



“Suzlon Energy Limited Q1 FY15 Earnings
Conference Call”

July 28, 2014



MANAGEMENT:

**MR. TULSI TANTI - CHAIRMAN & MANAGING
DIRECTOR**
MR. KIRTI VAGADIA - GROUP HEAD FINANCE
**MR. AMIT AGARWAL – CHIEF FINANCIAL
OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY'15 Earnings Conference Call of Suzlon Energy Limited. As a reminder all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tulsi Tanti, Chairman and Managing Director of Suzlon Energy. Thank you and over to you Sir!

Tulsi Tanti: Very good morning, good afternoon, and good evening. Thank you for making the time to join us. I am joined today by Mr. Kirti Vagadia, our group Head of Finance, Amit Agarwal, the Suzlon CFO and our investor relations team. I hope you had a chance to go through our investor presentation on our website. First, I would like to share some details on our overall performance and Amit will walk through our financial performance in greater details, then we would be very happy to take any questions. With positive EBITDA for the second consecutive quarters and improved gross profit margins, Q1 FY'15 reaffirms the improvements in our operating performance. Despite Q1 being a traditionally low volume, low profit quarter, we achieved a substantial improvement in a margin driven by the favorable geographic and product mix, especially at the Suzlon wind level. Senvion continued with its stable and robust performance. With successful restructuring of our FCCB, we completed the last remaining phase in our comprehensive liability management relieving us from any immediate redemption pressure as well as the default overhang. This will help to further restore the normalcy in our operations. Continuing with our thrust on R&D, we have made progress in our technologies, mainly 120 meter towers which is the first time in our country and also it is the first time in the Asian market, wherein the prototype has been commissioned and the serial production to be commenced within this financial year. Approximately 200 megawatts supply of 120 meter towers will be delivered in the current financial year. S111, 2.1 megawatt is our next generation of the turbines we are introducing and the prototype manufacturing has commenced and the serial production is to follow within this financial year. We also received the order of this product from the US market. Both the technology aimed at higher efficiency at lower cost, and are the game changer for the low wind site, especially in India and the US market. Our order book continues to strengthen with consolidated group order at 4900 MW, approximately Rs. 43,000 Crores translating to a US\$ 7 billion. Our 18 years of the leadership in Indian markets, with 1600 loyal customers, with the best in class service, and the pan India presence give us the unique competitive advantage. Our Q1 results adds tailwind to our results with an importance in operating efficiency, completion of our comprehensive liability management program, and innovative and best suited product portfolio. We are now fully geared up to grab this market growth opportunity in the coming year. In a

financial year 2015, our key priority continues to ramp up the volume with a clear focus on Indian market, to consolidate as much as the business synergy between both organizations, ride the business efficiency, and optimization of our capital structure so that we become a very strong competitive player in the global market. Now I would like to invite Amit to address the detailed aspect of our financial performance.

Amit Agarwal:

Thank you Tulsi Bhai. Good evening everyone. I am happy to share that our efforts for improving operational performance have materialized. This of course has reflected in our results, which turn positive EBITDA for the second consecutive quarter at the consolidated level. Speaking of broad numbers in Q1 for the fiscal 2015, we recorded revenue of Rs. 4643 Crores, a 21% Y-o-Y growth and managed to increase our gross margins by 443 basis points to 33.5%. Our Q1 EBITDA stood at Rs. 73 Crores, a significant improvement compared to an EBITDA loss of Rs. 302 Crores in Q1 of last year. At Suzlon wind level due to better geographic and product mix, the operating financial performance improved. Our OMS business continues to grow giving us stable revenue of 695 Crores in Q1, an increase of 8.5% Y-o-Y. Servion continued with the stable and robust performance registering 8.5% growth in the revenue at EUR 361 million. Looking ahead, Indian wind market presents a huge opportunity. New government's clear thrust on renewable has transformed the outlook of the sector completely. Recent policy changes not only incentivize demand but also address other bottlenecks such as infrastructure and availability of finance. Looking at the demand side, reinstatement of accelerated depreciation is expected to bring back the SME and the captive demand. Reinstatement of GBI last year coupled with availability of low cost fund from National Clean Energy Fund, through IREDA, is expected to boost the IPP demand. Mandatory CSR spend requirement under new Company Act is expected to boost installations by corporate and PSU. Overall, we expect substantial increase in demand from all our customer class. On supply side, planned implementation of green corridor is to address power evacuation issue, while exemption of 4% SAD on raw material and parts will encourage wind turbine manufacturing. Further long-term infrastructure spending is made available for up to 25 years to the projects. We believe these initiatives will unlock the true wind potential of the Country. However we continue to have significant losses, but the group is now focusing on deleveraging strategies in this fiscal year in addition to the improving volumes and operational performance. With buoyant market conditions especially in India, our improved cashflow profile and adequate liquidity support from our lender and group's clear focus on ramping up volumes, we are confident of further improving our performance in fiscal 2015.

