

Suzlon Energy Limited
Quarter One Investor and Analyst Conference Call - Financial Year 2011
August 16, 2010

Moderator: Good evening ladies and gentlemen. I am Triveni, the moderator for this conference. Welcome to the Suzlon Energy Limited Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. Now, I would like to hand over to Mr. Tulsi Tanti. Thank you and over to you sir.

Mr. Tulsi Tanti: Good evening and good morning ladies and gentlemen.

Thank you for joining us today for the Suzlon investor / analyst call for our Q1 FY11 results.

I am joined by Robin Banerjee – our CFO, Kirti Vagadia – our Group Head of Corporate Finance and our Investor Relations team.

I hope you have had a chance to review our results and the investor presentation.

This was a challenging quarter for us.

We have booked a loss, mainly due to lower volumes and a significant, but notional, forex loss.

It is important to see this in context, historically Q1 has contributed about 10 per cent of annual volume and we believe this quarter has been no exception.

It is also important to note that we have made significant progress in many areas, including reduction of working capital by nearly Rs. 1,000 crores on consolidated levels in Q1, maintaining gross margins at around 30%, as well as achieving a substantial increase in our order book.

Indeed, our group orderbook position stands at nearly US\$5 billion today, with REpower accounting for over US\$ 3 billion, and Suzlon wind the remainder.

We see strong momentum for the wind sector led out of emerging economies – particularly India, China, Brazil and some countries in western Europe. On the other hand, the US and some other European markets remain difficult.

This is a major boost, particularly in India, where we have an orderbook of nearly 600 MW as on today's date – which is the highest ever orderbook for India Business at Q1 FY11.

To take advantage of the improving market environment, we are focused on improving efficiency and reducing costs at all levels.

At the same time, we are working as a group - at both Suzlon and REpower levels - to bring the best technology, products and service offerings to these markets and the rapidly growing offshore segment.

The emergence of a stronger home market, our leadership position for over 12 years, and our current strong order book position makes us confident of a turnaround in the medium term for Suzlon group.

Thank you. Now we will be happy to take any questions you have.

Moderator: Thank you very much sir. At this moment, I would like to handover the proceedings to WebEx International Moderator to conduct the Q&A for participants connected to WebEx International. After this, we will have a question and answer session for participants at India Bridge. Thank you and over to you WebEx International Moderator.

International Moderator: Thank you moderator. We will now begin the Q&A session for participants connected to the WebEx International bridge. Please press *1 to ask a question, and we have a question from the line of Arindham Basu with Barclays.

Mr. Arindham Basu: Hi sir, Arindham Basu from Barclays Capital in London, two questions please. First, could you comment around the timing of when you will be launching the class 3 turbine, the 2.1 MW, and any early feedback that you have got from your customers in terms of update, and the second question is on turbine pricing, we attended the AWEA Conference and one of the things we heard was your competitors including Vestas and Gamesa have been fairly aggressive on pricing over the last couple of quarters, so have you seen this pricing pressure come through to you and any comments that you could make on turbine pricing over the last couple of quarters, thanks.

Mr. Tulsi Tanti: First of all, regarding the class 3 turbines, the 2.1 MW S97 we are introducing in the market and also in REpower it 3.2 MW 114-metre rotor dia we are introducing into the market. The S97 will be introduced in the market from June 2011 as a series production, but before that the prototype and certification and testing will be completed by end of the June 2011, and we already

offering to all markets and the customers response is extremely very good because compared to S88, the S97 class 3 turbine, gives nearly 16% more energy output and it is truly developed and designed for the class 3 sites, so the overall cost proposition will remain very competitive but it will give the energy output far better, so it has got very good response in the markets, and the REpower point of view, it is 3.2 machine, class 3, which will be introduced in 2012. Regarding the pricing pressure, it is yes, in some of the markets, pricing pressure is much more and in some of the markets, pricing pressure is less. As you know, China is very price sensitive market, so there is a good pricing pressure, and at the same time in US market, the demand is less and supply is quite good, so there is heavy pricing pressure in US market. In European market, pricing pressure is not much.. India and Brazil market, pricing pressure, is not there. So, these are the directions on the pricing pressure, but at the same time the cost optimization, commodity price reduction and value engineering optimization is what most of the companies are doing which we are also doing, so we are maintaining our 30% gross profit margin level irrespective of the pricing pressure.

Mr. Arindham Basu: Great, thanks a lot.

International
Moderator:

The next question is from the line of Mr. Keith Olson with ENV INV Services.

Mr. Keith Olson: Yes, good afternoon, I have got two questions here. One on the US, one on Brazil. First on the US, what is the current status you are seeing in the outstanding dispute with Edison in the US and when do you forecast that this will be resolved and secondly in Brazil, are you considering setting up any manufacturing facility in Brazil?

Mr. Tulsi Tanti: Yeah, the first question regarding the Edison, our customer. First of all, we don't have any dispute with them. So, I would like to clarify, there is no dispute. We have extremely good relationship and currently the Edison project is under construction, and as per our commitment, we are completing the project by November, , so all our obligations will be finished by end of November. So, we don't have any problem for executing that project and everything and relationships are extremely good, so there is no issue with them.

Mr. Keith Olson: Okay.

