury regards effective management of financial instruments as one of its main functions. In order to assess the effects of different events on the market, simulation calculations using various worst-case and market scenarios are undertaken.

7.2. Information About the Nature and Extent of Risks Associated With Financial Instruments

Primary financial instrument assets in line with IFRS 7 include receivables and other assets, provided that they are based on a contract, as well as liquid funds. Primary financial instrument liabilities in line with IFRS 7 include all sub-groups of liabilities with the exception of provisions, deferred sales and deferred taxes as well as liabilities from income taxes. Furthermore, those items which do not relate to a contract are also not included. Derivatives are deployed only to a limited extent.

The credit and default risk of financial assets is constantly monitored. Before closing transactions, the Group checks the customer's rating and also has corresponding collateral provided. The credit and default risk of financial assets corresponds to the maximum amounts posted on the assets side. There is no material concentration of default risks in the Group.

Currency risks exist only insofar as deliveries are made outside the euro zone countries. Risks as per IFRS 7 arise through financial instruments which are denominated in a currency other than the functional currency and are of a monetary nature. Differences due to exchange rates arising from the translation of financial statements in the Group currency are not taken into account. In the 2007 fiscal year, no hedging transactions were used. Gains and losses from hedging transactions are reported in the income statement. The company did not use hedges.

The liquidity risk is monitored as part of continuous liquidity planning.

Interest rate risks are generally not hedged. The acquisition of a hedging transaction was undertaken once on the basis of a hedging opportunity at relatively low cost. As of 29 November 2006, REpower Systems AG had utilised publicly funded loans with a total value of TEUR 2,368. In an effort to streamline interest payments, individual loans were converted into a variable-rate Euro loan of the same amount, the interest on which was optimised by entering into a swap. The term of the interest rate swap covers the period from 1 December 2006 to 2 December 2013.

The interest derivatives concluded have the following fair values as of 31 December 2007 including accrued interest which was calculated according to a mark-to-market valuation:

Product	Nominal Amount	Final Maturity	Fixed Interest Rate/Strike	Valuation on Reporting Date
	In EUR million			In EUR
Cap	0.66	28.06.13	5	2,061
Swap	1.59	02.12.13	3.5	46,509

Within the Group, interest rate changes result primarily in an increase or decrease of the interest for loans and overdrafts. These financial instruments serve as advance financing for wind turbine supply contracts. A change of interest rates thus directly impacts the project result.

As part of the disclosure of market risks, IFRS 7 requires information about how hypothetical changes to risk variables affect the price of financial instruments. The purchase price for components as well as the share or index prices are particularly significant risk variables. The material market risk from component price development is offset by contracts with suppliers related to time or quantity, or by direct participation of supplier in joint ventures.

7.3. Information on the Significance of Financial Instruments for the Consolidated Financial Statements

Based on the relevant balance sheet items, the relationships of the categorisation of financial instruments as per IFRS 7 and the financial instrument carrying amounts are listed in the following tables. Furthermore, liquid funds are listed which are not allocated to any category of IAS 39. For comparison, the figures from the previous year as of 31 December 2006 are shown separately in the following table.

2007	Category*	Carrying Amount	Amortised Cost	Fair Value Not Affecting Income	Fair Value Affecting Income
		In TEUR	In TEUR	In TEUR	In TEUR
Cash and cash equivalents		144,909	144,909	0	0
Shares in project companies	AFS	15	15	0	0
Gross amount due for construction contracts	L+R	61,271	61,271	0	0
Trade receivables	L+R	200,301	200,301	0	0
Receivables from investment companies	L+R	534	534	0	0
Receivables from associated companies and jointly ventures	L+R	10,536	10,536	0	0
Other financial assets — loans	L+R	1,743	1,743	0	0
Other financial assets — other	L+R	4,745	4,745	0	0
Other financial assets	AFS	626	626	0	0
Loans granted	L+R	7,003	7,003	0	0

* AFS: available-for-sale
L+R: loans and receivables

2006	Category	Carrying Amount	Amortised Cost	Fair Value Not Affecting Income	Fair Value Affecting Income
		In TEUR	In TEUR	In TEUR	In TEUR
Cash and cash equivalents		120,067	120,067	0	0
Shares in project cormpanies	AFS	40	40	0	0
Gross amount due for construction contracts	L+R	36,985	36,985	0	0
Trade receivables	L+R	95,105	95,105	0	0
Receivables from investment companies	L+R	418	418	0	0
Receivables from associated companies and jointly ventures	L+R	1,565	1,565	0	0
Other financial assets — loans	L+R	2,947	2,947	0	0
Other financial assets — other	L+R	3,918	3,918	0	0
Other financial assets	AFS	612	612	0	0
Loans granted	L+R	6,582	6,582	0	0

The carrying amounts of the financial assets measured at fair value correspond to the market values. Financial instruments measured at amortised cost are listed with their fair value and carrying amount in the following table and the figures for the previous year are listed for comparison:

		31.12.2007		31.12.2006	
	Category	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		In TEUR	In TEUR	In TEUR	In TEUR
Cash and cash equivalents		144,909	144,909	120,067	120,067
Shares in project cormpanies	AFS	15	15	40	40
Gross amount due for construction contracts	L+R	61,271	61,271	36,985	36,985
Trade receivables	L+R	200,301	200,301	95,105	95,105
Receivables from investment companies	L+R	534	534	418	418
Receivables from associated companies and joint ventures	L+R	10,536	10,536	1,565	1,565
Other financial assets — loans	L+R	1,743	1,743	2,948	2,948
Other financial assets — other	L+R	4,745	4,745	3,918	3,918
Other financial assets	AFS	626	626	62	62
Loans granted	L+R	7,003	7,003	6,582	6,582

Liquid funds, construction contracts carried as assets, intragroup receivables, receivables from associated companies and joint ventures, trade accounts receivable and other financial assets generally have a duration period of not more than 12 months. Therefore, the carrying amounts on the reporting date correspond closely to the fair values. This also applies to liabilities.

The fair values of noncurrent receivables as well as financial investments classified as "available for sale" with a duration period of over one year correspond to the present value of the payments related to these assets, taking into account the current parameters which reflect the conditions and expectations related to the market and partners.

The fair values of liabilities to banks and other financial institutions are determined on the basis of the present value of payments relating to the debts applying the current rate of interest.

The following table shows financial liabilities:

2007	Category*	Carrying Amount	Amortised Cost	Fair Value Recognised in Equity	Fair Value Recognised in Income
		In TEUR	In TEUR	In TEUR	In TEUR
Current loans	OL	474	474	0	0
Trade payables	OL	108,117	108,117	0	0
Liabilities to associated companies and joint ventures	OL	494	494	0	0
Other current financial liabilities	OL	8,061	8,061	0	0
Non-current loans	OL	1,407	1,407	0	0
Capital from profit participation rights	OL	10,000	10,000	0	0

* *OL: Other liabilities*

2006	Category	Carrying Amount	Amortised Cost	Fair Value Recognised in Equity	Fair Value Recognised in Income
		In TEUR	In TEUR	In TEUR	In TEUR
Current loans	OL	0	0	0	0
Trade payables	OL	76,946	76,946	0	0
Liabilities to associated companies and joint ventures	OL	0	0	0	0
Other current financial liabilities	OL	3,100	3,100	0	0
Non-current loans	OL	2,355	2,355	0	0
Capital from profit participation rights	OL	10,000	10,000	0	0

		31.12.2007		31.12.2006	
	Category	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		In TEUR	In TEUR	In TEUR	In TEUR
Current loans	OL	474	474	0	0
Trade payables	OL	108,117	108,117	76,946	76,946
Liabilities to associated companies and joint ventures	OL	494	494	0	0
Other current financial liabilities	OL	8,061	8,061	3,100	3,100
Noncurrent loans	OL	1,407	1,407	2,355	2,355
Capital from profit participation rights	OL	10,000	10,000	10,000	10,000

Loans are determined as the present value of cash flow expected in the future. The normal market interest rate is used for discounting, in relation to maturities. For the loan it is assumed that the carrying amount corresponds closely to the fair value.

Due to the short term of trade accounts payable as well as other financial liabilities, it is assumed that carrying amounts correspond to fair value.

Book profits or losses for credits and liabilities consist primarily of results from impairment losses and reversals. With regard to impairment losses, we refer to the notes on trade accounts receivable (4.1.3) as well as other current assets (4.1.7). Results from impairment losses and reversals are primarily reported as other operating expenses.

Book profits or losses of financial assets available for sale consist primarily of net income from investments.

With regard to collateral provided, we refer to note 4.4.

The group holds collateral amounting to TEUR 426,244 (previous year: TEUR 196,192), which correspond to the fair value of the security. These are standard industry guarantees which are provided by our customers and suppliers in order to secure the fulfilment of contractual obligations.

8. Capital Management

The objective of the Group's capital management is to ensure that it maintains a good equity ratio and high credit rating in order to support its business activities and maximise shareholder value. This is especially significant in the context of growth targets.

REpower Systems AG has a balanced capital structure. Equity capital covers non-current assets by more than 100 percent.

The Group monitors its capital with regards to the equity ratio as a ratio of equity reported in the IFRS consolidated financial statements to total assets.

The company is not subject to any statutory capital requirements.

9. Notes on Segment Reporting

The activities of the REpower Group consist of the development, production and marketing of wind turbines. In addition to development and production, preliminary work is done for project development to support sales, the appropriate rights are acquired and the infrastructure is created to erect turbines at appropriate locations.

The primary segment reporting format at the REpower Group is geographic segments since, in terms of business activities it is essentially a single-purpose enterprise. REpower distinguishes between the two reporting segments "Germany" and "Rest of world". The "Rest of world" reporting segment includes the segments Asia, Europe (not including Germany) and Australia.

The notes on segment reporting includes data on segment income, assets, liabilities as well as investments and depreciation for each reporting geographic segment.

10. Notes to the Cash Flow Statement

In compliance with IAS 7, the consolidated cash flow statement is divided into the areas of operating activities, investing activities and financing activities. The funds reported in the cash flow statement include cash and cash equivalents. Current bank liabilities were deducted. The liquid funds are composed as follows:

	2007 In TEUR	2006 In TEUR
Cash and cash equivalents at the beginning of the period		
Cash, bank balances	120,067	67,427
Less current bank liabilities	0	(41,773)
Total	**120,067**	**25,654**
Liquid funds at the end of the period		
Cash, bank balances	144,909	120,067
Less current bank liabilities	(474)	0
Total	**144,435**	**120,067**

In determining the cash flow from operating activities, the indirect method was selected. The cash flow statement begins with the income for the period before taxes. The outflow of funds from interest and taxes was allocated to operating activities and reported separately in that item.

Cash flow from investing activities includes payments for investments in intangible assets, property, plant and equipment and financial assets and proceeds from disposals of fixed assets. Interest received was not allocated to cash flow from investing activities as in the previous year, but to cash flow from operating activities. The previous year was adapted accordingly.

The change in cash flow from financing activities results largely from inflows of EUR 111.0 million from the share capital increase. This item also shows changes in non-current bank liabilities.

11. Related Party Disclosures

The Executive Board and Supervisory Board of REpower Systems AG and companies in which these parties hold the majority of company shares, are classified as related parties. In 2007, Windpark Pattensen GmbH & Co. KG (currently still trading as Orbis GmbH & Co Energie- und Umwelttechnik Zweiundzwanzigste KG) with its headquarters in Rothenburg/Wümme acquired two wind turbines from REpower Systems AG. Three members of the REpower Systems AG Executive Board have holdings in the company as limited partners. The wind turbines' purchase prices corresponded to the market price. Other than this, there were no business dealings between related parties and the companies included in the consolidated financial statements.

Suzlon Shareholder Group, represented by SE Drive Technik GmbH, AE-Rotor Holding BV, Suzlon Wind Energy Limited and Suzlon Energy Limited, holds 33.66 percent of REpower Systems AG voting rights. In addition, the Commisariat à l'énergie atomique (CEA), Gif-Sur-Yvette, France, and Martifer — Construções Metalomecânicas, S.A. with headquarters in Oliveira des Frades, Portugal, hold a further 29.9 percent and 23.0 percent of voting rights respectively. The shares are attributed to Sulzon Shareholder Group as part of an agreement to pool voting rights, which also counts as a related party due to its controlling interest.

To a minor extent, REpower Systems AG purchased components from AREVA Group companies, which were settled at market prices. In addition, wind turbines for an amount of EUR 6.5 million (previous year: EUR 18.5 million) were sold to the associated company REpower Portugal S. A., as well as wind turbines amounting to a total of EUR 4.0 million (previous year EUR 0 million) to the joint venture REpower North China Ltd., which sold these on to external customers.