Tulsi Tanti:

Thank you Amit. We will now take any questions you may have. Please go ahead.

Moderator:

Thank you very much Sir. The first question is from the line of Charanjeet Singh from HSBC. Please go ahead.

Charanjeet Singh: Thank you Sir for providing me this opportunity for asking the question. In your presentation, you are forecasting 3 gigawatt of Indian wind market in the current financial year and 3.5 gigawatt next year. So what is your expectation of the Suzlon market share in these two years?

Tulsi Tanti: As you know, we are trying to optimize our market share because last two financial years we were not as good in the Indian market. So this financial year we are expecting at least 30% to 35% market share we are trying to achieve in the current financial year. Now the second half is becoming very important because of the two different markets, one is the long-term IPP market which is continuously growing, and more and more the equity investors are interested to invest in domestic market. So the demand part is not a constraint on IPP, but simultaneously because of the retail market particularly SME and for the captive energy market has now opened, so that more number of states and more number of sites we can be able to deliver the projects because as you know the Indian markets are heavily dependent on availability of the sites and the ready infrastructure to commission the project, which is by the accelerated depreciation benefit we are quite comfortable. Some of the states are not able to make a project viable for the IPP market, it is now possible and second is some of the sites are not possible to sell in the IPP segment because the site nature is small size, 10 megawatt or 20 megawatt site of the projects. Because of these two things and third is because of the next generation of the turbine which we are going to introduce in the current financial year, so we are quite comfortable to ramp up our market share. No doubt we have continuous challenge for the liquidity part, but because of the small scale industry customers we will be very comfortable to get more liquidity run because that nature of the business is completely different. As you know, in the last 15 years we have a rich experience for the SME and for the captive energy market because that is the more established track record, and all India basis we have sites and 1600 customers. Because of these two different segments of the market, it will help us to ramp up our market share rapidly in the second half.

Charanjeet Singh: Sir just to put the numbers to what you have said, assuming 30% to 35% market share we are talking of close to 1000 megawatt or 1100 megawatt of sales in India. I am looking at Q1, 160 megawatt in India, which gives us average run rate for the next three quarters at 300 megawatt, is that right way to assume it?

Tulsi Tanti: Always the first quarter we have to understand it is quite low. Second thing is the domestic market, the SME market is just open so it will give the order intake in Q2 the performance will come in Q3 and Q4. So every quarter the volumes will ramp up in the Indian market.

Charanjeet Singh: Okay. My second question is primarily on whether, Mr. Amit has mentioned about deleveraging strategy so any visibility on REpower monetization and asset sale program?

- Kirti Vagadia:** As we mentioned even in previous call that on asset sale we are targeting roughly about 1000 Crores in this financial year on various assets that is one plan and on REpower definitely we are exploring a possibility that what is the best way to get value out of REpower and to deleverage some portion of Suzlon's liability and that we will be executing in this financial year, which include maybe a potential listing also.
- Charanjeet Singh:** Sir when can one expect some sort of visibility on the Indian asset sale program?
- Kirti Vagadia:** I think it is the continuous. You might have seen that we have already realized about 700 Crores from two assets; one in China and one in USA. So basically it is a continuous program. Due to commercial confidentiality we are not naming which are ongoing or running deals, but we have continuous engagement with potential buyer for few of our assets.
- Charanjeet Singh:** Okay, some visibility on the numbers now. In the Q1 the gross margin has been around 33.5, is this sustainable for the next three quarters and secondly, the employee expenses in the quarter have increased once you compare it to the previous quarter which was Q4 of the last financial year. If you can kindly help explain why this increase and whether going forward at what level the employee expenses should be forecasted?
- Amit Agarwal:** Basically what happens is in the employee cost, we have considered various normal bonus provisions which start from Q1 onwards and that is why it is slightly higher and partly also because of the exchange rate. These are the two reasons for a small increase between the Q4 and the Q1.
- Charanjeet Singh:** So looking at the forecast for the next few quarters, is it good to assume Q4 numbers or Q1 numbers?
- Amit Agarwal:** Around the Q1 numbers.
- Kirti Vagadia:** Okay, on gross profit or gross margin I would say that if you ignore last few quarters probably we have been at a gross profit margin which was ranging between 33 and 35. During last few quarters we had one or other issues, unfavorable market mix or unfavorable product mix or due to delayed execution, cost has increased or realization has reduced. Those kinds of challenges have been faced by us for the last six or seven quarters. Otherwise, 33% to 35% gross profit has been normal in our business.
- Charanjeet Singh:** Right, so are REpower and Suzlon at the similar level or is there a difference between the two companies?