Mr. Tulsi Tanti: Regarding Brazil, yes, the market is growing, and we are expecting every year, 1000 MW plus size of the market will continue, and by this month of August, there is 1800 MW auction and the auction is there for the PPA, so we believe this government will continue to bring more and more auction every

year, and that is where market will continue, and as a competitive edge and for the local financing point of view, and localization and industrialization point of view, the 60% is localization is important so that our customer can get the finance from the local institute in local currency and cost of the fund is quite lucrative. In that context, it is a good sense for us because we are market leader in Brazil market. We would like to continue that development and growth, and we already planned to establish the production facility in Brazil, but mainly for the rotor blade production facility.

Mr. Keith Olson: Thank you very much for clarifying that.

International
Moderator:

And again, please press *1 to ask a question. Again, if you would like to ask a question, please press *1. At this moment, there are no further questions from participants at WebEx International Center. I would like to handover the proceedings back to India Moderator.

Moderator:

Thank you WebEx International Moderator. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. Your first question comes from Mr. Rakesh Gupta from Credit Returns. Over to you sir.

Mr. Rakesh Gupta: Hello?

Mr. Tulsi Tanti: Yes please, go ahead.

Mr. Rakesh Gupta: You said you are looking to set up a facility in Brazil, basically a rotor blade production facility, how much would you have to spend on it and what is the timeline for the commissioning of the facility?

Mr. Tulsi Tanti: Timeline point of view, it is approximately within a year it will start the production.

Mr. Rakesh Gupta: Okay.

Mr. Tulsi Tanti: And from the investment point of view, it is not a big investment but it is too early to give you the exact investment.

Mr. Rakesh Gupta: So, but could you give me a range as in, as far as the investment goes?

Mr. Tulsi Tanti: So, it should be a maximum including all the plant, machinery and everything, it will be not more than somewhere 10 million dollars.

Mr. Rakesh Gupta: Okay, okay.

Mr. Tulsi Tanti: And governments are providing lot of good, local government is supporting with lot of good support.

Mr. Rakesh Gupta: Okay, okay.

Mr. Tulsi Tanti: And also it is providing the local finance for that project and everything because ultimately it is a green job creation project also.

Mr. Rakesh Gupta: Okay.

Mr. Tulsi Tanti: So, it is not much financial impact or burden to us also.

Mr. Rakesh Gupta: What will be the capacity be and what class turbines would you manufacture there?

Mr. Tulsi Tanti: That is approximately 400 MW capacity for the production facility.

Mr. Rakesh Gupta: Okay.

Mr. Tulsi Tanti: And mainly these 2 MW machines, which is S95 and S97.

Mr. Rakesh Gupta: Okay, okay, and there was a report today or yesterday about Suzlon Wind Energy Corporation, you know, augmenting its production capacity to 2480 MW in the US.

Mr. Tulsi Tanti: Sorry?

Mr. Rakesh Gupta: There was a report about your subsidiary, a Suzlon Wind Energy Corporation planning to augment its production capacity to 2480 MW from 1700 MW in the US by the end of this year.

Mr. Samir Shah: Basically, that is installations in the US.

Mr. Rakesh Gupta: Okay.

Mr. Samir Shah: Not manufacturing facility.

Mr. Rakesh Gupta: Okay, and what sort of capacity was added in Q1 in India and overseas?

Mr. Samir Shah: None.

Mr. Tulsi Tanti: New products and facility?

Mr. Rakesh Gupta: Yeah.

Mr. Tulsi Tanti: No addition of new products and facility in Q1.

Mr. Rakesh Gupta: Okay, what about Q2, will any capacity be commissioned?

Mr. Tulsi Tanti: First of all, you are talking about installation of the wind farm or?

Mr. Rakesh Gupta: No, no, I am talking about production.

Mr. Tulsi Tanti: We have quite sufficient manufacturing production facility., I don't see it is required for another maybe 12 or 18 months.

Mr. Rakesh Gupta: Okay, okay.

Mr. Tulsi Tanti: There is no need there. Only for the industrialization plan and local finance for the customer in Brazil point of view, to remain competitive in that environment.

Mr. Rakesh Gupta: Okay.

Mr. Tulsi Tanti: That capacity is required to serve only for the local market.

Mr. Rakesh Gupta: Okay, so but currently how do you service your customers in the Brazilian market?

Mr. Tulsi Tanti: Currently, we are supplying everything from India.

Mr. Rakesh Gupta: From India, and what sort of order book do you have in Brazil?

Mr. Tulsi Tanti: Currently, we do not have orders from Brazil in orderbook, but whatever is the size of the market, nearly 400 MW we have already supplied, and now the new auction is in the pipeline by August 25th, there is a 1800-MW auction, that means new PPA will be given and we have quite advanced stage discussions with the customers.

Mr. Rakesh Gupta: Okay.

Mr. Tulsi Tanti: But subject to the local finance and everything and that is why this investment is simultaneously important to grab the order.

Mr. Rakesh Gupta: So, you so far have done about 400 MW and there is about 1800 MW up for grabs in August?

Mr. Tulsi Tanti: That auction is coming from the government in August.

Mr. Rakesh Gupta: Okay, and one last question, how does the pipeline look in say coming two quarters in both India and abroad, what sort of orders do you expect?