The remuneration of the Executive Board and the Supervisory Board is stated in detail under note 14.

12. Information on the Corporate Bodies of REpower Systems AG, Hamburg

The following are/were appointed as members of the Supervisory Board:

- Mr Tulsi R. Tanti, Pune, India (member since 21 June 2007)
- Mr Bertrand Durrande, Paris , France (member until 21 June 2007, Deputy Chairman from 22 June 2007 until 7 February 2008)
- Prof. Fritz Vahrenholt, Hamburg (member since 10 January 2008, Deputy Chairman since 7 February 2008)
- Mr Andre Horbach, Amsterdam, Netherlands, operations technician (member since 10 March 2008)
- Mr Jorge Martins, Sever do Vouga (member until 31 December 2007, Deputy Chairman until 21 June 2007)
- Dr Hans-Joachim Reh, Bargteheide (until 31 December 2007)
- Dr Rolf Bierhoff, Essen (member until 18 June 2007)
- Mr Oliver Heinecke, Hamburg
- Mr Alf Trede, Schwesing

The following persons are/were appointed as members of the REpower Systems AG Executive Board of in the 2006 fiscal year:

- Prof. Fritz Vahrenholt, Hamburg (member until 31 December 2007)
- Mr Per Hornung Pedersen, Hamburg, (member since 1 January 2008)
- Mr Matthias Schubert, Rendsburg
- Mr Pieter Wasmuth, Hamburg

13. Declaration of Conformity with the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code was submitted by the Executive Board and Supervisory Board and published promptly on the company's Web site. This declaration is permanently accessible.

14. Remuneration for the Supervisory Board and Executive Board of REpower Systems AG

In line with the Articles of Association of REpower Systems AG, the remuneration paid to the members of the Supervisory Board for the 2007 fiscal year is as follows:

Name	Attendance Fees 2007	Fixed Remuneration 2007	Total 2007	Total 2006
	EUR	EUR	EUR	EUR
Tulsi R. Tanti	5,000	10,000	15,000	—
Bertrand Durrande	11,000	17,500	28,500	26,000
Jorge Martins	7,250	12,500	19,750	20,250
Dr. Rolf Bierhoff	3,500	5,000	8,500	13,500
Dr. Hans-Joachim Reh	6,000	10,000	16,000	13,000
Oliver Heinecke	6,000	10,000	16,000	7,833
Alf Trede	6,000	10,000	16,000	7,833
	44,750	**75,000**	**119,750**	**88,416**

The members of the Executive Board of REpower Systems AG are paid a fixed remuneration, the amount of which can be derived from the following table. In addition to a fixed annual salary, each member also receives a performance-related bonus of 30 percent of the fixed annual salary if REpower Systems AG's EBIT amounts to at least 75 percent of the annually budgeted figure. This bonus rises to 40 percent of the fixed annual salary if EBIT reaches the annually budgeted level. It rises further to 50 percent of the fixed annual salary if EBIT reaches 125 percent of the budgeted amount (maximum bonus).

As part of the existing share option programme (see note 4.5.2), share option rights were also granted to members of the Executive Board in the 2006 and 2007 fiscal years. The options can only be exercised if the share price of REpower Systems shares rises to at least 120 percent of the base price at any time. The fair value of options as of 31 December 2007 was TEUR 3,772 (previous year: TEUR 783). At the time of the granting in 2006, the fair value per option was EUR 13.91, for 2007 the fair value per option was EUR 50.32.

Name	Options 2006	Options 2007	Total
	Quantity	Quantity	Quantity
Prof. Dr. Fritz Vahrenholt	20,000	24,000	44,000
Matthias Schubert	15,000	14,000	29,000
Pieter Wasmuth	15,000	19,000	34,000
	50,000	**57,000**	**107,000**

In addition to the above remuneration, the Executive Board member who left in the fiscal year 2005, Thomas Franck, was also granted share-based remuneration which depends on the future development of profits. The remuneration was paid in cash in the 2007 fiscal year. Provisions made in previous years covered this payment obligation adequately.

The remuneration paid to the members of the Executive Board for the fiscal year 2007 was as follows:

Name	Fixed Remuneration	Variable Remuneration	Pension	Options
	EUR	EUR	EUR	Quantity
Prof. Dr. Fritz Vahrenholt	250,000	66,000	80,000	24,000
Matthias Schubert	180,000	48,000	60,000	14,000
Pieter Wasmuth	171,750	48,000	68,250	19,000
	601,750	**162,000**	**208,250**	**57,000**

The payment of remaining contractual entitlements on the balance sheet date for Prof. Fritz Vahrenholt who left his position as Chairman of the Executive Board amounting to EUR 1,631,500 were agreed. From this, EUR 1,072,500 was paid in 2007, the remaining amount of EUR 559,000 was transferred to provisions.

As of 31 December 2007, the shares held by the Executive Board are as follows:

Name	Shares	Additions and Disposals in 2007	Total Shares
	Quantity	Quantity	Quantity
Per Hornung Pedersen	0	0	0
Prof. Dr. Fritz Vahrenholt	25,800	(25,800)	0
Matthias Schubert	21,700	(11,700)	10,000
Pieter Wasmuth	0	0	0
	47,500	**(37,500)**	**10,000**

15. Information on Fees Paid to Auditors

A fee of EUR 210,000 (previous year: EUR 163,000) has been recognised for the audit of the financial statements in the fiscal year. EUR 3,144 was paid for other audit or consultancy work in the 2007 fiscal year.

16. Appropriation of REpower Systems AG Result

The Executive Board of REpower Systems AG, Hamburg, proposes that the retained earnings reported in the annual financial statements as of 31 December 2007, prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act, is carried forward for new account.

The single-entity financial statements and consolidated financial statements of REpower Systems AG, Hamburg, will be published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

17. Material Events After the Reporting Date

With regards to the changes in the composition of the Executive Board and Supervisory Board, we refer to note 12.

The consolidated financial statements were prepared by the Executive Board on 11 March 2008 and thus submitted to the Supervisory Board for approval. The consolidated financial statements will be presented to the Supervisory Board at the Supervisory Board meeting on 20 March 2008 for approval.

Hamburg, 11 March 2008

The Executive Board

Per Hornung Pedersen

Pieter Wasmuth

Matthias Schubert

Auditor's Report

We have audited the consolidated financial statements prepared by REpower Systems AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the report on the position of the company and the group for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg
March 11, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Papenberg — Frahm
Wirtschaftsprüfer — Wirtschaftsprüferin

Consolidated Balance Sheet of REpower Systems AG

Assets	Notes	31.03.2008	31.12.2007
		EUR	EUR
Current assets	4.1.		
Liquid funds	4.1.1.	177,578,201	144,908,913
Interests in project companies		25,999	14,850
Gross amount due from customers for contract work	4.1.2.	118,945,782	144,146,522
Trade receivables	4.1.3.	51,193,348	117,425,284
Receivables from participations	4.1.4.	526,387	534,084
Receivables from associates and joint ventures	4.1.5.	21,278,088	10,536,060
Inventories	4.1.6.	144,840,304	112,178,249
Other financial assets	4.1.7.	2,835,643	5,025,357
Other miscellaneous current assets	4.1.7.	60,962,815	63,381,752
Other current assets	4.1.7.	63,798,458	68,407,109
Total current assets		**578,186,567**	**598,151,071**
Non-current assets	4.2.		
Other intangible assets	4.2.2.	22,279,552	20,440,223
Goodwill		1,387,367	1,388,710
Property, plant and equipment	4.2.1.	77,172,317	49,734,401
Investments in associates and joint ventures	4.2.3.	4,497,432	4,547,200
Other financial assets		625,518	626,116
Loans granted	4.2.4.	6,728,527	7,003,266
Deferred taxes	4.2.5.	1,039,962	5,009,542
Other miscellaneous non-current assets		1,596,603	1,463,002
Other non-current assets		1,596,603	1,463,002
Total non-current assets		**115,327,278**	**90,212,460**
Total assets		**693,513,845**	**688,363,531**

Shareholders' Equity and Liabilities	Notes	31.03.2008	31.12.2007
		EUR	EUR
Current liabilities	4.3.		
Current loans and current portion of long-term loans		668,536	473,978
Trade payables		92,396,012	108,117,135
Liabilities to associates and joint ventures		11,472,547	494,054
Advance payments received	4.3.1.	202,239,688	191,633,999
Provisions	4.3.2.	20,451,201	20,765,434
Deferred revenue	4.3.3.	7,003,186	8,403,055
Income tax liabilities	4.3.4.	1,524,010	982,784
Other financial liabilities	4.3.5.	5,197,143	8,060,688
Other miscellaneous liabilities	4.3.5.	5,063,031	2,360,859
Other current liabilities	4.3.5.	10,260,174	10,421,547
Total current liabilities		**346,015,354**	**341,291,986**
Non-current liabilities	4.4.		
Non-current loans	4.4.	1,375,059	1,406,818
Capital from profit participation rights	4.4.	10,000,000	10,000,000
Deferred taxes	4.2.5.	7,005,713	9,400,139
Total non-current liabilities		**18,380,772**	**20,806,957**
Shareholders' equity	4.5.		
Subscribed capital	4.5.1.	8,993,576	8,993,576
Additional paid-in capital	4.5.2.	282,441,254	280,895,128
Currency translation		(6,185)	64,948
Retained earnings		37,076,530	35,597,083
Equity relating to shareholders		**328,505,175**	**325,550,735**
Minority interests	4.5.3.	612,544	713,853
Total shareholders' equity		**329,117,719**	**326,264,588**
Total shareholders' equity and liabilities		**693,513,845**	**688,363,531**

Consolidated Income Statement of REpower Systems AG

Income Statement	Notes	01.01.-31.03.2008	Pre-Year 01.01.-31.12.2007
		EUR	EUR
Revenue	5.1.	147,405,839	679,832,618
Changes in work in progress		2,678,962	(2,006,782)
Company-produced additions to plant and equipment		77,291	327,334
Total performance		**150,162,092**	**678,153,170**
Other operating income	5.2.	2,435,934	7,003,546
Cost of materials/cost of purchased services		(120,478,805)	(552,110,733)
Personnel expenses	5.3.	(14,274,286)	(49,554,898)
Depreciation on property, plant and equipment and amortization on intangible assets		(1,970,683)	(6,589,209)
Other operating expenses	5.4.	(12,823,369)	(48,699,560)
Operating result		**3,050,883**	**28,202,316**
Interest and similar finance income	5.5.	2,174,642	6,237,142
Interest and similar finance expenses	5.5.	(1,913,481)	(4,866,456)
Share of result from associates and joint-ventures	5.5.	102,172	(113,863)
Profit before income tax		**3,414,216**	**29,459,139**
Taxes on income		(2,036,078)	(8,004,235)
Other taxes		0	(336,465)
Profit for the year		**1,378,138**	**21,118,439**
Share of net income for the year attributable to minority interests		(101,309)	(103,729)
Share of net income for the year attributable to shareholders of the parent company		1,479,447	21,222,168
Earnings per share (undiluted)	5.6.	0.16	2.43
Earnings per share (diluted)	5.6.	0.15	2.28

REpower Systems AG

Cash Flow Statement 01.01.-31.03.2008 (Comparison Period 01.01.-31.12.2007)

Cash Flow Statement	01.01.-31.03.2008 EUR	Pre-Year 01.01.-31.12.2007 EUR
Cash flow from operating activities		
Profit for the period before taxes	3,414,216	29,459,139
Adjustments for:		
Depreciation on property, plant and equipment, amortization of intangible assets and write-down of financial assets	1,970,683	6,589,209
Write-down of loans granted	0	209,813
Profits/losses from associates	102,172	113,863
Interest income	(2,174,642)	(6,237,142)
Interest expenses	1,220,709	4,656,643
Decrease/increase in provisions	(314,233)	3,795,694
Profit/loss on disposal of fixed assets	(11,115)	99,627
Change in working capital	58,688,888	(82,384,397)
Interest received	1,872,421	6,237,142
Interest paid	(1,220,709)	(4,656,643)
Income tax received/paid	166,260	(75,108)
Other non-cash income and expenditure	(247,010)	(735,743)
Cash flows from/used in operating activities	**63,467,640**	**(42,927,902)**
Cash flow from investing activities:		
Proceeds from the sale of fixed assets	803,053	2,346,211
Payments for the purchase of intangible assets	(2,317,939)	(8,868,845)
Payments for the purchase of property, plant and equipment	(28,955,913)	(34,598,139)
Payments for the further purchase of shares in associates and joint ventures	(240,243)	(940,300)
Cash flows used from investing activities	(30,711,042)	(42,061,073)
Cash flow from financing activities		
Proceeds from increases in shareholder equity	0	110,937,821
Loans issued	(250,111)	(632,828)
Loan repayments	(31,759)	(947,942)
Cash flows used in/from financing activities	**(281,870)**	**109,357,051**
Increase in cash and cash equivalents	**32,474,729**	**24,368,076**
Cash and cash equivalents at the beginning of the period	144,434,935	120,066,858
Cash and cash equivalents at the end of the period	**176,909,664**	**144,434,934**
Cash in bank	177,578,201	144,908,913
Current liabilities	(668,536)	(473,978)
Cash and cash equivalents at the end of the period	**176,909,665**	**144,434,935**