- Kirti Vagadia:** On Q-o-Q, there would be some variations and there can be variation of 1% to 2% between both the companies, but I am not inclined to give you separate number line-by-line breakup of Suzlon and Senvion.
- Charanjeet Singh:** That is helpful. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anand Vyas from Bajaj Finserv. Please go ahead.
- Anand Vyas:** Sir can you give me your breakup of interest cost, actual interest plus other charges if you have any?
- Amit Agarwal:** The interest cost, except for the some of the bank charges which is in the range of 40 to 45 Crores, rest is all the interest cost.
- Kirti Vagadia:** That is one and secondly I wanted to add that 130 Crores roughly is the interest which is getting converted into equity because we are under moratorium period.
- Anand Vyas:** So going by this runrate you expect interest cost to decline on Q-o-Q basis?
- Kirti Vagadia:** No, decline in interest cost would be a function of deleveraging.
- Anand Vyas:** And Sir secondly in this exceptional item of 103 because of FCCB conversation cost you have paid, so is this the last of all the other exceptional items because if you see in the last three to four quarters or four to five quarters there are many items in exception. So I believe going forward there will be no exceptional items?
- Kirti Vagadia:** I think exceptional item in this quarter is primarily on account of this FCCB because FCCB is restructured. No doubt it is restructured after June, but before signing of this quarterly number the event is known. So it was prudent on our part to take that as an exceptional cost.
- Anand Vyas:** So no further now on FCCB exceptions?
- Kirti Vagadia:** And this FCCB related thing is practically a forex cost. As you are aware that in the past, forex cost one can spread over number of unmatured quarters, unexpired maturity of quarters. Now I think since FCCB is restructured all those burdens, which could have come in future quarter is taken in one quarter as an exception.
- Anand Vyas:** Sir lastly, how much is legacy orders?

- Kirti Vagadia:** Legacy order, I think right now we are not carrying any orders which are classified as a legacy order I would say.
- Anand Vyas:** Because in your presentation a minimum amount of legacy order is there?
- Kirti Vagadia:** Yes, so basically majority of orders we were delayed on execution or we were having a negative carry due to changed situation. Those kinds of orders have already been executed. Most of them have been executed. There might be left with few megawatts which can be considered as insignificant.
- Anand Vyas:** Okay, thanks from my side and best of luck.
- Moderator:** Thank you. The next question from the line of Balchandra Shinde from Batlivala & Karani Securities. Please go ahead.
- Balchandra Shinde:** I would like to know the current utilization level at Servion level and Suzlon wind level?
- Kirti Vagadia:** Which utilization you mean?
- Balchandra Shinde:** The capacity utilization.
- Kirti Vagadia:** Manufacturing capacity?
- Balchandra Shinde:** Yes.
- Kirti Vagadia:** I think from a cost point of view it is not that relevant but since you have asked I would say that at Suzlon level we are using somewhere closer to about 40% to 50% and at Servion level it is roughly around 60% to 70%.
- Balchandra Shinde:** Okay and since we have approved in board of raising 5000 Crores funds, does it include all this asset sale and Servion listing and all or this is a different fund raising?
- Kirti Vagadia:** No, let me clarify that this is an enabling resolution, which company continue to take in every annual general meeting if I remember correctly for the last seven consecutive years and that is primarily due to the fact that in case you have opportunity of capital raising in future you do not waste your time on administrative formalities of 50 to 60 days. That is the only objective. We do not have any immediate capital raising plan. It is something which is an enabling resolution.