Mr. Kirti Vagadia: I don't think we will be able to comment on that because that will tantamount to guidance.

Mr. Rakesh Gupta: Okay.

Mr. Kirti Vagadia: Okay?

Mr. Rakesh Gupta: Okay.

Mr. Kirti Vagadia: But as you know that we are fairly in advanced stage of negotiations in almost every market with potential customers.

Mr. Rakesh Gupta: Okay, okay, and what is your current order book, both standalone and consolidated?

Mr. Robin Banerjee: The standalone order book is 1,458 MW.

Mr. Rakesh Gupta: Okay.

Mr. Robin Banerjee: Standalone means Suzlon Wind, I presume, you wanted to know.

Mr. Rakesh Gupta: Yeah.

Mr. Robin Banerjee: And as far as the group is concerned, it is about 5 billion dollars.

Mr. Rakesh Gupta: Okay.

Mr. Robin Banerjee: It is in the investor presentation, it is in page 22.

Mr. Rakesh Gupta: Okay, thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Abhishek from Macquarie Securities. Over to you sir.

Mr. Indrajeet: Hello Mr. Tanti, this is Indrajeet here from Macquarie.

Mr. Tulsi Tanti: Yeah, hi, hello, how are you?

Mr. Indrajeet: I am fine, how are you sir?

Mr. Tulsi Tanti: Fine.

Mr. Indrajeet: Okay, couple of questions from my side. First is you had on a year-on-year basis a decent improvement in volumes from 123 MW to 200 and that too primarily coming from India which has been traditionally higher realization and despite that you see if you look at revenue growth or especially the EBITDA line that operating leverage does not seemed to have kicked in, and your other expenses seems to be much higher. Can you just explain as to what has been different and should not India volumes come at much better margins and realizations?

Mr. Robin Banerjee: Yeah, the answer, Indrajeet, is correct. If we get higher proportion of India business, we do expect a higher margin. If you have looked at our gross profit margin, gross profit margin for the

current quarter has a notional foreign currency loss of REpower conversion, so if you take that foreign currency loss which is notional in nature, you will find our gross profit margin is actually slightly higher than last quarter, first quarter last year. So, if the intensity of the India business goes up, which is indeed our expectation, then our gross margin should indeed be healthier.

Mr. Indrajeet: Okay.

Mr. Samir Shah: Just to add to that Indrajeet, if you look at the numbers, the 123 MW that we did in Q1 of last year had a revenue of 1164 crores and this year at 207 MW, this is 1441, but last year we had a lot of revenue approximately 200 to 300 crores of revenue added to that revenue on account of certain EPC income that is booked during that quarter for the sale which took place on March 31, 2009, quarter. So, that is the reason it looks very skewed because on a per megawatt basis also that year's was at 9.46 and this year it is 6.94. So, there is a lot of difference between the two. That is not directly comparable.

Mr. Indrajeet: Okay, would you also want to comment on your cost cutting exercises because I am looking at other expenses, now that is almost grown in line with your topline, so where are you in terms of getting the benefits of the cost cutting initiatives that you have undertaken and what should be kind of a run-rate or how much I would say is the fixed expenses out of this quarter, one other expenses how much are variable?

Mr. Robin Banerjee: Let me explain to you. Surely, we are working towards reducing cost. If you look at corresponding period from year to year, the variable other costs include variable cost which of course will go up because the volumes, the shipments have been higher that includes freights, and if you look at fixed cost, fixed cost is of course either same or much lower than last year last quarter, what are the exact areas where she shall save cost? we would save such costs where we believe that we do not lose our advantage in terms of technological knowledge and know-how, so that is what we have to do. We have to do pick and choose with regard to what is the area we can save. In this quarter, there has also been an exceptional cost on account of FCCB restructuring as you know that conversion price has been brought down. That is also another cost which has gone into this quarter's results. We do not expect anything of any exceptional nature in the next quarter. So, without giving very exact areas where we can, but surely we are working on several areas and we do expect our costs which are fixed in nature should go down in the quarters to come.

Mr. Indrajeet: Okay, so if you want can you give a ballpark number as to what percentage of other expenses this quarter were variable and how much were fixed?

Mr. Robin Banerjee: Are you saying what is actual variable to fixed ratio or you are asking us...?

Mr. Indrajeet: Your actual and specifically for this quarter.

Mr. Robin Banerjee: Other operating cost for this quarter is about 450 crores of which about 100 crores we can say is variable in nature.

Mr. Indrajeet: Okay, okay, and in terms of your overseas order book, you have seen order inflow being slow and not much progress still happening on the orders that are still pending in the backlog, so when do you expect some kind of an improvement in that happening, when do you expect your customers do start picking deliveries again of those orders?

Mr. Robin Banerjee: As Mr. Tanti in his speech explained to you that we do see significant traction from the developing countries which is India, China, and Brazil. There is indeed a slowdown in new order intake in US, Europe, and Australia. Significant order intake looks to be coming in from India, Brazil as was just stated there is a large auction which is going to happen very soon and things should pan out from there. China, investments are continuing in that country, so again order intake and other inflow to the industry should happen. So, these are the three countries on which in the short-term that the growth will come from. Other countries, as and when it happens, it would be an icing on the cake.