REpower Systems AG

Statement of Changes in the Shareholders' Equity

	Notes	Subscribed Capital	Share Issue for Capital Increase	Additional Paid-In Capital	Currency Translation	Retained Earnings	Equity Attributable to Shareholders	Minority Interests	Total Shareholders' Equity
		In EUR	In EUR	In EUR	In EUR	In EUR	In EUR	In EUR	In EUR
Balance at 01.01.2007		**8,101,797**	**16,200**	**165,346,006**	**(30,461)**	**14,374,915**	**187,808,457**	**21,332**	**187,829,789**
Capital increase including transaction costs for capital increase less tax advantages	4.5.1.	826,379	(16,200)	110,238,566			111,048,745		111,048,745
Shares issued (not yet registered)	4.5.1.	65,400					65,400		65,400
Successive acquisitions of shares in other entities with existing controlling interests								796,250	796,250
Share option plans	4.5.2.			5,310,556			5,310,556		5,310,556
Foreign currency translation					95,409		95,409		95,409
Net result for the year						21,222,168	21,222,168	(103,729)	21,118,439
Group result					95,409	21,222,168	21,317,577	(103,729)	21,213,848
Balance at 31.12.2007		**8,993,576**	**0**	**280,895,128**	**64,948**	**35,597,083**	**325,550,735**	**713,853**	**326,264,588**
Balance at 01.01.2008		**8,993,576**	**0**	**280,895,128**	**64,948**	**35,597,083**	**325,550,735**	**713,853**	**326,264,588**
Share option plans	4.5.2.			1,546,126			1,546,126		1,546,126
Foreign currency translation					(71,133)		(71,133)		(71,133)
Net result for the year						1,479,447	1,479,447	(101,309)	1,378,138
Group result					(71,133)	1,479,447	1,408,314	(101,309)	1,307,005
Balance at 31.03.2008		**8,993,576**	**0**	**282,441,254**	**(6,185)**	**37,076,530**	**328,505,175**	**612,544**	**329,117,719**

Repower Systems-Group

Segment Reporting to 31.03.08

	Revenues	
	01.01.-31.03.2008	**01.01.-31.12.2007**
	In EUR	**In EUR**
Germany	17,282,844	237,383,589
Outside Germany	130,122,995	442,449,029
	147,405,839	**679,832,618**

	Assets	
	31.03.2008	**31.12.2007**
	In EUR	**In EUR**
Germany	685,320,688	682,291,741
Outside Germany	8,193,157	6,071,790
	693,513,845	**688,363,531**

	Debts	
	31.03.2008	**31.12.2007**
	In EUR	**In EUR**
Germany	352,203,466	351,599,347
Outside Germany	4,967,237	2,546,660
	357,170,703	**354,146,007**

	Investments	
	31.03.2008	**31.12.2007**
	In EUR	**In EUR**
Germany	31,053,527	45,120,250
Outside Germany	220,325	591,743
	31,273,852	**45,711,993**

	Write Offs	
	01.01.-31.03.2008	**01.01.-31.12.2007**
	In EUR	**In EUR**
Germany	1,811,899	6,329,686
Outside Germany	158,784	259,523
	1,970,683	**6,589,209**

REpower Systems AG

Statement of Consolidated Fixed Assets 2008

	Balance 01.01.2008	Acquisition and Production Costs			Balance 31.03.2008	Balance 01.01.2008	Depreciation and Amortization			Balance 31.03.2008	Book Values	
		Additions	Reclassifications	Disposals			Additions	Reclassifications	Disposals		31.03.2008	31.12.2007
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1. Property, plant and equipment												
1. Land, leasehold rights and buildings, including buildings on non-owned land	10,224,313	212,432	1,050,209	0	11,486,954	1,547,376	64,339	0	0	1,611,715	9,875,239	8,676,937
2. Technical equipment, plant and machinery	13,043,711	1,059,356	3,056,484	0	17,159,551	4,941,089	552,810	0	0	5,493,899	11,665,652	8,102,622
3. Other equipment, fixtures, fittings and equipment	22,449,059	1,566,777	0	(132,234)	23,883,602	10,822,989	874,924	0	(106,310)	11,591,603	12,291,999	11,626,070
4. Advance payments and plant and machinery in process of construction	21,328,772	26,117,348	(4,106,693)		43,339,427	0	0	0	0	0	43,339,427	21,328,772
Total property, plant and equipment	**67,045,855**	**28,955,913**	**0**	**(132,234)**	**95,869,534**	**17,311,454**	**1,492,073**	**0**	**(106,310)**	**18,697,217**	**77,172,317**	**49,734,401**
II. Intangible assets												
1.1. Software and other licences	11,331,766	153,545	0	0	11,485,311	4,308,809	335,430	0	0	4,644,239	6,841,071	7,022,957
1.2. Development costs	13,899,564	2,164,394	0	0	16,063,958	482,298	143,179	0	0	625,477	15,438,481	13,417,266
1. Intangible assets	25,231,330	2,317,939	0	0	27,549,269	4,791,107	478,609	0	0	5,269,716	22,279,552	20,440,223
2. Goodwill	4,626,406	0	0	(1,343)	4,625,063	3,237,696	0	0	0	3,237,696	1,387,367	1,388,710
Total intangible assets	**29,857,736**	**2,317,939**	**0**	**(1,343)**	**32,174,332**	**8,028,803**	**478,609**	**0**	**0**	**8,507,412**	**23,666,919**	**21,828,933**
Total	**96,903,591**	**31,273,852**	**0**	**(133,577)**	**128,043,866**	**25,340,257**	**1,970,683**	**0**	**(106,310)**	**27,204,630**	**100,839,236**	**71,563,334**

List of shareholdings

Disclosure in line with Article 313 (2) nos. 1 to 4 HGB

Companies	Shareholding	Equity as at end of the FY	Earnings
	In %	In EUR	In EUR
REpower Betriebs- und Beteiligungs GmbH, Rendsburg[9]	100.00	17,665	(62,589)
REpower Windpark Betriebs GmbH, Hamburg[1,3,6,9]	100.00	20,144	(400)
REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg[3,9]	100.00	(78,062)	(32,066)
Windpark Blockland GmbH & Co. KG, Hamburg [3,7]	100.00	(78,062)	0
Windpark Meckel/Gilzem GmbH & Co. KG, Hamburg [3,7]	100.00	1,000	0
Windpark GroBvargula Betriebs GmbH, Breydin [3,9] (in liquidation)	100.00	(1,667)	0
REpower Espana S.L., Madrid, Spain[10]	100.00	405,703	(30,727)
REpower Italia S.r.l., Milan, Italy[10]	100.00	856,600	71,776
REpower S.A.S., Courbevoie, France[10]	100.00	1,786,022	(497,749)
Eolis S.a.r.l., Suresnes, France[2,9]	100.00	1,915	(17,457)
REpower Australia Pty. Ltd., Melbourne, Australia [10]	100.00	(101,226)	(19,515)
REpower Diekat S.A., Athens, Greece[10]	60.00	8,912	(1,566)
REpower UK Ltd., Edinburgh, United Kingdom[10]	67.00	121,979	91,061
REpower USA Corp., Portland, Oregon, USA [10]	100,00	252,655	55,059
REpower Benelux bvba., Brussels, Belgium [10]	100,00	21,141	(2,859)
REpower Wind Systems Trading (China), Beijing, People's Republic of China[10]	100.00	39,017	26,023
Powerblades GmbH, Bremerhaven [10]	51.00	1,179,809	(251,575)
REpower Canada Inc., Montreal, Canada [10]	100.00	(1,513)	(1,623)
REpower North (China) Ltd., Qingshan, Baotou, People's Republic of China[10]	50.01	6,319,876	(488,740)
REpower Portugal Sistemas Eólicos S.A., Oliveira de Frades, Portugal[9]	50.00	4,470,028	693,344
RETC Renewable Energy Technology Centre GmbH, Hamburg[4,9]	50.00	23,761	(645)
Energy Wind Czech s.r.o., Mostkovice, Czech Republic[9]	50.00	(12,101)[1]	(2,041)[1]
Sister Lda, Lisbon, Portugal[5,9]	37.50	(47,366)[1]	(13,528)[1]
Windpark Finsterwalde GmbH, Finsterwalde[9]	30.00	1,676,220[1]	(192,992)[1]
Wasserkraft Finowkanal, GmbH, Breydin[2,8,9]	100.00	(92,796)	(36,954)
REpower Geothermie GmbH, Breydin[9]	24.90	(67,900)[1]	(5,093)[1]

[1] *Figures from 31 December 2006*

[2] *Figures from 31 December 2007*

[3] *Shares held indirectly through REpower Betriebs- und Beteiligungs GmbH*

[4] *Trading as at 31 March 2008 as Verwaltungsgesellschoft 144. Alster mbH, 50% owned by REpower Systems AG, 50% sold to SE Drive Technik GmbH, Renamed as RETC GmbH on 28 May* 2008.

[5] *A further 37.5% of shares were acquired by REpower Systems AG after the balance sheet date.*

[6] *REpower Windpark Betriebs GmbH traded until 9 April* 2008 *as BWU Projekt GmbH, headquartered in Trampe. At the same time, the company was sold by REpower* Systems *AG to Betrieb- und Beteiligungsgesellschaft GmbH.*

[7] *The company was formed in 2008. Therefore there are no figures for the past fiscal year.*

[8] *The company was sold in full on 21 May 2008.*

[9] *Calculated in line with national accounting standards.*

[10] *Calculated in line with IFRS - Group Accounting Manual REpower Systems AG.*

1. Introduction

The REpower Systems Group with REpower Systems AG, Überseering 10, 22297, Hamburg, Federal Republic of Germany, operates in the area of manufacturing and selling wind energy turbines and in developing and providing turnkey wind farms as a listed parent company.

REpower Systems AG has a duty to prepare consolidated financial statements for the short fiscal year ended 31 March 2008. The consolidated financial statements for the year ended 31 March 2008 were prepared in accordance with Article 315a of the German Commercial Code in conjunction with Article 4 of Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002 concerning the adoption of international accounting standards in the currently valid version of the International Financial Reporting Standards (IFRS), applicable in the European Union. The IFRSs comprise the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). IFRS requirements have been fulfilled completely and result in a true and fair view of the net assets, financial position and results of operations of the REpower System Group.

The consolidated financial statements of the company and the combined management report are published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

Individual items of the balance sheet and the income statement have been summarised to improve the clarity of presentation. These items are explained in the notes. The consolidated financial statements are prepared with the euro as the functional currency. The income statement is broken down according to the nature of expense method.

The consolidated financial statements were prepared on the basis of assets and liabilities recognised at amortised cost. This does not include derivative financial instruments, which are carried at fair value as at the balance sheet date.

On 25 August 2007, the Supervisory Board resolved to propose changing the fiscal year of the parent company to a period from 1 April to 31 March of the subsequent year. At an extraordinary General Meeting on 17 October 2007, the start of REpower Systems AG's fiscal year was moved, with the approval of 100% of the capital in attendance, to 1 April each year. Accordingly, the fiscal year will end on 31 March of the following year. The period from 1 January 2008 to 31 March 2008 is to be a short fiscal year. The figures reported in these notes to the consolidated financial statements compare the figures for the short fiscal year of 2008 with the figures for the full fiscal year of 2007. Owing to the different timeframes of three months in fiscal 2008 and twelve months in fiscal 2007, the figures in the income statement and segment reporting can only be compared to a limited extent.

2. Consolidation

2.1. Principles of Consolidation

Included in these consolidated financial statements are all significant German and foreign subsidiaries at which REpower Systems AG has direct or indirect control of the financial and business policies of these companies.

Capital consolidation of subsidiaries is performed in line with the purchase method. In this process, the cost of investments acquired is offset against the fair value of the net assets of the subsidiary attributed to the parent company at the time of acquisition. An asset difference resulting from company purchases is capitalised as derivative goodwill. Negative goodwill arising from capital consolidation at the time of acquisition is taken directly to profit or loss. Derivative goodwill is examined for impairment at least once annually in subsequent periods and written down to the lower recoverable amount as required. Hidden reserves and charges disclosed as a result of the measurement at fair value of the assets and liabilities in first-time consolidation are carried, amortised or realised in subsequent periods in line with the development of assets and liabilities. Expenses and income, intragroup transactions and receivables and liabilities between the companies included in consolidation were eliminated in compliance with IAS 27.