- Balchandra Shinde:** Regarding Senvion listing or anything related to value unlocking and asset sales, all these funds will be my guess most likely utilized to reduce the debt or any other purposes are involved?
- Kirti Vagadia:** That is correct, primarily it will be for deleveraging.
- Balchandra Shinde:** CDR, as we placed 7.1 Crores shares earlier this month, our price was at around 18.5 how it was generated. Was it last six month prices or it was any specific related to?
- Kirti Vagadia:** It was basically the relevant date when CDR got approved and we kept it fixed irrespective of quarterly market prices at a different date and as of now I think we have already issued shares for 7 quarters out of 8 quarters.
- Balchandra Shinde:** So last quarter is the remaining. It will be the second quarter.
- Kirti Vagadia:** Yes, second quarter would be the last quarter.
- Balchandra Shinde:** And Sir second quarter will be also seasonally weak for execution for Suzlon Wind or it will be comparatively better sequentially than first quarter?
- Kirti Vagadia:** Generally we do not give guidance on a quarterly basis, but annual basis but historically I think Q2 has multiple impacts including the monsoon.
- Balchandra Shinde:** Okay, thank you very much.
- Moderator:** Thank you. The next question from the line of Bharat Gorasiya from ICICI Bank. Please go ahead.
- Bharat Gorasiya:** Thanks for taking my question. I have a few questions, please bare with me. One was on the new equity issuance. I just wanted to know are there any further warrants outstanding and besides the last equity issuance which you took to the CDR lenders what else do we have in pipeline?
- Kirti Vagadia:** I do not think there are any warrants outstanding. There is some kind of employee stock option, which is there, probably it is 4.5 Crores stock option is outstanding, which can be exercised probably in, if I remember correctly, next June or something.
- Bharat Gorasiya:** Okay, I just wanted a clarification so it can be either warrants or a loan which convert into equity?

- Kirti Vagadia:** No, there are no warrants in case of Suzlon, I can tell you there are no warrants.
- Bharat Gorasiya:** Okay, that is fine. Sir the other thing I wanted to ask is during default you would have seen some pressure on your Human Resource and people leaving and just to get a business sense how is the post you coming out of default and all the issues getting resolved. On operational basis are you still having some problems to deal with or you are pretty clear to just focus on business now?
- Tulsi Tanti:** I think that is not the case first of all. As you know, the last two years we are reducing our fixed cost area and because of that we are reducing certain manpower in opex area and we have a right competent and right bandwidth of the management team and people on board and we are quite comfortable to manage further growth with the same resources. We are optimizing the cost but there is no issue because of the company performance or because of the external environment. It is not the case, but other way around is that the current market environment is quite positive. Company has come out from all these issues. We are quite competent to attract as and when we need the more talent, it is available in the market place. It is not a constraint.
- Bharat Gorasiya:** Okay Sir, finally one last question because of your cost factorization I believe the breakeven levels at Suzlon wind would have come down. So just wanted to get a sense at what megawatt level you would be cash breakeven?
- Tulsi Tanti:** Cash breakeven point of view based on the margin and based on the new product portfolio, we are very comfortable with the 1200 megawatt in domestic market we are breakeven.
- Bharat Gorasiya:** Okay that is fine. Thank you very much for the answers.
- Moderator:** Thank you. The next question from the line of Abhishek Bansal from Deutsche Bank. Please go ahead.
- Abhishek Bansal:** Thanks for giving opportunity to ask questions. Sir my first question is on the order book, what was the order intake for this particular quarter can you give some sense on that?
- Kirti Vagadia:** I think you can continue with your next question, we will answer this.
- Abhishek Bansal:** Sir second thing was I wanted to understand on this interest portion. As we understand we are in interest moratorium period I think for the remaining of FY'15, so apart from FCCB is there any other major cash interest outgrow that we are expecting in this year?