Mr. Indrajeet: Okay, thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Manish Maheshwari from Ashika Stockbroking. Over to you sir.

Mr. Manish Maheshwari: Hello?

Mr. Robin Banerjee: Yes, Manish, hi.

Mr. Manish Maheshwari: Hi sir, good afternoon.

Mr. Robin Banerjee: Good afternoon.

Mr. Manish Maheshwari: There is a this thing in the market that we have some private equity dealing, so could you, I mean, TPG Capital and the other one is, I mean, they are keen on sort of taking 25% stake in German Wind Energy subsidiary REpower Systems for about 500 million dollars.

Mr. Kirti Vagadia: I think you saw it on news today.

Mr. Manish Maheshwari: That is right.

Mr. Kirti Vagadia: We do not comment rumors and speculation, but I must reiterate that our strategic intent on REpower remains unchanged which we communicated time and again.

Mr. Manish Maheshwari: Alright sir, thanks.

Moderator: Thank you very much sir. The next question comes from Mr. Pavan Parekh from Quant Capital. Over to you sir.

Mr. Pavan Parekh: Good afternoon sir. Sir, just one question. Sir, if I look at your Wind P&L, raw material as a percentage of sales stand at around 73.4% which is at almost all-time high, any specific reasons for that.

Mr. Robin Banerjee: Pavan, I think the way to look at is 100-crore of foreign currency notional loss....no, no. Wind P&L you are talking about, okay.

Mr. Pavan Parekh: Raw material sir.

Mr. Robin Banerjee: Okay, give me one second, which page did you analyze, page 26?

Mr. Pavan Parekh: Just a second sir.

Mr. Robin Banerjee: I have it, I have it, page 27, I got it.

Mr. Pavan Parekh: Sir, I am referring to page 24.

Mr. Robin Banerjee: Can you repeat the question, I got the figures in front of me.

Mr. Pavan Parekh: Sir, raw material cost at 1059 crores as a percentage of sales stands at around 73.4%, which is at all-time high, I mean, if I look at it last 8 to 10 quarters. Any specific reason for that sir?

Mr. Robin Banerjee: No, not really, from quarter to quarter it can vary, but if you see that because you know what had happened, during this quarter, some sales have taken place out of costs which were incurred during the last two quarters, and there could be raw materials which were at a higher cost which got consumed, but we expect to be our cost-to-production to be at the same level as that it was earlier. So, there should not be any mix-up on that.

Mr. Pavan Parekh: Okay, so I mean, are we saying that on a full-year basis, we will be close to 70% as RM to sales.

Mr. Kirti Vagadia: I think what I would suggest that please start looking at per megawatt basis also. If you see per megawatt, then we are close

to about 1.85 crores, because every quarter you will find something coming from project into numbers.

Mr. Pavan Parekh: But sir, even that per megawatt, RM cost per megawatt, I mean, it is at roughly around 5 crores per megawatt and which if I look on quarter-to-quarter basis, I mean, it has been roughly at around 4 to 4-1/2 crores, so on that parameter also it looks a bit higher.

Mr. Robin Banerjee: Pavan, you are right, the percentages might go up and down from quarter to quarter. This is because as Mr. Vagadia was explaining to you that when you are dictating a percentage, it is cost by sales. Sales includes not only the wind turbine sales, it also includes project and after-sales service which is the operation-maintenance income. Therefore, if in a particular quarter, there is a higher project which has been undertaken, the sales goes up and then denominator goes up with the percentage is small, but on an overall basis, the cost of production of that organization has not gone up, in fact it is going down because whenever there are reductions in price of, steel and so on and so forth, we have been able to take advantage of that.

Mr. Pavan Parekh: Sir, then what would be the contribution from project sales and O&M sales this quarter?

Mr. Robin Banerjee: We don't provide those details, Pavan, and one more thing of course you need to see that in some countries we do project sales and in some countries we don't, so in a particular country like China, we do not do project sales and if that sales for that quarter goes up, then the percentage looks little wonky. So, again just as a matter of principle, we do not foresee any cost increase in the near future.

Mr. Pavan Parekh: Sir, even if you cannot quantify the amount of sales from projects and O&M, if you could just give any, I mean, were there any sales booked under projects or O&M this quarter?

Mr. Robin Banerjee: There was, but first quarter last year was much higher.

Mr. Pavan Parekh: Okay sir, and sir, any plans on how we plan to offload or do we plan to offload Hansen's balance stake that we have as of now?

Mr. Kirti Vagadia: Yeah, definitely, we do have plan but definitely at our price point.

Mr. Pavan Parekh: Okay.

Mr. Kirti Vagadia: I must say that we are not in hurry to sell balance stake in Hansen.

Mr. Pavan Parekh: Okay, great sir, thanks a lot.

Moderator: Thank you very much sir. The next question comes from Mr. Kashish from JM Financial. Over to you sir.

Mr. Kashish: Good afternoon everybody.

Mr. Robin Banerjee: Yeah, hi, good afternoon Kashish.

Mr. Kashish: Yeah, just one question. Just wanted to know what is the breakup behind the or the expenditure as in broad figures, what all heads are there under the other expenditure?

Mr. Samir Shah: Yeah, one moment. Do you want the major heads?

Mr. Kashish: Yeah, and if you could quantify.

