

"Suzlon Energy Limited Q4FY2015 Earnings Conference Call"

June 1, 2015





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DIRECTOR, SUZLON ENERGY LIMITED.

MR. KIRTI VAGADIA – GROUP HEAD (FINANCE),

SUZLON ENERGY LIMITED.

MR. AMIT AGARWAL – CFO, SUZLON ENERGY

LIMITED.



Moderator:

Ladies and gentlemen, good day and welcome to the Q4FY2015 earnings conference call of Suzlon Energy Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tulsi Tanti – Chairman & Managing Director of Suzlon Energy. Thank you and over to you sir.

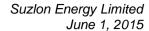
Tulsi Tanti:

Thank you very much. A very good afternoon, good evening and good morning. Thank you for making the time to join with us. I am joined today by Kirti Vagadia – Our Group Head of Finance, Amit Agarwal – 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 then Amit will walk through our financial performance in a greater detail. After that, we would be very happy to take any of your questions.

FY2015 has been transformational year for Suzlon. We undertook the various bold steps such as the Senvion sale to deleverage and equity infusion to embark on a growth trajectory. We are happy to say that both the strategic transactions are now completed and money received in full. These strategic steps have resulted into substantial reduction in our debt, reduction in the interest outflow, and provide with adequate and much required liquidity to bolster the growth which is a great opportunity in the market place currently. Our focus is completely on our execution and ramping up the volume supported by the adequate liquidity and the strong order pipeline. The strong traction is in the markets and also in the order inflows.

The government thrust on the clean energy and the energy security is clearly driving the demand in the domestic market. The 60 GW ambitious government target by 2022 requires the average more than 5 GW annual market size for the next 7 years which is a really very good interesting opportunity in the Indian market. This is more than double the market size in FY2015 such is the growth potential year. The various supportive initiatives are being taken by the government to meet the targets. Accordingly our focus in this year is primary to cater to the Indian market and regain our market share. Our new product technology of S111 which is especially designed for the low wind site which can unlock so many sites in our country and S97-120m which is the largest tower in our country, the hybrid tower, ensure the better energy productions enabling the lower cost of energy which help us in achieving the affordable energy to our consumers. It is a great value propositions for the customers to announce their investment and to increase their volumes in this segment. We have received order over 350 MW for these new products which shows comfort and confidence over our customers in the new product and technology.

Our R&D focus is continuous to reduce the cost of energy from the wind energy which has already achieved the grid parity with the conventional source. So now this product and technology is very competitive to the conventional source and it has entered into the





industrialization phase of the industry. Our in-house technology prowess, reliability product portfolio, best in class service, pan-India presence, and over 2 decade history of the successful installing the wind globally give us the competitive edge in market as the best position to take the growth opportunity. Our pan-India presence give us the wider and diversified market reach, also hedging us against any state specific uncertainty. We are happy to share that our board has approved the Suzlon venture into integrated renewable energy solution provider means to provide the assets to our customer, wind and solar integrated. Our expertise, strengthened resource and familiarity of the wind farm construction in India give us the unique competitive edge which we intent to leverage on going forward. Now I would like Amit to address the detail aspect of our financial performance. Amit hand over to you.

Amit Agarwal:

Thank you Tulsibhai. Good evening everyone. In fiscal 2015, our working capital challenges continued to adversely impact volumes at Suzlon Wind Level restricting us to mere 450 MW. As a result revenues declined 13% year-on-year at Rs. 4,883 crores, however despite the low volumes and revenue, we managed to narrow our EBITDA loss before special items to Rs. 166 crores vis-a'-vis a negative of Rs. 812 crores last year. Primarily due to improved gross margins with gradual normalization of business. Improved profitability as well as reduced fixed expenses have enabled us to significantly lower our EBITDA breakeven levels to around 600 MW, however our finance cost continue to hurt our profitability. There were also a few non-cash special items being written off from Senvion transaction, mark-to-market Forex losses totaling to around Rs. 6,800 crores that impacted as well our net results, however to put things in perspective, last 3 years were truly an aberration in Suzlon's history and was caused due to low volumes constrained by liquidity challenges as well as huge interest cost as a result of higher debt level.

Now we are happy to note that with the strategic initiatives completed, these concerns have been fully addressed. Working capital lines with credit enhancement from DSA have been made available to us. This is in addition to the normal working capital lines extended by the banking consortium. We now have the requisite liquidity as well as working capital facilities to ramp up our volume. Debt reduction achieved from strategic initiative will obviously result in substantial lower interest cost. We are now confident of improving our performance in fiscal 2016 and beyond.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Ankur Dewani from ABP Investments. Please go ahead.