- Kirti Vagadia:** First of all, as far as P&L portion is concerned everything is already factored in the quarterly P&L numbers including whatever is there for FCCB.
- Abhishek Bansal:** I am just asking from cash perspective rather than P&L now. Also if you could clarify what is the interest return on CDR loans right now for FY'15 and '16?
- Kirti Vagadia:** From cash perspective I can say that 130 Crores on a quarterly basis which is getting converted into equity now will stop getting converted into equity from October onwards. So that is one thing. The second thing is since FCCB is restructured with this value, now FCCB will carry a coupon which is initially 3.25% for first 18 months.
- Abhishek Bansal:** Got it Sir, and what is rate of interest for CDR loans for this and next year?
- Kirti Vagadia:** I think that we have already given on our slide, it is 11% on a rupee loan and forex also we have given.
- Abhishek Bansal:** I just wanted to check if it is a step up kind of stuff.
- Kirti Vagadia:** No, there is nothing like a step up structure.
- Abhishek Bansal:** Got it. The third thing is, is it possible to give a breakup between Senvion and Suzlon sales in terms of megawatts, the volumes?
- Kirti Vagadia:** In case of Senvion basically as you are aware that the revenue is kind of POC method and due to which getting exact megawatt would not help us. Suzlon megawatt we have already given. Just to add on Senvion megawatt probably just to do a back of envelop calculation you can use 1 million megawatt revenue as a thumb rule.
- Abhishek Bansal:** That is Euro one million right?
- Kirti Vagadia:** Yes, that is correct.
- Abhishek Bansal:** Understood and Sir lastly, out of the cash that we currently have on our books is it possible to give a breakup of like what amount out of this is staying in Senvion and with the new facility in place is it allowed to upstream some of that for the use of Suzlon working capital or whatever other stuff?
- Kirti Vagadia:** Roughly percentage wise I will give you that, around 80% is Senvion cash and secondly first of all so far as utilization for Suzlon purpose is concerned probably we do not incline to use this way flexibility as of now.

- Abhishek Bansal:** Understood, so that will remain for Senvion working capital is what I understand.
- Kirti Vagadia:** Correct.
- Abhishek Bansal:** Sure and lastly, is there a possibility to give breakdown of EBITDA between Senvion and Suzlon?
- Kirti Vagadia:** Unfortunately, not on a quarterly basis annually we will continue to give it.
- Abhishek Bansal:** Okay, that is all from my side. Thank you for taking my questions.
- Moderator:** Thank you. The next is from the line of Sachin Kasera from Lucky Investment Management. Please go ahead.
- Sachin Kasera:** Good afternoon Sir. A few questions, one was on working capital. This quarter as per the presentation it has gone up from 3% to around 6%. So do you see this trend is going to continue or this is sustainable?
- Kirti Vagadia:** It is practically a function of seasonality, I would say that this is a low volume quarter and basically we are catching up on volumes so we need to build up some level of inventory plus receivable invoiced in June, so probably that is the way one need to factor. So it is nothing fundamental change in the working capital, but it is due to seasonality I would say.
- Sachin Kasera:** Second was on Senvion, now that we have also done a lot of fixed cost reduction there and also started to do newer production which are much more in terms of technology ahead of the competition, how do you see the trend in EBITDA margins for Senvion, last year we did around 8%. Without getting any guidance if you can give a sense, can we see some improvement in EBITDA margins of Senvion going forward?
- Tulsi Tanti:** Senvion EBITDA margin is the combination of the volume and the geographic mix and as you know, the volume is continuously moving in upward direction. So there is a chance of improvement of 1% in the second half.
- Sachin Kasera:** Do you see in the next two to three years we can achieve double digit EBTIDA margin in Senvion?
- Tulsi Tanti:** It will move because compared to the other competition companies, they are the nearly close to 10%, where the Senvion is running at 8% level. So the next financial year it will move to the 10% level because of the volume increase and the second is some of the new products which we are introducing in current financial year, so it will help. On top of that,

they are focusing now also to enter in the emerging economy market, where some of the market has good profit margins and some business we are expecting in next financial year in the offshore market. The volume is increasing. There is a probability to improve by two points in the next financial year.

Sachin Kasera: How do you see the order inflow for Servion in FY'15 versus FY'14?

Tulsi Tanti: Current year order intake?

Sachin Kasera: Yes FY'15 Servion versus last year. How do you see the trend?

Tulsi Tanti: My understanding is the last year intake was Euro 1.6 billion and the current year the estimated target is Euro 2.4 billion.

Sachin Kasera: This current year order inflow should be at a slightly better gross margin compared to last year because lot of these would be from the new technology that we have launched.

Tulsi Tanti: Right. And some of the geographic mixes are giving better situation and the volume is increasing because of the fixed cost is not moving accordingly. So there is a high probability for improvement in margin.