Mr. Samir Shah: I will give you some numbers, variable cost was about 91 crores this quarter.

Mr. Kashish: Okay.

Mr. Samir Shah: Compared to 128 crores last year first quarter.

Mr. Kashish: Okay.

Mr. Samir Shah: Mainly because when you have more India sales, freight expenses go down.

Mr. Kashish: Okay, this is primarily freight expense, variable cost.

Mr. Samir Shah: Freight, freight provision, performance guarantee, operations warranty, etc.

Mr. Kashish: Okay.

Mr. Samir Shah: And then there are fixed costs which are various in nature including the bank charges, so which were last year 426 crores total of quarter one.

Mr. Kashish: Okay.

Mr. Samir Shah: And this year, it is 447 crores.

Mr. Kashish: Okay, and major heads under this fixed expenditure?

Mr. Samir Shah: Wait, I will give you few names and numbers. Selling expenses 34.

Mr. Kashish: Okay.

Mr. Samir Shah: Consulting charges 50.

Mr. Kashish: Okay.

Mr. Samir Shah: And traveling 25. Quality assurance, etc, 25.

Mr. Kashish: Okay.

Mr. Saimr Shah: And bank charges 35.

Mr. Kashish: Okay, and have these remained steady or have they risen vis-à-vis last year.

Mr. Samir Shah: Now, if you look at the last year, the total full year was 1420, which is about 355 per quarter, and this time it is 322.

Mr. Kashish: Okay. Thanks a lot. That is all from my side. Thank you and all the best.

Moderator: Thank you very much sir. The next question comes from Mr. Ankush Mahajan from KC Securities.

Mr. Ankush Mahajan: Hello?

Mr. Robin Banerjee: Hi Ankush.

Mr. Ankush Mahajan: Good afternoon sir.

Mr. Robin Banerjee: Good afternoon.

Mr. Ankush Mahajan: Sir, my question is regarding the performance of REpower. So, almost we are seeing the revenues halved and margins are negative, that is EBITDA is also negative. So, what are the specific reasons for it?

Mr. Kirti Vagadia: Hi Ankush, this is Kirti Vagadia.

Mr. Ankush Mahajan: Yes.

Mr. Kirti Vagadia: See, the margin...

Mr. Ankush Mahajan: Will we have a strong order book for REpower?

Mr. Kirti Vagadia: Yeah, order book is strong. Basically, the volume at REpower in quarter one has been low mainly because of some delay in execution. There is nothing on profitability front. If you are seeing the profitability which Suzlon has given regarding REpower, then there are certain reconciliation issues, which you might have seen on our presentation because as per books of REpower, there is a profit of roughly about 1 million Euros which is getting converted into loss of about 20 million Euros in Suzlon books.

Mr. Ankush Mahajan: 20 million Euro?

Mr. Kirti Vagadia: Sorry, 3.2.

Mr. Ankush Mahajan: 3.2.

Mr. Kirti Vagadia: If you go to slide #33, it will explain the reasons. 5 million is mainly because of policy alignment and about 17.2 million is mainly because of loss of forex conversion from COGS.

Mr. Ankush Mahajan: So, if we configure the revenue, the major reason is the delay in projects by the customers.

Mr. Kirti Vagadia: Exactly. If you see standalone REpower, that is the reason is delay in execution. If you are comparing as per Suzlon books and REpower, then that major reason is policy alignment and costs.

Mr. Ankush Mahajan: Okay, sir, can you give us some guidance for the full year, what would be the full year revenue for REpower?

Mr. Kirti Vagadia: REpower team has already given the guidance.

Mr. Ankush Mahajan: Okay.

Mr. Kirti Vagadia: And they have maintained the guidance.

Mr. Ankush Mahajan: Okay sir, thank you sir.

Moderator: Thank you very much sir. Next question comes from Mr. Rakesh Gupta from Credit Return. Over to you sir.

Mr. Rakesh Gupta: Hello?

Mr. Robin Banerjee: Hi Rakesh.

Mr. Rakesh Gupta: You said, you know, there is enough traction in emerging markets like India, China and Brazil as opposed to some sort of slowdown in the developed economies. To what proportion, do these economies, I mean, India, China and Brazil constitute in your overall order books.

Mr. Robin Banerjee: Well, we have given you already the details of the proportion of order book which is in page 26, Rakesh, if you see our investors' presentation.

Mr. Rakesh Gupta: Okay, thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Jitendra Gupta from Business Standard. Over to you sir.

Mr. Jitendra Gupta: Hello?

Mr. Robin Banerjee: Yes Jitendra.

Mr. Jitendra Gupta: Sir, this is Jitendra. Sir, just wanted to know in earlier discussions you said that in Europe particularly you have the pricing pressure is there and supplies are more than the demand, so can you elaborate on how is the demand-supply out there because that is the particular market, you know, if you can elaborate more on the demand-supply?

Mr. Tulsi Tanti: Mainly, if you take 2009 to 2010, the US market has gone substantially down from nearly 10,000 MW level to nearly 3,000 to 4,000 level. So, it is 60% drop in the market. Capacity is available for more than 10,000 MW, so there is no concern, but demand is less in US market. European market is, we can say is more or less flat, but whatever the growth there is coming mainly in the offshore market. So, that is why the market status quo in Europe is not much growth, and local manufacturer plus the global manufacturers are available in all these markets, that is why some of the pricing pressure is quite good, but most important part we have to understand, some of the geographies are doing extremely good.