Ankur Dewani:

Congratulations Tulsibhai on the entire restructuring. Obviously it is a great effort and a good job by the whole team. My question is related to the finance cost and I think Mr. Amit might be better suited in this case. My question is what is the breakeven cost for Suzlon for this year in terms of the order book including finance cost?

Tulsi Tanti:

You mean including financial cost what should be the breakeven volume?



Ankur Dewani: Correct sir.

Tulsi Tanti: It is very difficult but it is estimated somewhere at 1,200 MW.

Ankur Dewani: Just a follow up question in that case. The current order book of 1.12 GW that we have in the

presentation, does that have the updated volumes that you have written in the upside to the

order book or would the upside be confirmed or is that still not confirmed?

Kirti Vagadia: Yes, first of our order book is primarily for current year and we continued to take new orders

also. So as you are aware that cycle time for certain small orders in India is not that very high in Indian market. So majority of our order backlog which we have mentioned in presentation is primarily for current year. After that order backlog, also we have announced one order of

ReNew for 90 MW.

Ankur Dewani: 93 sir, I believe.

Kirti Vagadia: Yes, so we have announced one order of ReNew and there is a strong traction on direction of

getting new order. So we are comfortable so far as our internal targets are concerned.

Ankur Dewani: Sir would we able to confirm an order book volume size of 1.6 GW for this current year?

Kirti Vagadia: 1.6, we have not mentioned anywhere. It is basically 3 parts as we mentioned 1,123 which is

an order book as on 31st March. As you know that we have decided to avoid the confusion and always we give on the end of quarter. Then after quarter end, we have announced one order which is 103 MW. So that order has been announced plus as you are aware that wind farm

joint venture is technically 450 MW which one will be spreading in 2 years.

Ankur Dewani: So just to confirm that with the given current order book size of 1.1 GW plus order from

ReNew Power, can we assume that Suzlon should be profitable after all cost and finance

expenses for this year?

Kirti Vagadia: I wish to be but definitely I will not prefer to give any guidance or commitment on this

direction.

Moderator: Thank you. Next question is from the line of Manjeet Buwaria from Solidarity Investment

Advisors. Please go ahead.

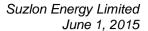
Manjeet Buwaria: I wanted to understand for your incremental orders, what is the revenue per megawatt which

the company is expecting?

Amit Agarwal: Yes, so on the incremental as we are introducing our new models both S111 and S97-120, we

are expecting an improvement in the revenue and which is around these Rs. 7-7.25 crores per

megawatt.





Manjeet Buwaria: So basically all the orders which are there in your current order book should be executed in

this range, Rs. 7-7.25 crores?

Kirti Vagadia: Let me clarify that current order backlog has three things. One is some of the old orders which

we are already having that is one part. The second part there is a scope difference. As you are aware that now market is not all the orders are turnkey orders. There are few orders where our scope is supply and erection which is in our industry popularly known as SIA. So in that case we are not doing the project related part on behalf of the customers and in that case, revenue looks lower on a per megawatt basis. If for the current backlog if do the mathematical

conversion, you will get somewhere close to above Rs. 6.3-6.4 crores okay?

Manjeet Buwaria: Sir existing 1,123 MW would be around Rs. 6.2-6.4 crores.

Kirti Vagadia: Correct because the reason is it is including two things. Few are old orders for old generation

turbines at old price and few are in the lower scope. We are not doing the full scope.

Manjeet Buwaria: I understand sir so basically if you could just give me the amount from current order book in

megawatts which would be applicable for this Rs. 7-7.2 crores revenue.

Amit Agarwal: That would be roughly around the 300 MW.

Manjeet Buwaria: The second question was on what is the net debt today after all the Senvion sale in the DSA

proceeds being received?

Kirti Vagadia: On a steady state basis, you can say that our net debt without FCCB will be roughly around Rs.

9,000 crores. See today naturally cash is received immediately I will not keep it idle and we will put it in a cash credit. So it will immediately reduce to a certain level but gradually we

need to build up the current asset also to support the volume.

Manjeet Buwaria: Sir excluding FCCB, steady state would be around Rs. 9,000 crores.

Kirti Vagadia: It is fair to assume about Rs. 9,000 crores, yes.

Manjeet Buwaria: Just one final question and then I will join the queue again. On the working capital front, what

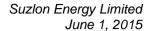
is the percentage of revenues which we expect on a steady state basis to be your working

capital?

Amit Agarwal: Around 8%-9%.

Manjeet Buwaria: 8%-9% of your revenues would be working capital on steady state basis?