Kirti Vagadia: That is one and just I wanted to add that if I compare the situation in July 2013 versus July 2014, so far annual coverage is concerned I would say we are far better placed as compared to last year so far as our annual target coverage is concerned.

Sachin Kasera: Sure. My next question was on the service revenues, how do you see that shaping up and can you give us some sense on what is the profitability margin in service business line with the normal company average that is much better than the company average?

Kirti Vagadia: On a service business I would say that first of all increase in revenue is always a function of new installation and as Tulsi Bhai has mentioned about Indian market volumes and all those things which will definitely continuously improve this annuity nature of income for us. Secondly so far as profitability is concerned due to having India OMS business into our fold, our margin is slightly better than industry as compared to other peer groups because in OMS you know that even though India OMS pricing is lower as compared to global benchmark, but Indian major cost is manpower cost where I would say that due to which our EBITDA margin in OMS business is better as compared to global peers.

- Sachin Kasera:** Sure and my last question was on the balance sheet. If I understand right you mentioned that from Q3 onwards we will have to start paying up the interest, till Q2 the interest will get converted into equity?
- Kirti Vagadia:** That is correct.
- Sachin Kasera:** So that and another Rs. 117 Crores of rupee debt which is for repayment so that is the way that cash outflow for interest and principal repayment is concerned for the current financial year.
- Kirti Vagadia:** Yes
- Sachin Kasera:** This is only for Suzlon wind. Senvion will be other than this right Sir?
- Kirti Vagadia:** No, but Senvion has no fixed payment obligations. Senvion is enjoying only non-fund based facility. So as far as borrowing is concerned Senvion is always on a net cash rather than net debt.
- Sachin Kasera:** Okay, this is on a net cash basis. What will be the equity after October once all this interest related is getting converted into equity, what will be the equity of the company?
- Kirti Vagadia:** Today I think after 7 Crores allotment we are roughly at about 280 Crores and another 7 to 8 Crores one can expect in October.
- Sachin Kasera:** 287 to 288 roughly.
- Kirti Vagadia:** That is correct.
- Sachin Kasera:** And other than that, as of now the only thing that is pending is FCCB conversion if and when it happens.
- Kirti Vagadia:** Yes, whatever happens whenever happens.
- Sachin Kasera:** Okay thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Charanjeet Singh from HSBC. Please go ahead.
- Charanjeet Singh:** Couple of followup questions. Is there any visibility on the order from RWE on the Nordsee1 project?

- Kirti Vagadia:** Yes, I think we are closely interacting with our customers, but we will be able to inform to the market once we have something signed.
- Charanjeet Singh:** Okay and you mentioned about EBITDA margin being better than the global peers for the service.
- Kirti Vagadia:** Yes, I mentioned for service, yes, that is correct.
- Charanjeet Singh:** Can you give an idea as to what the range is?
- Kirti Vagadia:** The range is between 20 and 25.
- Charanjeet Singh:** Okay, thank you very much.
- Moderator:** Thank you. The next question is from the line of Rajesh Kothari from Alfa Accurate Advisors. Please go ahead.
- Rajesh Kothari:** My question is since most of the order book which was earlier, low-margin order book, has been already over, do you also expect significant decrease in provision number which is with reference to penalty or something like that which you might be seeing over last six to eight quarters, that is first question. Second question is recently I think last month you have announced on acquisition in some other country for wind energy. So if you can just give some highlight and what is the rationale for that and how do you see over the next two to three years from your acquisition perspective?
- Kirti Vagadia:** Provision wise, I would say that you are right that since we are not having any legacy orders where we are running a risk of I would say provision or liquidated damage, it is fair to assume that those percentage or provision will get reduced. In fact I would say in few cases where we have already made provisions we are negotiating to get better results with those customers. So that is part one of your question. Part two of your question I am getting confused, we have not made any acquisition so what you are referring to if you can be specific?
- Rajesh Kothari:** There was one investment which was made, there was an announcement I think few weeks back whereby there was some investment which was made into some country I do not know?
- Kirti Vagadia:** You mean, Brazil?
- Rajesh Kothari:** Yes, that is true.