Mr. Jitendra Gupta: Okay.

Mr. Tulsi Tanti: India last year is 1500 MW is the total size of the market and this year we are expecting 2400 MW size of market, so it is a very good substantial growth is coming in the Indian market. The same is in Chinese market compared to the last year, it is nearly 20% growth, so nearly 18,000 MW which is the largest market in world today, Chinese market. The Brazil is, the beginning is there, it is just 1000 MW installed base, and the government is coming out with 1800 MW auction means auctioning of PPAs of 1800MW, which can be installed in 2011 and 2012. So, it is approximately 1000 MW size of the market is starting to grow.

Mr. Jitendra Gupta: Okay.

Mr. Tulsi Tanti: This is the good development. Same way, the South African market is also emerging very well, lot of good projects are coming out from the South African market. These are the markets quite complex, it is not like European market or US market, so lot of EPC work and lot of complexities of project you have to manage which we are well established in India in last 15 years, leveraging this business model to those emerging economy markets, and we are well positioned in those markets, so we would like to leverage that, and these markets does not have any pricing pressures, that is the best part, and like the Indian market, the pricing is quite improved in the last 6 months or so because demand is quite good and lot of new regulatory environment has changed, the PPA rate has changed and the RE certificate is coming out, so overall the project IRR has also improved in Indian market, so that

is giving the good demand and good opportunity, but at the same time very important is integrated business model can give the volume business in India, where Suzlon is well positioned and well established, so we would like to leverage that to bring more volume from domestic market and home market, and same time more business and volume from emerging economy market. That does not means we are not concentrating on Europe and US markets, where REpower is extremely well positioned, so they will leverage in the European market and US market in offshore business area where they are extremely competitive and they can position on those markets. So, as a group level point of view, we are not losing on both part of the world's business and we are making our competitive position stronger and stronger.

Mr. Jitendra Gupta: Okay, okay, thanks a lot sir.

Moderator: Thank you very much sir. The next question comes from Mr. Manish from Ashika Stockbroking.

Mr. Manish
Maheshwari: Hello sir?

Mr. Robin Banerjee: Hello.

Mr. Manish
Maheshwari: I have one more question. Sir, in segment revenue results and capital employed, there is an item called wind turbine generator where in we have posted a loss of 506 crores vis-à-vis sub-3 crores in last year quarter June 2009. Sir, is there any specific reason for this?

Mr. Robin Banerjee: No, there is no specific reason. One reason was that on that sector, we had incurred some forex conversion losses.

Mr. Manish
Maheshwari: Okay.

Mr. Robin Banerjee: Most of our wind turbine generator revenues come from international markets and because of the Euro depreciation in a quarter.

Mr. Manish
Maheshwari: That is right.

Mr. Robin Banerjee: And of the reason was that on that particular segment, there has been a negative implication.

Mr. Manish
Maheshwari: Okay. So, it is a notional forex loss, right?

Mr. Robin Banerjee: During this quarter, there has been a 250-crore notional forex loss. Last year, similar quarter, there was a notional forex gain.

Mr. Manish
Maheshwari: That is right.

Mr. Robin Banerjee: So, the delta between the 2 quarters is 400 crores.

Mr. Manish
Maheshwari: Alright sir, got it.

Mr. Robin Banerjee: All that is notional, yes, both are notional.

Mr. Manish
Maheshwari: Alright sir.

Mr. Robin Banerjee: This is just a conversion of Euro into Rupee. Go ahead.

Mr. Manish
Maheshwari: Sir, again the loss that we have posted from wind turbine generator is 612 crores vis-à-vis 80 or 79.92 crores in the last quarter of last year, June 2009. Hello?

Mr. Tulsi Tanti: Yes, one minute.

Mr. Robin Banerjee: That swing which you see is 80 minus to 600 minus, that includes of course 400 crores notional and of course this quarter in general the loss has been higher. It was also there were...give us one second, it is a good question you have asked. One was the project income.

Mr. Manish
Maheshwari: Okay.

Mr. Robin Banerjee: One was project income which was there last year last quarter, it was not there this quarter this year, it was lower.

Mr. Manish
Maheshwari: Okay.

Mr. Robin Banerjee: No. 3, the REpower volume which was last year much higher, this year it has been much lower and that is also a reason because there are, even if there is a variable cost, there are some costs which are fixed in nature, so that needs to be observed in the WTG cost as you have seen, so that is the reason, but the major reason of the 500 crores, 80% of that is due to forex currency conversion.

Mr. Manish

Maheshwari: Okay, and that sir, REpower project you were elaborating, I mean, pertaining to that REpower project, you were telling something.

Mr. Robin Banerjee: No, we were saying that one of the reasons why the sales volume for this quarter has been lower is due to REpower sales for this quarter has been lower also.

Mr. Manish
Maheshwari: Okay.

Mr. Robin Banerjee: While Suzlon Wind's volume has been higher by 70%, REpower sales for this quarter has been lower, and REpower sales have generally WTG sales, wherein our sales also include project and O&M sales. So, if the REpower sales goes lower, that affects the WTG segmental reporting and negatively, of course.