Companies which the company manages jointly with other partners and associated companies in which the Group can exert a significant influence on the financial and business policy but which it cannot control are included at equity in the consolidated financial statements. In determining goodwill and the pro rata fair value of assets and liabilities, the principles of full consolidation apply. Inclusion at equity is based on the IFRS financial statements of these companies at the Group reporting date. Losses from associated companies which exceed the equity holding's carrying amount or other non-current receivables from financing these companies are not recognised as long as there is no obligation of supplementary payments. Significant intragroup transactions were eliminated.

At the date at which shares in companies included in the scope of consolidation were sold or at the date that the Group can no longer control these companies, these are withdrawn from the scope of consolidation. As part of deconsolidation, the pro rata assets and liabilities allocated to the Group are eliminated at amortised Group carrying amounts, including any goodwill. The difference between the disposal value and the disposal proceeds of the shares is recognised in income in the consolidated income statement. The income and expenses incurred from the beginning of the respective fiscal year up to the point of withdrawal from the scope of consolidation are recognised in the consolidated income statement.

The REpower Systems AG financial statements and those of the subsidiaries, associated companies and joint ventures are prepared in accordance with uniform accounting policies. The financial statements of companies included in the consolidation are prepared as at the REpower Systems AG reporting date. The assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the exchange rate applicable at the balance sheet date. Income statement items are translated at the transaction rate for the respective year. Subsidiaries' equity components are translated at the corresponding historical rate as they occur. Differences resulting from currency translation are recognised as adjustment items for currency translation within consolidated equity.

2.2. *Scope of Consolidation*

2.2.1. *Fully Consolidated Companies*

The scope of consolidation includes the following German and international companies, which are recognised as fully consolidated in the consolidated financial statements:

Project Companies	**Share in %**
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100.00
REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg	100.00
PowerBlades GmbH, Bremerhaven	51.00
Sales companies	
REpower Espana S.L., Madrid, Spain	100.00
REpower S.A.S., Courbevoie, France	100.00
REpower Italia SRL., Milan, Italy	100.00
REpower Australia Pty Ltd. Melbourne, Australia	100.00
REpower Wind Systems, Beijing, PR China	100.00
REpower USA Corp., Portland, U.S.A.	100.00
REpower Canada Inc., Montreal, Canada	100.00
REpower Benelux b.v.b.a., Brussels, Belgium	100.00
REpower UK Ltd., Edinburgh, UK	67.00
REpower Diekat, Athens, Greece	60.00

REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg was founded as a project company and implemented its first reference project for 5-MW class turbines at Büttel in Schleswig-Holstein, Germany in December 2007. REpower Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg is a fully liable partner with no business activities of its own in German wind farm companies and has the legal form of a partnership.

In future, Power Blades GmbH, Bremerhaven will operate a manufacturing site in Bremerhaven for the manufacture of blades for wind turbines. The company commenced operations on a modest scale in 2007. The completion of the manufacturing site is scheduled for mid-2008.

There are investments in ten foreign sales and service companies with the purpose of marketing REpower Systems AG wind turbines in Europe (previous year. ten). In fiscal 2008, the company REpower Canada Inc. was founded in Montreal, Canada, by way of cash subscription, and commenced operations. The purpose of the company is to develop the sales market in Canada. It has won tenders to supply wind turbines with an output of 954 MW for a consortium between the parent company and other partners.

The liquidation of the two companies Windpark Großvargula GmbH and FEdeF S.A.S. is currently under way or has been concluded respectively. The companies withdrew from the scope of consolidation by way of deconsolidation. The deconsolidation resulted in a gain on deconsolidation of EUR 2 thousand for Windpark Großvargula Betriebs GmbH and of EUR 245 thousand for FEdeF S.A.S. The proceeds from deconsolidation are reported under other operating income. The carrying amounts of the investments were written down on account of their liquidation. This is reported under interest and similar financing expenses.

2.2.2. *Jointly Managed and Associated Companies*

The following material jointly controlled entities and associated companies are carried at equity in the consolidated financial statements:

	Group Share of Nominal Capital	
	31.03.2008	31.12.2007
	In %	In %
REpower Portugal — Sistemas Éolicos S.A., Oliveira de Frades, Portugal	50.00	50.00
REpower (North) China Ltd., Baotou, PR China	50.01	50.01

The companies serve as sales companies to develop sales markets in foreign countries.

3. Accounting Policies

The accounting policies applied in the consolidated financial statements for 2008 are unchanged as against fiscal 2007.

The following reporting changes were made as against the previous year's financial statements, which led to an adjustment of the information on the previous year in these financial statements to ensure comparability. The following information relates to figures from the previous year:

In the previous year's financial statements, advance payments on work in progress (EUR 14,667 thousand) were deducted from inventories under assets. In the financial statements for the short fiscal year, these advance payments are shown under the item "advance payments received" in the balance sheet.

Advance payments on construction contracts (EUR 206,212 thousand) are deducted from positive net construction contract receivables; these were netted against trade receivables in the previous year.

In the previous year's financial statements, own work capitalized (EUR 327 thousand) was netted against sales. In the financial statements for the short fiscal year this is assigned to its own item in the income statement.

3.1. *Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of bank balances and are carried at nominal value. Amounts in foreign currency are measured as at the reporting date.

3.2. *Shares in Project Companies*

Shares in project companies are classified as available for sale as defined by IAS 39 and recognised on the reporting date at fair value or, if this cannot be reliably measured, at amortised cost.

3.3. *Receivables and Other Financial Assets*

Trade receivables, intra-group receivables, receivables from project companies and other primary financial assets allocated to the loans and receivables category are carried at fair value plus transaction costs on first-time recognition. Subsequent measurement is at amortised cost using the effective interest rate method. Risks of default are taken into account with appropriate valuation allowances, which are determined on the basis of empirical values and individual risk assessments.

3.4. *Inventories*

Inventories comprise raw materials and supplies and work in progress. Raw materials and supplies are carried at the lower of cost or net realisable value. Work in progress for which no legally effective, customer-specific order exists is measured at the lower of cost or net realizable value. In addition to material and production overheads, manufacturing costs comprise overheads attributable as per IAS 2, but not financing costs.

3.5. *Property, Plant and Equipment*

Items of property, plant and equipment are carried at cost and depreciated on a straight-line basis over their useful life. Cost includes all expenses for acquiring the assets, insofar as these can be reliably calculated or estimated. The manufacturing costs of internally generated equipment comprise direct costs as well as attributable overheads. Loan interest costs are not included.

Depreciation is measured on the basis of the following estimated useful lives:

	Useful Life In years
Buildings	10-50
Technical equipment and machinery	2-21
Operating and office equipment	3-10

3.6. *Intangible Assets*

Acquired intangible assets are measured at cost and amortised on a straight-line basis over the respective useful life.

Research costs are reported as current expenses. Development costs for future products and other internally generated intangible assets are capitalised at cost, provided that the manufacture of these products is likely to generate an economic benefit for the REpower Systems Group. In the event that the requirements for capitalisation are not satisfied, expenses are recognized directly in income in the year in which they occur.

Capitalised development costs comprise all direct costs and overheads attributable to the development process. Financing costs are not capitalised. Amortisation is recognised on the basis of quantity or on a straight-line basis. If the volume of sales can be estimated with reasonable assurance, amortisation is recognised according to quantity as a ratio of wind turbines recognised in sales to the total sales volume expected. With development costs not related to quantity, amortisation is recognised on a straight-line basis from the start of production for the expected duration of the developed models.

The following economic lives were used as a basis:

	Useful Life In years
Capitalised development costs	5*
Licences, software	3-10

* *in years or quantity-based*

3.7. *Impairment of Property, Plant and Equipment and Intangible Assets*

REpower Systems AG submits property, plant and equipment and intangible assets to impairment tests.

When carrying out impairment tests, derivative goodwill is allocated to the same reporting entities for which allocation of derivative goodwill is implemented in the Group's internal reporting system. The reporting units generally correspond to individual Group companies. The cash flows of the reporting entities are discounted by a cost of capital rate based on comparable companies. Impairment is recognised if the capital value of cash flows is less than the carrying amount of intangible assets and property, plant and equipment and the net current assets of the reporting unit including the allocated derivative goodwill.

Impairment is recognised on other intangible assets and property, plant and equipment if certain events or developments result in the carrying amount of the asset no longer being covered by expected disposal proceeds or the discounted net cash flows from any further use. Cash flows are also discounted at a cost of capital rate based on comparable companies. If the recoverable amount of individual assets cannot be calculated, the cash flow is calculated for the next highest group of assets is for which such a cash flow can be calculated. Impairment is reversed if the reasons for it no longer apply in subsequent periods.

Impairment cannot be reversed any higher than the carrying amount that would have been if no impairment had been recognised. Impairment on goodwill cannot be reversed.

3.8. *Loans Granted*

Loans granted are allocated to the loans and receivables category and carried at fair value on first-time recognition. Subsequent measurement is at amortised cost using the effective interest rate method.

3.9. *Share Options*

In the consolidated financial statements, share options granted to members of executive bodies and executives are carried in line with the regulations of IFRS 2. Share options grant subscription rights to new company shares from contingent capital and are a form of remuneration. Transactions which are to be fulfilled by granting shares are measured at fair value as at the day they are granted. The fair value of share options on the day they are granted is determined by an external assessor using the Monte Carlo simulation method. The calculated expense is distributed over the period in which the options can be exercised on a straight-line basis and the attributable staff costs of the relevant fiscal year are recognised directly in income in the capital reserves.

3.10. Provisions

Provisions are recognised for all obligations to third parties where it is probable that the fulfilment of the obligations will result in outflows of resources and a reliable estimate of the amount of the obligation can be made.

Warranty provisions are made both for known individual risks and for general risks. Specific technical warranty risks can be individually quantified on the basis of comprehensive documentation and are accounted for by individual provisions. The economic risk and the amount of provisions are evaluated on an ongoing basis in coordination with the technical departments taking into account existing risks.

Provisions are recognised for general risks on the basis of experience. The system for establishing collective warranty provisions is as follows:

For turbines erected, provisions are recognised for the anticipated actual costs per year of the warranty of the contractual warranty period. The actual costs are determined on the basis of past experience and examined on an ongoing basis.

For wind farm projects (turnkey), project-specific provisions are recognised for guarantee commitments for the farm infrastructure. The amount of the provision depends on the size and location of the farm in Germany or internationally.

Provision amounts are discounted if material.

3.11. Liabilities

Liabilities are measured at amortised cost, making them equal to the repayment amount. If the liability amounts are material they are discounted using the effective interest rate method.

3.12. Transaction Costs Incurred for Issuing Equity Instruments

If transaction costs are incurred for issuing equity instruments these are deducted in equity from the issue proceeds less any related income tax benefits. Only directly attributable external costs are recognised as costs for an equity transaction.

3.13. Revenue Recognition

Sales include all proceeds from the sale of wind energy turbines, license revenues and revenues from service and maintenance contracts.

For wind turbine construction contracts for which both a specific legally effective customer order exists and where the order outcome and the expected total costs can be reliably estimated on the basis of Group budgeting and cost accounting as at the balance sheet date, the percentage of completion method is used in accordance with IAS 11. The percentage of completion is calculated according to the cost-to-cost method. Only the costs relating directly to the service rendered are taken into account. Borrowing costs are recognised as an expense. Advance payments received for contracts are deducted directly from future receivables from construction contracts. Contracts for the delivery of wind turbines to customers are considered completed from the initial installation of the equipment. If no installation is agreed, sales are recognised at the time that the benefits and risks are passed on to the purchaser and the payment is probable.

Licence proceeds result not only from quota licences but also single licences independent of time or quantity. Proceeds from quota licences are realised on installation. In the case of single licences, sales are realised when the licence is granted. Advance payments received on quota licences are deferred and recognised in income in line with the economic substance of the contract.

Proceeds from service and maintenance contracts are realised insofar as the respective services have been rendered.

3.14. Taxes on Income

REpower Systems AG recognises current taxes when they are caused at the level of the amount due. Deferred taxes are recognised according to the liability method, i.e. deferred tax assets or deferred tax liabilities are carried with future tax effects which arise as a result of differences between IFRS and tax accounting of assets and liabilities. The effects of tax rate changes on deferred taxes are recognised in income in the reporting period in which the legislative procedure the change in tax rate is passed. However, the effects of tax changes on equity are also recognised in equity. If the realisation of deferred tax assets does not appear reasonably likely in the future they are not recognised.