Kirti Vagadia: That is an expression of intent, basically let me explain to you that there is some localization regulation in Brazil called FINAME where if the manufacturer is registered with FINAME the potential customer of such manufacturer gets loan at a concessional rate and that is why that FINAME registration which is nothing but a localization that X% need to come from Brazil is important. And since Brazil is very important market for us, we did about 750 megawatt cumulatively and our wind farms are one of the best performing wind farms in Brazil, we were exploring the possibility that if we need to capitalize on our investment in terms of the last five to six years we have made in Brazil, how do we capitalize on that and one way is to set up some manufacturing facility either by ourselves or jointly with some supplier and all those things by which basically we can meet the FINAME requirement on one end and leverage on volume of the Brazil market, which is a high volume market going to be in future. Tulsi Bhai you want to add something on these areas?

Tulsi Tanti: It is very clear because if you want to remain in the market we require the localizations and part of that process we have to invest some manufacturing base. We will invest either with our vendors we will invest so that localized norms can be achieved and because of that we can continue with the Brazilian market. We are introducing the S111 2 megawatt next generation series turbine, we are taking that product to the Brazil market and to position the localization so that we can able to get better business in Brazil market. Today 25% installed base of the Brazil market is installed by Suzlon and out of top 10 wind firms in Brazil, the top four best performing farm is Suzlon asset is there. So we would like to leverage further more business in Brazil market and Brazil market is rapidly growing like Indian market and the size of the market is now 2000 megawatt plus. It is equal to the Indian market and we have a very good competitive edge and we would like to leverage that by establishing local manufacturing base so that we remain as the FINAME registration so that our customer can get the low cost of funding.

Rajesh Kothari: So what kind of investments can go into Brazil over next two to three years?

Tulsi Tanti: It is required in the next financial year. It is too early to say on that. It depends on the combination how much our vendor will invest, how much we will invest. It should be a combination of that, but it is too early to say.

Rajesh Kothari: No, I am saying let us assume it is Rs.100, whoever invests that is secondary, but how much would be the total investment which would be required by you as well as your vendor jointly?

Tulsi Tanti: It is required somewhere US\$ 40 million to establish 400 megawatt production capacity.

- Kirti Vagadia:** That is total cost including debt.
- Rajesh Kothari:** Yes, I understand total capex capital expenditure which you would require. Okay and apart from Brazil do you see any other market where because of the regulations or because of need for localization you would again need to invest in a big way over next two to three years?
- Tulsi Tanti:** There is no any further investment required in any market, recently in Senvion we have already established the production capacity of the rotor blade capacity in the Canada market. We have a good manufacturing base in Germany and Portugal, and also in India and China. So there is no need in the next three years any much capex investment for production base, only for the new product technology our investment in technology will remain, but not for the manufacturing.
- Rajesh Kothari:** And my last question is with reference to this value unlocking which I think we have been contemplating for a very long time, I think more than probably six to nine months, by when do you think we may see some light on that? Is it very complex solution or what is the roadblock for this value unlocking?
- Tulsi Tanti:** There is no roadblock is there, but it is a part of the process and earlier also we have mentioned the current financial year we will execute and we will deliver the performance on the capital structure.
- Rajesh Kothari:** Is there any way by which by doing that value unlocking can you basically give us some light on what will be your expectation in terms of when you do this value unlocking would there be any significant change into the two entities, business mix or is there any points which you would like to highlight?
- Tulsi Tanti:** The one thing that is very clear is that why we have acquired the company, Senvion in the European market, Germany with a strong base in Europe and offshore market, it is a good sense to consolidate the business between the two organizations because it is enormous complementary strength between the two companies and is the top most priority for the current financial year to consolidate the business and at the same time to address the right capital structure. So that we can able to reduce our interest cost and we can able to reduce the debt which can give us the unique position in the market because then we become a very strong competitive company in the market place because of the operational excellence between two company's synergy benefit and at the same time we can reduce our cash outflow through the interest cost and optimizing our debt structure and reducing the debt and reducing the interest. Kirti, would you like to add something.