Mr. Manish
Maheshwari: Alright sir, thank you. Thanks a lot.

Moderator: Thank you very much sir. The next question comes from Mr. Pankaj Sharma from UBS. Over to you sir.

Mr. Pankaj Sharma: Good evening sir.

Mr. Tulsi Tanti: Yes, very good evening.

Mr. Pankaj Sharma: Two questions. One is that considering the order book now and past quarter on delivery versus guidance, do you think that the balance 9 months in FY' 11 would be significantly better in such a way that you would not report a loss on a full-year basis?

Mr. Tulsi Tanti: Yes, we have to understand the behavior of the market and order book situations. Most of the markets earlier customer was giving order of the 1 year and 2 years in advance.

Mr. Pankaj Sharma: Right.

Mr. Tulsi Tanti: Now, today it is very close delivery, so customers are closing the order within 3 months or 6 months, we have to deliver the turbines.

Mr. Pankaj Sharma: Right.

Mr. Tulsi Tanti: They see now turbine is not a constraint, so they see the optimum price opportunity and other benefit because they have to pay some good advance money against the order also. Then, second nature of the thing is coming out, the frame agreement, where the customer does not require to pay anything but they can do the frame agreement for 1 year or 2 years, so the trade of the business has moved from one direction to a different way, one is the frame agreement where they can book some quantity for 1 to

3 years and some of the price commitment from the vendor is there, but there is no advance payment against that and customer has a full flexibility to exit and everything.

Mr. Pankaj Sharma: Right.

Mr. Tulsi Tanti: One is an advantage and one is there is disadvantage, but major nature of the order has moved in a short cycle.

Mr. Pankaj Sharma: Okay.

Mr. Tulsi Tanti: Second thing now our majority of our business concentration in Suzlon level if you take the REpower order book point of view, it is more nature of some long-term order book point of view and those markets and those types of the customers, but whether currently Suzlon is focusing more in emerging economy markets where order cycle is very, very low and majority of our business is currently coming from India and China, which is a very short cycle of the nature of the order. So, you have to understand we will get a lot of good orders because we have a lot of good order negotiations in pipeline, so that is giving a good comfort for us going forward. So, end of the year point of view, when we are saying because we are not giving any guidance, as you know the quarter one is historically it is only just 10%.

Mr. Pankaj Sharma: Yeah.

Mr. Tulsi Tanti: Nearly 20% is quarter 2 and 30% is quarter 3 and 40% is quarter 4. So, based on that, we are quite comfortable on a full-year basis.

Mr. Pankaj Sharma: Right, okay, thank you sir. One more question. Do you think that becoming a full-scaled developer in renewable space is a good option that right now there is so much focus on renewables by the government, regulator and everybody in India, do you think that because it would probably assure you a regular pipeline of projects?

Mr. Tulsi Tanti: So, first of all, as you know, the Suzlon business model in India is end-to-end solution provider, and we have to continue to develop the projects and sites and infrastructure, and we have to continuously invest based on our pipeline planning and everything. So, on long-term basis, we are doing, and we are quite comfortable and we have a good sufficient long-term pipeline in our control. So, that is the part of our business model.

Mr. Pankaj Sharma: So, near term, there is no possibility of you becoming a developer on a full scale basis?

Mr. Tulsi Tanti: Actually, in India, we are developers.

Mr. Pankaj Sharma: Yeah.

Mr. Tulsi Tanti: We are doing integrated business model. We are not going to...

Mr. Pankaj Sharma: Ownership, you will not be interest in right?

Mr. Tulsi Tanti: Yeah, we are not going to invest in a wind power projects and generate the power. That we are not looking at this moment.

Mr. Pankaj Sharma: Okay sir, and just one last thing that have you been approached by some of the other companies or you have approached them for a joint manufacturing kind of agreement let us say some of the large wind manufacturers. Of course, right now, people would have over capacities, but going forward, do you see that possibility that you can do some kind of subcontract manufacturing for others and would that be an option?

Mr. Tulsi Tanti: I don't see any turbine company will do like this.

Mr. Pankaj Sharma: Right.

Mr. Tulsi Tanti: Support and everything for REpower but not for any other turbine company and nobody has approached us.

Mr. Pankaj Sharma: Okay sir, thank you very much. Thanks a lot for taking my questions.

Mr. Tulsi Tanti: Thank you.

Moderator: Thank you very much sir. The next question comes from Ms. Nidhi Agarwal from Sharekhan. Over to you ma'am.

Ms. Nidhi Agarwal: Hello?

Mr. Tulsi Tanti: Hello.

Ms. Nidhi Agarwal: Yeah sir, very good afternoon sir. Sir, I wanted to know the execution cycle for Indian order book, current Indian order book?

Mr. Tulsi Tanti: Normally, the customer places the order and we have to execute within 6 months.

Ms. Nidhi Agarwal: So, it is like executable over 6 months, and sir, in your slide #14 the projection for India in wind market is 2100 MW. I am just trying to assess what kind of sales can be there for Suzlon India, so around 1100, with a market share of 50%, it will be around 1100 MW of sale in India, so are we seeing more order books, order book 500 plus order intake in rest of H2, 9 months?