3.15. Borrowing Costs

Borrowing costs are recognised as an expense and not included in cost of the asset.

3.16. Government Grants (Investment Subsidies)

Government grants are recognised according to the character of the subsidised expenses. Insofar as subsidies relate to capitalised assets, the grants received reduce the cost of the subsidised assets. Grants provided as an expenditure allowance are recognised in the income statement of the fiscal year in which the subsidised expenses are incurred.

3.17. Transactions in Foreign Currencies

Purchases and sales in foreign currencies are translated using the current price applicable at the time of the transaction. As at the balance sheet date, these are recognised using the exchange rate valid at this time. The gains and losses resulting from foreign currency exchange in the translation are recognised in income.

3.18. Financial Instruments

Financial assets are recognised on delivery, i.e. the date of order fulfilment.

Financial instruments consist on the one hand of cash and cash equivalents, receivables and other financial assets as well as financial liabilities and loans insofar as these relate to a contract. First-time recognition of financial assets is at fair value plus directly attributable transaction costs, insofar as the financial assets are not allocated to the category of "at fair value through profit and loss". The REpower Group has no financial assets that can be allocated to this category. Subsequent measurement of financial assets is either at fair value or amortised cost using the effective interest rate depending on the allocation of the individual financial instruments to the categories of IAS 39.

On first-time recognition, financial liabilities are carried at fair value less transaction costs and at amortised cost on subsequent measurement.

Financial assets are derecognised provided that either the rights to cash flows resulting from assets have expired or virtually all risks have been passed on to a third party so that the criteria for derecognition are met. Financial obligations are derecognised if obligations have either expired or have been cancelled.

3.19. Use of Assumptions

The preparation of these consolidated financial statements requires that the management make estimates and assumptions that act as a basis for the value of assets and liabilities, contingent liabilities and other financial obligations as at the balance sheet date and sales and expenses in the fiscal year. Key estimates and assumptions relate to impairment tests (see note 4.2), warranty provisions (see note 4.3.2), measurement of share options (see note 4.5.2), the realisation of revenue according to the percentage-of-completion method (see note 4.1.2) and the value of deferred tax assets (see note 4.2.5). The actual situation which occurs may differ from these assumptions. Also, changes in the current economic conditions and other events may have a material impact on the actual figures.

3.20. New Accounting Standards and their Application

The following standards published by the IASB and the IFRIC were applied by the company for the first time in the 2008 short fiscal year:

In November 2006, IFRIC 11 „IFRS 2 — Group and Treasury Share Transactions" was published. This regulation deals with the issues of how group-wide, share-based remuneration should be recognised, what the effects of employee changes within a group are, and how share-based remuneration should be treated when the company issues treasury shares or acquires third-party shares. IFRIC 11 is mandatory for fiscal years beginning on or after 1 March 2007. The adoption of this standard did not have any material effect on the Group's assets, liabilities, financial position or results of operations.

In November 2006, IFRIC 12 „Service Concession Agreements" was also published. Service concession agreements are agreements which are made between the government and private companies in order to provide public services such as roads, energy supply and transport. The interpretation prescribes the accounting policies of such agreements between government and private companies. IFRIC 12 is mandatory for fiscal years beginning on or after 1 January 2008. As the Group does not maintain any service concession agreements as defined by IFRIC 12, IFRIC 12 has no material effect on the Group's net assets, financial position or results of operations.

In July 2007, IFRIC 14 „The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published. IFRIC 14 contains general guidelines for determining the excess limit of a pension fund which can be recognised as an asset in accordance with IAS 19 „Employee Benefits". The interpretation also describes how regulatory or contractual minimum financing regulations can have an effect on a pension fund's assets or liabilities. IFRIC 14 is mandatory for fiscal years beginning on or after 1 January 2008. As the Group does not maintain any pension funds as defined by IAS 19, IFRIC 14 has no material effect on the Group's net assets, financial position or results of operations.

The application of the following standards and interpretations published by the IASB in 2006, 2007 and 2008 is not yet mandatory for the REpower Systems Group in the consolidated financial statements as at 31 March 2008:

In November 2006, the IASB published IFRS 8 „Operating Segments". IFRS 8 replaces IAS 14 „Segment Reporting" and adapts the regulations for segment reporting to the US Statement of Financial Accounting Standards regulation (SFAS) 131 „Disclosures about Segments of an Enterprise and Related Information" with the exception of minor differences. This standard requires that companies disclose quantitative and qualitative information with regards to their reporting segments. Reporting segments are operating segments or combinations of operating segments which fulfil particular criteria. Operating segments are the components of a company for which separate financial information is available, which is regularly examined by the company's chief operating decision maker to evaluate the success of the company and decided how resources are to be distributed. In general, this financial information must be reported on the basis of internal management. On this basis the management can assess the business success of operating segments and decide how to allocate resources to the operating segments. IFRS 8 is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet fully assessed the possible effects of IFRS 8 on segment reporting.

In March 2007, the IASB published amendments to IAS 23 „Borrowing Costs". The material changes to the standards concern the discontinuation of the option of directly recognising borrowing costs as an expense which can be attributed to the acquisition, construction or production of a qualifying asset. Such borrowing costs must be capitalised as part of the cost of the qualifying asset. This standard applies for the first time to borrowing costs for qualifying assets where capitalisation occurs on or after January 2009. Earlier adoption is permitted. The company has not yet definitively assessed the effect of introducing the changes in accordance with IAS 23 on its net assets, financial position and results of operations.

In September 2007, a revised standard, IAS 1 „Presentation of Financial Statements" was published. The revision aims to improve the possibilities for analysis as well as aiding comparison of financial statements for their users. IAS 1 prescribes the presentation and structure of the financial statements. In addition, it contains the minimum requirements for the content of financial statements. The new standard is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet definitively assessed the effect of introducing the changes in accordance with IAS 1 on its net assets, financial position and results of operations.

In June 2007, IFRIC 13 „Customer Loyalty Programmes" was published. IFRIC 13 prescribes the accounting policies for revenues from sales processes, and related expenses for obligations arising from customer loyalty programmes such as award, bonus or loyalty programmes. IFRIC 13 clarifies that such business is to be regarded as multi-component transactions where the part of sales which is due to premiums is recognised as a liability until the customer either exercises his premium right or forfeits it. IFRIC 13 is mandatory for fiscal years beginning on or after 30 June 2008. Earlier adoption is permitted. Due to the nature of the Group's business activities, IFRIC 13 has no material effect on the Group's net assets, financial position or results of operation.

In January 2008, amendments to the IFRS standard IFRS 3, „Business Combinations", and additions to IAS 27, „Consolidated and Separate Financial Statements", were published. These amendments must be adopted for fiscal years beginning on or after 1 July 2009. Earlier adoption is permitted. The effect of introducing the amendments to IAS 27 and IFRS 3 will depend on the corporate acquisitions and disposals of shares in companies that the Group effects when the standards are in effect.

In January 2008, the draft of an amendment to IFRS 2, „Share-based Payment: Vesting Conditions and Cancellations", was published. The amendments are mandatory for fiscal years beginning on 1 January 2009. The adoption of the amendments is not expected to have any significant effect on the Group's net assets, financial position or results of operations.

In February 2008, amendments to IAS 32, „Financial Instruments: Presentation", and IAS 1 were published. These additions permit exceptions to the classification of financial instruments that grant the bearer a claim to repayment as liabilities. These are not expected to have a material effect on the Group's net assets, financial position or results of operations.

4. Notes to Individual Balance Sheet Items

4.1. Current Assets

4.1.1. Cash and Cash Equivalents

The company has only limited access to bank balances of EUR 177,578 thousand (2007: EUR 144,909 thousand) as an amount of EUR 40,256 thousand (previous year: EUR 40,401 thousand) is serving as collateral for payment, contract performance and warranty guarantees granted by banks to customers.

4.1.2. Gross Amount Due from Customers for Contract Work

	31.03.2008	**31.12.2007**
	In TEUR	**In TEUR**
Receivables	325,157	245,472
Less advance payments received	(206,212)	(101,325)
	118,945	**144,147**

This item includes work in progress as at the reporting date which was reported using the Percentage-of-completion method in compliance with IAS 11. Advance payments on contracts recognised are deducted directly. These contracts incurred material costs of EUR 75,513 thousand (previous year: EUR 207,165 thousand) in the short fiscal year 2008. The net contribution of sales and costs of materials to operating earnings from these projects in 2008 was EUR 4,182 thousand (previous year: EUR 38,307 thousand).

4.1.3. Trade Receivables

Trade receivables relate primarily to receivables from customers resulting from the delivery of wind turbines.

	31.03.2008	**31.12.2007**
	In TEUR	**In TEUR**
Trade receivables	51,193	117,425
	51,193	**117,425**

In the short fiscal year 2008, specific valuation allowances of EUR 92 thousand were recognised on trade receivables (31 December 2007: EUR 2,239 thousand).

	2008	**2007**
	In TEUR	**In TEUR**
Development of specific valuation allowances:		
As at the start of the fiscal year	5,560	4,030
Reversals	(87)	(709)
Additions	92	2,239
As at the end of the fiscal year	**5,565**	**5,560**

4.1.4. Receivables from Participations

This item breaks down as follows:

	31.03.2008	**31.12.2007**
	In TEUR	**In TEUR**
Receivables from participations		
Loan to Windpark Finsterwalde GmbH, Finsterwalde	357	364
Loan to Sister Ltd., Portugal	99	99
Loan to Energy Wind Czech s.r.o., Czech Republic	71	71
	527	**534**

4.1.5. Receivables from Associated Companies and Joint Ventures

Receivables from associated companies of EUR 21,278 thousand comprise EUR 16,737 thousand from REpower Portugal — Sistemas éolicos, S.A. (Portugal) and EUR 4,541 thousand from REpower North (China) Ltd., Baotou, People's Republic of China. Receivables essentially relate to the delivery of wind turbines.

4.1.6. Inventories

Valuation allowances for inventories amounted to EUR 395 thousand as at 31 March 2008 (previous year: EUR 1,523 thousand). Of this, EUR 395 thousand was recognised in 2008.

	31.03.2008	31.12.2007
	In TEUR	In TEUR
Raw materials and supplies	116,102	86,119
Work in progress	19,747	26,059
Finished goods and goods for resale	8,991	0
	144,840	**112,178**

Raw materials and supplies relate to inventories for the production of wind energy turbines. Work in progress relates to turbines under construction.

4.1.7. Other Current Assets

	31.03.2008	31.12.2007
	In TEUR	In TEUR
Other miscellaneous current assets		
Advance payments	32,854	40,599
Sales tax refund receivables	15,924	18,489
Refund for equipment	3,094	2,548
Income tax receivables from the tax office	2,641	0
Prepaid insurance premiums (ISK)	806	801
Creditors with debit balances	292	541
Others	5,351	404
	60,962	**63,382**
Other financial assets		
Receivables from insurance companies	2,584	3,211
Loans	161	280
Others	91	1,534
	2,836	**5,025**
	63,798	**68,407**

4.2. Non-Current Assets

4.2.1. Non-Current Assets

Land and buildings relate primarily to production sites internal to the company.

Technical equipment and machinery relate primarily to facilities for the production of wind turbines.

As at the balance sheet date, assets under construction essentially relate to expenses for expanding production locations, the construction of rotor moulds and the construction of a 5M prototype in Bremerhaven.

The development of property, plant and equipment is shown in the statement of changes in consolidated fixed assets.

4.2.2. Other Intangible Assets

In fiscal 2008, research and development expenses amounted to EUR 4,035 thousand (previous year: EUR 13,375 thousand), EUR 2,021 thousand of which was capitalised (previous year: EUR 7,123 thousand).

4.2.3. Joint Ventures and Associated Companies

Joint ventures and associated companies carried at equity generated earnings of EUR 102 thousand (previous year: EUR -235 thousand) in fiscal 2008 and sales of EUR 19,656 thousand (previous year: EUR 13,085 thousand). The non-current assets of these companies as at 31 March 2008 amounted to EUR 6,354 thousand (previous year: EUR 6,519 thousand). Current assets amounted to EUR 63,154 thousand (previous year: EUR 56,353 thousand), non-current liabilities to EUR 4,823 thousand (previous year: EUR 15,481 thousand) and current liabilities to EUR 55,370 thousand (previous year: EUR 34,164 thousand).

The average number of employees as at 31 March 2008 was 98 (previous year: 65).

4.2.4. Loans Granted

This item includes loans granted to wind farm project companies. If the loans are interest bearing, the interest rates fluctuate in between 2.05% and 7.0% per annum.