- Kirti Vagadia:** No, I think you have very well covered on one of the ideas which we are exploring for which definitely we are at the idea exploration stage.
- Tulsi Tanti:** It is good in the current financial year. It is very clear.
- Moderator:** Thank you. The next question is from the line of Kai Ting Wong from Deutsche Bank. Please go ahead.
- Kai Ting Wong:** Hi management thank you very much for your time, just quick questions. Sir for your order book which is 4900 megawatt this quarter, is it possible to give a breakup of how much it for Suzlon and how much is it for Senvion?
- Kirti Vagadia:** I think slide is almost making it clear bit indirectly. India is roughly about 14% plus I would say in Suzlon Uruguay and few other countries are covered by Suzlon so rest of the things are with Senvion I would say.
- Kai Ting Wong:** And you order book declined to 4.9 gigawatts from 5.3 gigawatts last quarter, is there a decline in new order intake for this quarter, what is the main reason, should we expect more order intake in the next few quarters?
- Kirti Vagadia:** No, I think it is something to do with seasonality kind of situation. We may not be on a Q-o-Q having huge order things. Couple of large orders if the execution moves from I would say few days later than probably it is reflected in number. Secondly the way this order announcement works for us is lastly we announced on May 31st and right now we are announcing on July 25th. So practically we are not getting very long period, also during this period hardly less than two months. Because last announcement was on May 31st, so June plus 25 days of July, so less than two months it is reflecting.
- Kai Ting Wong:** I saw your order delivery in the last few quarters for Suzlon wind is about 200 megawatt every quarter. I think the main difference is it at the Senvion level and not at the Suzlon wind level?
- Kirti Vagadia:** Yes, that is correct.
- Kai Ting Wong:** Why is it mainly for the seasonality?
- Kirti Vagadia:** As I mentioned to you that this is the lower period in the year. Normally we announce from one quarterly board meeting to another quarterly board meeting. In a previous period, we were getting a bit longer period for order execution. Here it is just 55 days reflection. Last year we announced one result in middle of August.

- Tulsi Tanti:** In a nutshell, in Q1 it is between two announcements of the order intake, it is a smaller period in number of days and Q1 to Q2 or Q2 to Q3 is 90 days. So that is the difference, number one. Number two is it some of the big size of the order, it can come closing then in that particular quarter intake will go high because it is a very long capital intensive investment order.
- Kirti Vagadia:** Last year in similar period we had about 75 to 80 days and currently we are having just 55 days. That is one difference I can say in different words.
- Kai Ting Wong:** Understood. May be just last question. Just now I heard that revenue guidance for Senvion leverage is about Euro 2.6 billion this year. Am I right?
- Tulsi Tanti:** There is no revenue guidance that is the order intake.
- Kai Ting Wong:** What do you mean by the annual coverage for the order intake for Senvion?
- Kirti Vagadia:** Annual coverage, as I mentioned to you that we are better placed as compared to where we were in last year. I would say we are closer to 100% for what we have budgeted for this year.
- Samir Shah:** Basically what is in the order book and what we believe to deliver in the current year, we are at 100% coverage. That is the meaning of order coverage.
- Kirti Vagadia:** 100% for what we have budgeted for this year.
- Kai Ting Wong:** So this year we can deliver about 2.6 billion of Senvion sales?
- Kirti Vagadia:** No, 2.6 billion is the different thing.
- Samir Shah:** It is the new order intake in Senvion for the full year, which is yet to come till the end of the year. As of today if my order book is 3 billion and if I am forecasting to do say 2 billion then I am covered more than that in terms of my order coverage. That is the meaning of order coverage.
- Tulsi Tanti:** 2.6 is not a revenue.
- Kai Ting Wong:** Okay, understood. No further questions. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen we are going take the last question from the line of Anand Vyas from Bajaj Finserve. Please go ahead.

- Anand Vyas:** Sir can you give us guidance in terms of EBITDA margin for FY'15 and FY'16?
- Kirti Vagadia:** Unfortunately, we do not give guidance on revenue or profitability as a policy of the company. So basically you need to build in your own model on the basis of numbers which we are announcing.
- Anand Vyas:** Just something if we are on the right direction or not, just something you can help us?
- Kirti Vagadia:** Basically unfortunately we will not be able to give guidance on this area.
- Anand Vyas:** Okay, thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor to Mr. Tulsi Tanti for closing comments.
- Tulsi Tanti:** Thank you very much. I would like to conclude by saying that while we continue to make real progress there is still a lot of work to be done. Going forward we will cement on our research and continue to tap the opportunity that the Indian and the global market have to offer. Formula for the success is very simple, ride the higher volume, increase the business efficiency, optimize capital structure in place, this will all lead to the higher profitability for the group. Thank you for joining us today. Thank you very much.
- Moderator:** Thank you Sir. On behalf of Suzlon Energy Limited that concludes this call. Thank you for joining us. You may now disconnect your lines.