Mr. Tulsi Tanti: First of all, the Indian market is rapidly growing, not only some of the states but 9 of the states, developing is going on, so

geographical spread is there and growth is there, and as you know, Suzlon is maintaining its market position, more than 50% market share.

Ms. Nidhi Agarwal: Right.

Mr. Tulsi Tanti: So, we will continue and we would like to maintain that level and which we also feel comfortable, and on demand and supply point of view, we are very comfortable.

Ms. Nidhi Agarwal: Okay, and sir, in terms of competition scenario in India, what kind of, you know, you said that pricing pressure is not much in India, but entry of Chinese players also had been seen recently, so will that not put pricing pressure going ahead?

Mr. Tulsi Tanti: First of all, India is not expensive than China. Compared to the Europe, India is very low priced and compared to China, it is comparable.

Ms. Nidhi Agarwal: Okay.

Mr. Tulsi Tanti: Compared to China, India is not a higher price regime, so that is not an issue, and if you want to bring the product from China to India, then logistic cost and custom duties and all put together, compared to the current market price level, not cheaper product.

Ms. Nidhi Agarwal: Okay, I mean like, can you give any price difference in terms of percentage, if landed cost of Chinese imported material?

Mr. Tulsi Tanti: Whatever the turbine available in Indian market compared to if you can bring because we are manufacturing turbine in China, so if we feel that option is good, first of all I will import from China to India. I can use it in Indian market, but it is not workable because logistics costs and duty all put together it is nearly 7% to 8% higher cost.

Ms. Nidhi Agarwal: Okay, thanks a lot.

Mr. Tulsi Tanti: Welcome.

Moderator: Thank you very much ma'am. The next question comes from Mr. Kunal from Prabhudas Lilladher. Over to you sir.

Mr. Kunal: Good evening sir.

Mr. Tulsi Tanti: Yes, very good evening.

Mr. Kunal: Sir, just wanted to understand what kind of orders would have been tendered out in US and Europe till date in calendar year CY' 10?

Mr. Robin Banerjee: Well, this information Kunal is not available in the public domain.

Mr. Kunal: Right.

Mr. Robin Banerjee: We do try to make some estimates but we do expect and based on our estimates which we have that we have been able to hold our global position of order intake versus what our market share has been, so more or less whatever is our market share, we have been able to intake that quantum of order.

Mr. Kunal: Sir, you have been able to maintain our market share even in Europe and US?

Mr. Tulsi Tanti: Let us take this way, whatever the Europe and US new order is coming and compared to our market share within those markets like US market our 9% to 10% market share is there, and Europe somewhere at the same level is there overall. So, we are talking about Suzlon and REpower combined on those markets. So, whatever the new order intake is coming and our market share compared to the last year, we are maintaining in order intake level.

Mr. Kunal: Sir, this 10% is Suzlon Group as a whole, that is Suzlon and REpower put together?

Mr. Tulsi Tanti: Yes.

Mr. Kunal: Sir, you just mentioned in our previous discussion that there has been a lower supply situation in Europe or US. So, is there a risk of you know loss of market share and what can we do to protect the same?

Mr. Tulsi Tanti: In US and European markets, I already mentioned, as a group level, we will not lose the market share.

Mr. Kunal: Okay, so there is no risk in terms of losing market share at the group level.

Mr. Tulsi Tanti: Volume is lower, the market share loss is not there, but the size of the market itself is shrinking. Because of that the lower volume is there, that is the only disadvantage we have.

Mr. Kunal: Okay, sir, but do you see any other pockets of opportunity where in case that loss of market share happens, that can be compensated by some other pockets of opportunity.

Mr. Tulsi Tanti: Yeah, that is why we are aggressively concentrating in the South American market and South Africa market, which is emerging market is there, and there is a good growth and potentiality, and as you know, Suzlon is always the first mover, like Brazil market we have entered early stage and today we are the market leader

in those markets and now market is now expanding. The same we are focusing in Argentina, Chile, and Mexico and South Africa markets. So, those are the new markets which are growing, and also some of the surrounding India, some of the Asian market is also growing very fast and it is a small and medium-sized market, but there is a good opportunity like Thailand, Indonesia because we had not earlier concentrating but now those markets are becoming quite mature, so we would like to focus on the surrounding countries. Even also last year, we have supplied one project in Sri Lanka, so those types of the surrounding markets is we are exploring, so we can expand our business and we can maintain our overall global market share.

Mr. Kunal: Sir, those markets are mainly turbine supply markets or EPC markets?

Mr. Tulsi Tanti: No, the whole emerging economy market is a very complex market. It is, you can say, it is a full business model, it is including EPC and lot of technical and lot of engineering support and services required because those markets are new and there is no mature development is there, so we have to provide concept to commissioning.

Mr. Kunal: Okay, okay, thank you so much sir. Best of luck for the future quarter sir.

Mr. Robin Banerjee: Thank you, thank you Kunal.

Moderator: Thank you very much sir. At this moment, I would like to handover the floor back to Mr. Tulsi Tanti for final remarks. Over to you sir.

Mr. Tulsi Tanti: Thank you very much and thanks a lot for every investor and analyst participation. We appreciate their time and support. We are looking at good opportunity and growth in the coming quarters. Thank you very much. Thanks a lot.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx's Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