4.2.5. Income Tax

The current taxes on income in the individual countries and deferred taxes are reported as income taxes. Income tax expense comprises the following:

	2008 In TEUR	2007 In TEUR
Current taxes	299	3,734
Current taxes from previous years	375	(319)
Deferred taxes	1,362	4,589
Income taxes	**2,036**	**8,004**

Current taxes are calculated using the respective tax rates applicable in the individual countries.

Deferred taxes result from temporary differences in the carrying amount in the companies' tax accounts and the carrying amounts in the consolidated accounts. They are calculated using the liability method used in financial statements and the tax rates applicable in the respective countries at the dates on which the differences are reversed, to the extent that they apply as at the balance sheet date or are reasonably assured to apply.

The corporation tax rate for companies in Germany was 15.0% for 2008 (previous year: 25.0%) plus the solidarity surcharge of 5.5% (previous year: 5.5%). The total rate for corporation tax was therefore 15.825% (previous year: 26.375%). Including trade taxes, the total tax rate was 30.0% (previous year: 40.0%).

The corporation tax credit of EUR 301 thousand that has not been paid out as a result of a moratorium in German tax law will be paid to REpower Systems AG in instalments from 30 September 2008. The corporation tax credit was discounted using an interest rate of 6%.

The current income tax expense in the short fiscal year of EUR 2,036 thousand (previous year: EUR 8,004 thousand in total) is EUR 1,086 thousand higher than the expected income tax expense of EUR 950 thousand (previous year EUR 11,649 in total). The reasons for the deviation between the Group's expected and actual tax expense are shown below. Expected tax expense is calculated using the total domestic tax rate of 30% for fiscal 2008 and 40% for fiscal 2007:

	2008 In TEUR	2007 In TEUR
Expected tax expense	950	11,649
Employee option programmes/share options	464	2,124
Income taxes for previous years	375	178
Ineligible foreign withholding taxes	189	0
Other tax effects	54	(252)
Non-recognition of capitalised deferred taxes on loss carryforwards	27	190
Non-deductible operating expenses	17	32
Different tax rates	(40)	(729)
Lowering of tax rates in Germany	0	(1,463)
Initial recognition of loss carryforwards not recognised in previous years	0	(3,707)
Actual tax income	**2,036**	**8,022**

Expenses from employee option programmes have influenced the Group's tax rate as these expenses are not deductible as expenses for tax purposes. The tax effect of this for the short fiscal year was EUR 464 thousand (previous year: EUR 2,124 thousand in total). Please see the notes on the share option programme.

The reduction of tax rates resulted in a reduction in deferred tax assets and liabilities at the German companies in the previous year. This resulted in deferred tax income of EUR 1,463 thousand, which was fully recognised in income.

Deferred tax assets and deferred tax liabilities break down into the following items:

	31.03.2008 In TEUR	31.12.2007 In TEUR
Deferred tax assets:		
Tax loss carryforwards	3,926	3,977
Provisions	785	827
Cash and cash equivalents	166	0
Property, plant and equipment	123	0
Intercompany profits	0	36
Others	(38)	169
Total deferred tax assets	4,962	5,009
Netting	(3,922)	(4,141)
Deferred tax assets after netting	**1,040**	**868**
Deferred tax liabilities:		
Gross amount due from customers for contract work	5,181	4,372
Development costs	4,631	4,025
Property, plant and equipment	1,090	990
Others	25	13
Total deferred tax liabilities	10,927	9,400
Netting	(3,922)	(4,141)
Deferred tax liabilities after netting	**7,005**	**5,259**

Deferred taxes on tax loss carryforwards are recognised in the amount of the tax impact of the expected usable tax losses of the German and international Group companies. The key factor for determining the value of deferred tax assets is the estimation of probability of a reversal of measurement differences and the utility of tax loss carryforwards which led to deferred tax assets. These depend on the occurrence of future taxable profit during the periods in which measurement differences relating to tax are reversed and tax loss carryforwards can apply. According to the current status, tax loss carryforwards can be carried forward without restriction in subsequent years in all countries where tax loss carryforwards occur. Due to the expected taxable income situation, it is assumed that appropriate benefits can be realised from deferred tax assets.

In the fiscal year, tax loss carryforwards amounting to EUR 27 thousand were not recognised (previous year: EUR 190 thousand) as their realisation is unlikely.

4.3. Current Liabilities

4.3.1. Advance Payments Received

Advance payments received relate to advance payments by customers which are not related to construction contracts.

4.3.2. Provisions

Provisions relate primarily to deferrals for warranty expenses. Assuming a level of EUR 19.2 million in the previous year, utilisation of EUR 1.7 million and additions of EUR 1.2 million, as at the balance sheet date, taking reversals of EUR 0.4 million into account, there are warranty provisions for of EUR 18.3 million.

Taking utilisation and additions of EUR 0.6 million into account, other provisions increased from EUR 1.5 million to EUR 2.1 million.

4.3.3. Deferred Revenue

Advance payments for revenue are reported as deferred revenue.

4.3.4. Income Tax Liabilities

Income tax liabilities primarily relate to current deferred taxes for the fiscal year.

4.3.5. Other Current Liabilities

Other current liabilities comprise the following:

	31.03.2008 In TEUR	31.12.2007 In TEUR
Other financial liabilities		
Liabilities to employees	4,977	6,199
Customers with credit balances	63	1,685
Others	157	177
	5,197	**8,061**
Other miscellaneous liabilities		
Sales tax	2,941	1,454
Other liabilities to the tax office	839	537
Social security liabilities	358	340
Others	915	30
	5,053	**2,361**
	10,250	**10,422**

4.4. Non-Current Loans and Profit Participation Certificates

Of total of non-current loans and profit participation certificates of EUR 11,375 thousand (previous year: EUR 11,407 thousand), EUR 10,000 thousand relates to a profit participation right taken up in May 2004 with a term until 2011 and EUR 1,375 thousand relates to liabilities to banks. For profit participation certificates, a basic interest rate of 7.9% in addition to a variable interest rate dependent on net income is paid. In fiscal 2008, this amounted to EUR 0 thousand (previous year: EUR 200 thousand). The interest rate for bank loans was between 6.25% and 7.25% per year. Non-current bank liabilities amounting to EUR 1,375 thousand (previous year: EUR 1,407 thousand) are secured by liens and assignments of electricity proceeds and insurance claims for security.

4.5. Equity

The change in equity components is shown in the statement of changes in equity.

4.5.1. Issued Capital

The share capital of REpower Systems AG as at 31 March 2008 was EUR 8,993,576 (previous year: EUR 8,993,576) and is divided into 8,993,576 (previous year: 8,993,576) no-par value ordinary bearer shares, each with a notional share of capital of EUR 1.00.

Authorised Capital

By way of resolution of the Annual General Meeting on 30 May 2006, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital of REpower Systems AG on one or several occasions by issuing new shares against cash or non-cash contributions by up to EUR 4,050,898 until 29 May 2011. After partial utilisation of EUR 810,179 in fiscal 2007, EUR 3,240,719 is still available for future capital increases.

Contingent Capital

The share capital has been contingently increased by up to EUR 2,475,000.00. The contingent capital increase is only to be carried out in the event of the issue of an option or convertible bond.

Furthermore, the share capital has been contingently increased by up to EUR 438,900 (previous year: EUR 504,300). The contingent capital increase is implemented by issuing of up to 438,900 new, ordinary bearer shares to the extent that holders of subscription rights exercise their rights in the context of employee option programmes. In fiscal 2007, EUR 65,400 of contingent capital was utilised in the share option programme.

Issue of Profit Participation Certificates

The company was authorised by the Annual General Meeting on 9 June 2004 to issue further profit participation certificates amounting to up to EUR 20,000,000 until 8 June 2009. REpower Systems AG has not yet exercised this right.

4.5.2. Capital Reserves

The EUR 1,546 thousand rise in capital reserves resulted from share-based payment recognised in the short fiscal year 2008.

The development of capital reserves is shown in the statement of changes in equity.

Share Option Programme

REpower Systems AG operates a share option programme which offers beneficiaries the right to acquire one share per option at an established basis price. Cash settlement is not possible. The options can be exercised within an agreed period of five years but not until two years after they are granted (blocking period). Options may only be exercised on the condition that the relevant employee is still employed at REpower Systems Group at the time of exercise and that the XETRA share price of REpower Systems AG has been at least 120% of the basis price at any given time (for options issued in 2007: at least 21 days).

As at 31 March 2008, share options had been issued to the Executive Board and key employees in the years 2005 to 2007 as part of the share option programme. As shown by the table below, there were no changes in the short fiscal year 2008 as no share options were issued or lapsed and no new share options were issued.

	Number	Basis Price or Share Price Upon Exercise (Weighted Average)
		In EUR
Options outstanding at the start of the fiscal year	426,200	80.40
Granted	0	0
Exercised	0	0
Forfeited/lapsed	0	0
Options outstanding at the end of the fiscal year	**426,200**	**80.40**
Of which exercisable	**1,750**	**9.34**

The exercise price ranges between EUR 9.34 and EUR 112.20, though only 1,750 option rights with an exercise price of EUR 9.34 are outstanding. The exercise price is EUR 42.54 for roughly 45% of the option rights and EUR 112.20 for the others. The fair values of share options granted on the grant date are determined by an external assessor on the basis of the following assumptions and factors:

Granted in Fiscal Year	2007	2006
Base price	EUR 112.20	EUR 46.79
Share price of REpower Systems AG shares	EUR 122.50	EUR 44.32
Risk-free interest rate	4.47%	3.71%
Expected volatility	43.37%	43.30%
Remaining blocking period (in months)	24	24
Remaining maturity	60	48
Fair value per share option	EUR 50.32	EUR 13.91

Expected volatility is based on historical volatility which is determined from daily closing prices for REpower Systems AG shares. The REpower Systems share performance in the first half of 2007 was influenced significantly by a takeover battle for REpower Systems AG carried out by two companies. Due to the one-off nature of this event and the extreme share price fluctuations involved, the historical data was adjusted for the period of the takeover battle.

The Monte Carlo simulation method used maps the performance target in the form of an increase in the share price of REpower Systems by at least 20% compared to the basis price and allows for the possibility of early exercise within the time period for exercising options and the beneficiaries' early exercise behaviour, i.e. the possibility that employees exercise their option before the end of the term.

At the Annual General Meeting of 21 June 2007, a resolution was made to adjust the option conditions for the 2006 share option plan in line with the conditions for the newly established 2007 share option plan. The fair value of amended share options as at 21 June 2007 is determined by an external assessor on the basis of the following assumptions and factors:

	2006	
Granted in Fiscal Year	**20.03.2007**	**21.06.2007**
Base price	EUR 42.54	EUR 42.54
REpower Systems AG share price	EUR 150.89	EUR 127.93
Risk-free interest rate	3.88%	4.48%
Expected dividend — 2008	EUR 0.41	EUR 0.41
Expected dividend — 2009	EUR 0.73	EUR 0.73
Expected dividend — 2010	EUR 0.80	EUR 0.80
Expected volatility	38.79%	41.30%
Remaining blocking period (in months)	24	24
Remaining maturity (in months)	48	60
Fair value per share option	EUR 111.84	EUR 91.43

In the short fiscal year 2008, the company recognised staff costs from share-based payments totalling EUR 1,546 thousand (previous year: EUR 5,310 thousand).

4.5.3. Minority Interests

Minority interests relate to the shares of third parties in German and international Group companies.

5. Notes to the Income Statement

5.1. Revenue

In 2008 and 2007, the operations of companies of the REpower Systems Group related almost exclusively to developing and manufacturing wind turbines and wind turbine projects. Of revenues in the turbine business, 11.7% (previous year: 34.9%) were generated on the German market and 88.3% (previous year: 65.1%) on international markets.

	2008	2007
	In TEUR	**In TEUR**
Revenue from the sale of wind turbines	102,527	592,157
Contract revenue recognised in line with IAS 11	28,890	38,585
Service/maintenance and sales of materials	6,427	30,288
Licence revenue	2,091	8,614
Electricity revenue	654	1,607
Others	6,817	8,582
	147,406	**679,833**

5.2. Other Operating Income

Other operating income breaks down as follows:

	2008	2007
	In TEUR	**In TEUR**
Income from the deconsolidation of subsidiaries	748	0
Income from the reversal of provisions	424	0
Other reimbursement receivables	411	0
Income from exchange rate differences	278	450
Insurance payments/compensation	29	5,212
Income from the disposal of fixed assets	7	56
Land income	3	12
Investment subsidies, research and development subsidies	0	368
Others	536	905
	2,436	**7,003**

5.3. Personnel Expenses

	2008 In TEUR	2007 In TEUR
Wages and salaries	11,921	42,316
Social security contributions	2,353	7,239
	14,274	**49,555**

The average annual number of employees was:

	2008	2007
Salaried employees	720	714
Waged employees	366	372
	1,086	**1,086**

5.4. Other Operating Expenses

Other operating expenses are composed as follows:

	2008 In TEUR	2007 In TEUR
Legal and consulting costs	1,824	7,541
Travel expenses	1,812	4,922
Purchased services	1,394	4,667
Office and land costs	1,317	4,023
Administrative expenses	1,029	2,459
Costs of training and recruitment	822	2,857
IT & telecommunication costs	786	2,390
Guarantee expenses	723	10,125
Vehicle costs	687	2,195
Costs of payment transactions	557	1,077
Advertising and trade fair expenses	372	1,234
Repairs and maintenance	290	979
Insurance costs	163	402
Write-off/impairment of receivables	28	1,530
Others	1,019	2,298
	12,823	**48,699**

5.5. Net Finance expense

The net finance expense break down as follows:

	31.03.2008 In TEUR	31.12.2007 In TEUR
Interest and similar finance income		
Other interest and similar income	2,160	6,237
Income from other loans and securities	15	0
	2,175	**6,237**
Interest and similar finance expenses		
Depreciation on financial assets	(693)	(210)
Other interest and similar expenses	(1,221)	(4,657)
	(1,914)	**(4,867)**
Earnings from associates and joint ventures	**102**	**(114)**
Net finance expense	**363**	**1,256**

The depreciation on financial assets and securities essentially relates to the deconsolidation of FEdeF S.A.S., Surenes, France and Windpark Großvargula Betriebs GmbH, Breydin. This depreciation is offset by proceeds from the deconsolidation of the above companies of EUR 748 thousand. In addition, the depreciation on financial assets includes depreciation on loans to investment companies.

Interest expenses essentially relate to guarantee commissions and interest on borrowed loans.

EUR 347 thousand of earnings from associated companies and joint ventures results from REpower Portugal — Sistemas Éolicos S.A. and −TEUR 245 thousand results from REpower (North) China Ltd.

5.6. Earnings Per Share

Basic earnings per share are calculated by dividing the REpower Systems AG shareholders' share of earnings and the weighted average number of shares in circulation during the fiscal year. Earnings per share are diluted by what are known as potential shares. This includes option rights which only dilute earnings if they result in shares being issued at a value below the average share price. Both tranches of the share option plan had a dilutive effect on earnings per share.

	2008 In EUR	2007 In EUR
Consolidated net profit assigned to REpower Systems AG shareholders	1,479,447	21,222,168
Plus: dilutive effects of share options	—	—
Fully diluted consolidated net profit (loss) assigned to REpower Systems AG shareholders	1,479,447	21,222,168
Weighted average number of shares outstanding (basic)	8,993,576	8,731,325
Effect of share options	619,549	588,938
Weighted average of shares outstanding (fully diluted)	9,613,125	9,320,263
Earnings per share (basic)	**0.16**	**2.43**
Earnings per share (fully diluted)	**0.15**	**2.28**

6. Contingent Liabilities and Other Financial Obligations:

	31.03.2008 In TEUR	31.12.2007 In TEUR
Other financial obligations		
Obligations from lease and rental contracts		
Due within one year	4,173	3,720
Due between 1 and 5 years	11,404	10,765
Due in more than 5 years	3,563	334
	19,140	**14,819**
Contingent liabilities		
Land charges	3,068	3,068
Letters of comfort	12,240	12,412
	15,308	**15,480**

At REpower Systems AG and in the companies included in the scope of consolidation, all leases are operating leases. Lease payments are recognised on a straight-line basis directly in the P&L account over the contract period. Obligations from lease and rental contracts relate primarily to obligations from the rental of office and warehouse space. Expenses amounting to EUR 557 thousand (previous year: EUR 2,424 thousand) were recognised for lease and rental contracts in 2008.

As at the balance sheet date, letters of comfort for associated companies and joint ventures amounted to EUR 12.2 million (previous year: EUR 12.4 million). The figure of EUR 12.2 million includes Chinese renminbi yuan of CNY 56,890,857 measured at the reporting date rate.

As at the balance sheet date, there were purchase commitments of around EUR 640.7 million (previous year: EUR 551.6 million) to purchase inventories and approximately EUR 19.8 million (previous year: EUR 21.4 million) to purchase property, plant and equipment.

7. Financial Risks and Financial Instruments

7.1. Principles of Risk Management

With regard to its assets, financial liabilities and planned transactions, REpower Systems AG is subject to risks from changes in the price of raw material and purchasing prices, exchange rates, interest rates and share prices. The aim of financial risk management is to limit the market risks through ongoing operating and financially oriented activities. In order to do this, specific hedging instruments are used according to the assessment of risk. Risks are only hedged if they affect the Group's cash flow. Derivative financial instruments are only used in exceptional circumstances to hedge exchange rate risks in customer contracts and are not used for trading or speculative purposes.

The principles of financial policy are agreed on an annual basis by the Executive Board and monitored by the Supervisory Board. The implementation of financial policy as well as ongoing risk management is the responsibility of Group Treasury, with the involvement of Group Controlling. Certain transactions require only the prior consent of the Executive Board, which is also regularly informed of the scope and amount of current risk exposure. Treasury regards effective management of financial instruments as one of its main functions. In order to assess the effects of different events on the market, simulation calculations using various worst-case and market scenarios are undertaken.

7.2. *Information on the Nature and Extent of Risks Associated with Financial Instruments*

Primary financial instrument assets in line with IFRS 7 include receivables and other assets, provided that they are based on a contract, as well as cash and cash equivalents. Primary financial instrument liabilities in line with IFRS 7 include all sub-groups of liabilities with the exception of provisions, deferred sales and deferred taxes as well as liabilities from income taxes. Furthermore, those items which do not relate to a contract are also not included. Derivatives are only used to a limited extent.

The credit and default risk of financial assets is monitored on an ongoing basis. Before closing transactions, the Group checks the customer's rating and also has corresponding collateral provided. The credit and default risk of financial assets corresponds to the maximum amounts posted on the assets side. There is no material concentration of default risks in the Group.

Currency risks exist only insofar as deliveries are made outside the euro zone countries. Risks as per IFRS 7 arise through financial instruments which are denominated in a currency other than the functional currency and are of a monetary nature. Differences due to exchange rates arising from the translation of financial statements in the Group currency are not taken into account. No hedging transactions were used in the short fiscal year 2008. Gains and losses from hedging transactions are reported in the income statement. The company does not use hedges.

The liquidity risk is monitored as part of ongoing liquidity planning.

Interest rate risks are not generally hedged. As at 29 November 2006, REpower Systems AG had utilised individual loans with a total value of EUR 2,368 thousand. In an effort to streamline interest payments, these individual loans were converted into a variable-rate euro loan of the same amount, the interest on which was optimised by entering into a swap. The term of the interest rate swap covers the period from 1 December 2006 to 2 December 2013.

The interest derivatives concluded have the following fair values as at 31 March 2008 including accrued interest which was calculated according to a mark-to-market valuation:

Product	**Nominal in Million**	**Final Maturity**	**Fixed Interest Rate/Strike**	**Measurement at Reporting Date**
	In Mio. EUR			**In EUR**
Cap	0.66	28.06.13	5	855
Swap	1.59	02.12.13	3.5	32,155

Within the Group, interest rate changes result in an increase or decrease of the interest for loans and overdrafts. Other than the interests rate derivatives shown below, currently no interest risks are hedged.

As part of the disclosure of market risks, IFRS 7 requires information on how hypothetical changes to risk variables affect the price of financial instruments. The purchase price for components as well as the share or index prices are particularly significant risk variables. The material market risk from component price development is offset by contracts with suppliers related to time or quantity, or by direct participation of suppliers in joint ventures.

7.3. Information on the Significance of Financial Instruments for the Consolidated Financial Statements

Based on the relevant balance sheet items, the relationships of the categorisation of financial instruments as per IFRS 7 and the financial instrument carrying amounts are listed in the following tables. Cash and cash equivalents that are not allocated to any IAS 39 category are also shown. For comparison, the figures from the previous year as at 31 December 2007 are shown separately in the following table.

2008	Category*	Category Amount	Amortised Cost	Fair Value Directly in Equity	Fair Value in Income
		In TEUR	In TEUR	In TEUR	In TEUR
Cash and cash equivalents		177,578	177,578	0	0
Gross amount due from customers from contract work	L+R	118,946	118,946	0	0
Trade receivables	L+R	51,193	51,193	0	0
Receivables from associates and joint ventures	L+R	21,278	21,278	0	0
Loans granted	L+R	6,729	6,729	0	0
Other financial assets — other	L+R	2,675	2,675	0	0
Other financial assets — loans	L+R	1,758	1,758	0	0
Other financial assets	AFS	626	626	0	0
Receivables from investment companies	L+R	527	527	0	0
Investments in project companies	AFS	26	26	0	0

* *AFS: available-for-sale*
L+R: loans and receivables

2007	Category	Carrying Amount	Amortised Cost	Fair Value Directly in Equity	Fair Value in Income
		In TEUR	In TEUR	In TEUR	In TEUR
Cash and cash equivalents		144,909	144,909	0	0
Gross amount due from customers from contract work	L+R	144,147	144,147	0	0
Trade receivables	L+R	117,425	117,425	0	0
Receivables from associates and joint ventures	L+R	10,536	10,536	0	0
Loans granted	L+R	7,003	7,003	0	0
Other financial assets — other	L+R	4,745	4,745	0	0
Other financial assets — loans	L+R	1,743	1,743	0	0
Other financial assets	AFS	626	626	0	0
Receivables from investment companies	L+R	534	534	0	0
Investments in project companies	AFS	15	15	0	0

The carrying amounts of the financial assets measured at fair value correspond to the market values. Financial instruments measured at amortised cost are listed with their fair value and carrying amount in the following table and the figures for the previous year are listed for comparison:

		31.03.2008		31.12.2007	
	Category	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		In TEUR	In TEUR	In TEUR	In TEUR
Cash and cash equivalents		177,578	177,578	144,909	144,909
Gross amount due from customers from contract work	L+R	118,946	118,946	144,147	144,147
Trade receivables	L+R	51,193	51,193	117,425	117,425
Receivables from associates and joint ventures	L+R	21,278	21,278	10,536	10,536
Loans granted	L+R	6,729	6,729	7,003	7,003
Other financial assets — other	L+R	2,675	2,675	4,745	4,745
Other financial assets — loans	L+R	1,758	1,758	1,743	1,743
Other financial assets	AFS	626	626	626	626
Receivables from investment companies	L+R	527	527	534	534
Investments in project companies	AFS	26	26	15	15

Cash and cash equivalents, construction contracts carried as assets, intragroup receivables, receivables from associated companies and joint ventures, trade accounts receivable and other financial assets generally have a duration period of not more than twelve months. Therefore, the carrying amounts on the reporting date correspond closely to the fair values. This also applies to liabilities.

The fair values of non-current receivables and financial investments classified as available for sale with a duration period of more than one year correspond to the present value of the payments related to these assets, taking into account the current parameters which reflect the conditions and expectations related to the market and partners.

The fair values of liabilities due to banks and other financial liabilities are determined on the basis of the present value of payments relating to the liabilities applying the current rate of interest.

The following table shows financial liabilities:

2008	Category*	Carrying Amount	Amortised Cost	Fair Value Directly in Equity	Fair Value in Income
		In TEUR	In TEUR	In TEUR	In TEUR
Trade payables	OL	92,369	92,369	0	0
Liabilities from associates and joint ventures	OL	11,473	11,473	0	0
Profit participation certificates	OL	10,000	10,000	0	0
Other current financial liabilities	OL	5,197	5,197	0	0
Non-current loans	OL	1,849	1,849	0	0
Current loans	OL	195	195	0	0

* *OL Other liabilities*

2007	Category	Carrying Amount	Amortised Cost	Fair Value Directly in Equity	Fair Value in Income
		In TEUR	In TEUR	In TEUR	In TEUR
Trade payables	OL	108,117	108,117	0	0
Profit participation certificates	OL	10,000	10,000		0
Other current financial liabilities	OL	8,061	8,061	0	0
Non-current loans	OL	1,407	1,407	0	0
Liabilities from associates and joint ventures	OL	494	494	0	0
Current loans	OL	474	474	0	0

		31.03.2008		31.12.2007	
	Category	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		In TEUR	In TEUR	In TEUR	In TEUR
Trade payables	OL	92,396	92,396	108,117	108,117
Liabilities from associates and joint ventures	OL	11,473	11,473	494	494
Profit participation certificates	OL	10,000	10,000	10,000	10,000
Other financial liabilities	OL	5,197	5,197	8,061	8,061
Non-current loans	OL	1,849	1,849	1,407	1,407
Current loans	OL	195	195	474	474

Loans are calculated as the present value of cash flow expected in the future. The normal market interest rate is used for discounting based on maturities. For loans it is assumed that the carrying amount corresponds closely to the fair value.

Due to the short term of trade payables and other financial liabilities, it is assumed that carrying amounts correspond to fair value.

Net gains or losses for loans and liabilities consist primarily of results from impairment losses and reversals thereof. With regard to impairment, please see the notes on trade receivables (4.1.3) and other current assets (4.1.7). Specific allowance for bad debts amounting to EUR 108 thousand were written off under receivables from associated companies beside the write offs described in article 4.1.3. The net results of impairment losses and reversals thereof are primarily reported as other operating expenses.

Net gains or losses of available for sale financial assets consist primarily of net income from investments.

For information on the collateral provided, please see note 4.4.

The Group holds collateral from customers amounting to EUR 614,981 thousand (previous year: EUR 426,244 thousand), which corresponds to the fair value of the security. These are standard industry guarantees which are provided by our customers and suppliers in order to secure the fulfilment of contractual obligations.

8. Capital Management

The aim of the Group's capital management is to ensure that it maintains a good equity ratio and high credit rating in order to support its business activities and maximise shareholder value. This is especially significant in the context of growth targets.

REpower Systems AG has a balanced capital structure. Equity capital covers non-current assets by more than 100% .

The Group monitors its capital with regards to the equity ratio as the ratio of equity reported in the IFRS consolidated financial statements to total assets.

The company is not subject to any statutory capital requirements.

9. Notes to Segment Reporting

The activities of the REpower Group consist of the development, production and marketing of wind turbines. In addition to development and production, preliminary work for project development is done to support sales, appropriate rights are acquired and the infrastructure is created to erect turbines at appropriate locations.

The primary segment reporting format at the REpower Group is geographic segments as it is essentially a single-purpose enterprise in terms of business activities. REpower distinguishes between the two reporting segments „Germany" and „Rest of world". The „Rest of world" reporting segment includes the segments of Asia, Europe (not including Germany) and Australia.

The notes on segment reporting includes data on segment income, assets, liabilities, investments, depreciation and amortisation for each reporting geographic segment.

10. Notes to the Cash Flow Statement

In compliance with IAS 7, the consolidated cash flow statement is divided into the areas of operating activities, investing activities and financing activities. The funds reported in the cash flow statement include cash and cash equivalents. Current bank liabilities were deducted.

Cash and cash equivalents are composed as follows:

	2008 In TEUR	2007 In TEUR
Cash and cash equivalents at the start of the period		
Cash, bank balances	144,909	120,067
Less current bank liabilities	(474)	0
Total	**144,435**	**120,067**
Cash and cash equivalents at the end of the period		
Cash, bank balances	177,578	144,909
Less current bank liabilities	(669)	(474)
Total	**176,909**	**144,435**

The indirect method was used to determine the cash flow from operating activities. The cash flow statement begins with the income for the period before taxes. The outflow of funds from interest and taxes was allocated to operating activities and reported separately in that item.

Cash flow from investing activities includes payments for investments in intangible assets, property, plant and equipment and financial assets and proceeds from disposals of fixed assets.

11. Related Party Disclosures

In line with IAS 24, related parties of the REpower Systems AG Group are those that control the Group or exercise a significant influence on it or those that are controlled by the Group or over which it can exercise a significant influence.

In addition to the business relationships with the subsidiaries included in the consolidated financial statements by way of full consolidation, the following relationships existed with related parties.

To a minor extent, REpower Systems AG purchased components from AREVA Group companies, which were settled at market prices. In addition, turbines were sold to the associated company REpower Portugal S. A. for a total amount of EUR 19.3 million (previous year: EUR 6.5 million). These turbines were then resold to third-party customers.

The following legal transactions were entered into with the shareholder Suzlon:

Company	Content	Volume
Suzlon Energy Ltd.	Delivery agreement dated 1 November 2007 for delivery of RE40 blades to REpower Systems AG in the period from 2008 — 2010 with a volume of around EUR 62 million	No transactions arose from this agreement in the short fiscal year 2008
Suzlon Energy Ltd.	Delivery agreement dated 18/31 January 2008 for delivery of RE45 blades to REpower Systems AG in the period from 2008 — 2011 with a volume of around EUR 77 million	No transactions arose from this agreement in the short fiscal year 2008
SE Drive Technik GmbH	Disposal of shares agreement dated 6 February 2008 on the disposal of 50% of shares in RETC Renewable Energy Technology Centre GmbH (formerly Verwaltungsgesellschaft einhundertvierundvierzigste Alster mbH) to SE Drive Technik GmbH	Sale price: EUR 12,500
Suzlon Energy Ltd./ SE Drive Technik GmbH	Joint venture agreement dated 6 February 2008 on the cooperation for joint fundamental wind energy research and training	No transactions arose from this agreement in the short fiscal year 2008

REpower Systems AG signed a memorandum of understanding providing for the negotiation of master agreements with a volume of up to 1,900 MW with the subsidiary of the RWE Group specialising in renewable energies, RWE Innogy — the managing director of which is Prof. Fritz Vahrenholt, former CEO and now Deputy Chairman of the Supervisory Board of REpower Systems AG. This will break down as roughly 250 offshore 5M/6M type series turbines and around 200 more onshore 2 MW class turbines.

The remuneration of the Executive Board and the Supervisory Board is stated in detail under note 14.

12. Disclosures on the Executive Bodies of REpower Systems AG, Hamburg

The following are/were appointed as members of the Supervisory Board:

- Mr. Tulsi R. Tanti, Pune, India (Chairman)
- Mr. Bertrand Durrande, Paris, France (Deputy Chairman until 7 February 2008)
- Prof. Fritz Vahrenholt, Hamburg (member since 10 January 2008, Deputy Chairman since 7 February 2008)
- Mr. Andre Horbach, Amsterdam, Netherlands, operations technician (member since 10 March 2008)
- Mr. Oliver Heinecke, Hamburg
- Mr. Alf Trede, Schwesing

The following persons are/were appointed as members of the REpower Systems AG Executive Board in fiscal 2006:

- Prof. Fritz Vahrenholt, Hamburg (Chairman until 31 December 2007)
- Mr. Per Hornung Pedersen, Hamburg, (Chairman from 1 January 2008)
- Mr. Matthias Schubert, Rendsburg
- Mr. Pieter Wasmuth, Hamburg
- Mr. Lars Rytter Kristensen, Hamburg (from 1 April 2008)

13. Declaration of Conformity with the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code was submitted by the Executive Board and Supervisory Board and published promptly on the company's Web site. This declaration is permanently accessible.

14. Remuneration of the Supervisory Board and the Executive Board of REpower Systems AG

In line with the Articles of Association of REpower Systems AG, the remuneration paid to the members of the Supervisory Board for the short fiscal year 2008 is as follows:

Name	Attendance Fees for 2008	Fixed Remuneration for 2008	Total 2008	Total 2007
	EUR	EUR	EUR	EUR
Tulsi R. Tanti	2,000	5,000	7,000	15,000
Prof. Dr. Fritz Vahrenholt	1,500	3,333	4,833	0
Bertrand Durrande	1,250	2,917	4,167	28,500
Oliver Heinecke	1,000	2,500	3,500	16,000
Alf Trede	1,000	2,500	3,500	16,000
Andre Horbach	0	833	833	0
			23,833	119,750

Please see the next page for information on the share option rights of Prof. Fritz Vahrenholt.

The members of the Executive Board of REpower Systems AG are paid fixed remuneration, the amount of which can be derived from the following table. In addition to a fixed annual salary, each member also receives a performance-based bonus of 30% of the fixed annual salary if REpower Systems AG's EBIT amounts to at least 75% of the figure planned in the budget each year. This bonus rises to 40% of the fixed annual salary if EBIT reaches the amount planned in the budget. It rises further to 50% of the fixed annual salary if EBIT reaches 125% of the amount planned in the budget (maximum bonus). The Supervisory Board granted the Executive Board flat-rate, variable remuneration for the short fiscal year 2008.

As part of the existing share option programme (see note 4.5.2), share option rights were also granted to members of the Executive Board in the 2006 and 2007 fiscal years. The options can only be exercised if the share price of REpower Systems shares rises to at least 120% of the base price on at least 21 days before exercise. At the time of the granting in 2006, the fair value per option was EUR 13.91, for 2007 the fair value per option was EUR 50.32. Due to changes of the stock option plan conditions in 2007 the fair value of the stock options granted in 2006 has increased to EUR 91.43.

Name	Option Rights 2006	Option Rights 2007	Total
	Quantity	Quantity	Quantity
Prof. Dr. Fritz Vahrenholt	20,000	24,000	44,000
Matthias Schubert	15,000	14,000	29,000
Pieter Wasmuth	15,000	19,000	34,000
	50,000	57,000	107,000

The total remuneration of the members of the Executive Board for the short fiscal year 2008 was as follows:

Name	Fixed Remuneration	Variable Remuneration	Pension	Non-Recurring Payments*	Total Remuneration	Share Options Quantity
	EUR	EUR	EUR	EUR	EUR	
Per Hornung Pedersen	100,000	18,500	0	15,000	133,500	0
Matthias Schubert	45,000	12,000	15,000	0	72,000	0
Pieter Wasmuth	45,000	12,000	15,000	0	72,000	0
	190,000	42,500	30,000	15,000	277,500	0

* *The non-recurring payment was the reimbursement of moving costs.*

The payment of residual claims of EUR 1,631,500 as at the 2007 balance sheet date were agreed for Prof. Fritz Vahrenholt, who left his position as Chairman of the Executive Board. EUR 1,072,500 of this was paid in 2007, the remaining amount of EUR 559,000 was transferred to provisions.

As at 31 March 2008, the shares held by the Executive Board are as follows:

Name	As at 1 January	Additions and Disposals in SYF 2008	As at 31 March
	Quantity	Quantity	Quantity
Per Hornung Pedersen	0	0	0
Matthias Schubert	10,000	0	10,000
Pieter Wasmuth	0	0	0
	10,000	0	10,000

15. Information on Fees Paid to Auditors

A fee of EUR 197,500 (previous year: EUR 210,000) was recognised for the audit of the financial statements in the fiscal year. EUR 0 was paid for other assurance or advisory services in the fiscal year (previous year: EUR 3,144).

16. Proposal for the Appropriation of the Unappropriated Surplus of REpower Systems AG

The Executive Board of REpower Systems AG, Hamburg, proposes that the unappropriated surplus reported in the annual financial statements as at 31 March 2008, prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act, be carried forward to new account.

The single-entity financial statements and consolidated financial statements of REpower Systems AG, Hamburg, will be published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

17. Material Events After the Reporting Date

Please see note 12 for information on the changes in the composition of the Executive Board and the Supervisory Board.

The consolidated financial statements were prepared by the Executive Board on 4 June 2008 and thus submitted to the Supervisory Board for approval. The consolidated financial statements will be presented to the Supervisory Board at the Supervisory Board meeting on 25 June 2008 for approval.

Hamburg,
4 June 2008

The Executive Board

Per Hornung Pedersen	Pieter Wasmuth	Matthias Schubert	Lars Rytter Kristensen

Auditor's Report

We have audited the consolidated financial statements prepared by REpower Systems AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the report on the position of the company and the group for the business year from 1 January to 31 March 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg
June 4, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Papenberg	Frahm
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Suzlon Energy Limited
"Suzlon", 5, Shrimali Society
Near Shri Krishna Complex
Navrangpura
Ahmedabad 380009
India

JOINT BOOKRUNNERS

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square,
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, Hong Kong Branch
481F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Credit Suisse (Singapore) Limited
One Raffles Link
#03-01/#04-01
South Lobby
Singapore 039393

YES BANK Limited
Nehru Centre
9th Floor,
Discovery of India
Dr. A.B. Road, Worli
Mumbai 400 018, India

LEGAL ADVISORS

To the Joint Bookrunners as to U.S. and English law:

CC Asia Limited
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Issuer as to Indian law:

Khaitan & Co.
Meher Chambers, 4th & 5th Floors
R K Marg, Ballard Estate
Mumbai 400 001
India

To the Depositary:

Linklaters LLP
One Silk Street
London EC2Y 8HQ

To the Joint Bookrunners as to Indian law:

Amarchand & Mangaldas & Suresh A Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013

AUDITORS TO THE ISSUER

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001
India

S. R. Batliboi & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006
India

CUSTODIAN

ICICI Bank Limited
Securities Markets Service
1st Floor Empire Complex 414
Senapati Bapat Marg, Lower
Parel, Mumbai 400 013
India

DEPOSITARY

Deutsche Bank Trust Company Americas
60 Wall Street
New York, NY 10005
United States of America