Kirti Vagadia: Yes, it is net working capital.





Amit Agarwal: Net working capital, we always talk about the net working capital.

Manjeet Buwaria: You are talking about net working capital. So could you like just give me the breakup what

you include in this net working capital?

Kirti Vagadia: You can refer to our investor presentation where we have given it for past period and currently

in March we are operating at a negative working capital. Slide number 35 gives you all

breakup. In March, we are operating at -13.5%.

Manjeet Buwaria: So that is not sustainable basically, you will move up to 8%-9% of revenue.

Amit Agarwal: Exactly, correct.

Moderator: Thank you. Next question is from the line of Abhinav Sharma from HDFC Securities. Please

go ahead.

Abhinav Sharma: I wanted to understand our plans on the solar energy front?

Tulsi Tanti: Solar, as you know the government target is also somewhere 100 GW to build in 2022. So

what we are going, it is very complimentary resource we can able to build. We are not going for any manufacturing in the solar activity. All the product we can outsource, mainly we will do focus on the overall park optimizations through the wind and solar equipments and to build the capacity integrated way because all the activities which is required on a ground with the government relationships area and operation and maintenance areas all the complementary strength is there. So we are increasing the volume through the wind and solar, both. So many states both the resources are commonly available like Rajasthan, Gujarat, Maharashtra, Andhra, and Madhya Pradesh. So in that the state along with the planning of the infrastructure what we are doing currently for the next 3 years infrastructure plan within that we are adding the certain solar capacity also, can increase our topline and we can utilize our resources on optimized way. So it can add value in our margin increase in through the solar. So this is the

focus area for the solar.

Abhinav Sharma: So have we received some orders around this or is it still in a planning stage as of now?

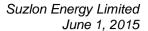
Tulsi Tanti: No, here because as you know the solar is not in FIT means Feed-in-Tariff or Fixed Tarif

mechanism, the way in these wind is there. So we are working to bid in the first phase of the PPA. So we are planning current financial year is targeting somewhere 200 MW to acquire the PPA based on some of the sites in the Madhya Pradesh and the Andhra Pradesh and our target is the current year to get the PPA and then build the 200 MW capacity and then we can sell

that capacity to our same group of customers.

Abhinav Sharma: Secondly I wanted to understand, has there been any increase in off-take or demand from the

accelerated depreciation market so far?





Tulsi Tanti: Yes that demand has improved quite good and we are expecting almost in Indian market

approximately 700-800 MW in the current financial year. The volume, not of Suzlon volume but market volume will remain from the captive retail customers with AD benefit so that

market is taking good shape.

Abhinav Sharma: Lastly I just wanted to clarify this, what is our EBITDA breakeven volume number would it be

so? I heard that we said around 600 MW.

Kirti Vagadia: The EBITDA breakeven is something closer to about 450 MW.

Tulsi Tanti: Kirtibhai, it is 600 MW, at EBITDA level he is asking.

Abhinav Sharma: Because in the earlier conference call, we had indicated that it would be around 450 MW. So

what has changed there sir?

Amit Agarwal: No, basically what happens is as we ramp up the volumes, there are certain facilities to be put

up for the newer product, S111 and that is why we have this incremental OPEX cost.

Abhinav Sharma: Any idea sir then on the volume required for PBT breakeven?

Kirti Vagadia: Yes, PBT breakeven would be something closer to about 1,200.

Moderator: Thank you. Next question is from the line of Sudhakar Prabhu from Span Capital. Please go

ahead.

Sudhakar Prabhu: Couple of questions, so is it possible for you to tell me what was your market share in the wind

market 2015?

Tulsi Tanti: The last financial year, it is approximately 20%.

Sudhakar Prabhu: How do you see the market growing in FY2016 and 2017 and are you confident of maintaining

your market share or improving upon that?

Tulsi Tanti: There is no sense to just to maintain 20% market share. We have to increase our market shares

and we are targeting current financial year at least minimum 35% we would like to achieve the market share in the current year and market size, last year was approximately 2.3 GW size of

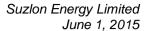
market. In the current year, we are expecting it will be somewhere 3 GW something plus.

Sudhakar Prabhu: Right and what about the year after that, FY2017?

Tulsi Tanti: So then again, it will be somewhere it is 4 GW level it will go market.

Sudhakar Prabhu: And you will continuously improve your market share right from this year 20-35 and probably

after that again you try to increase upon that?





Tulsi Tanti: No our target in the next 3 years to reach our 50% level in the next 3 years.

Sudhakar Prabhu: And sir how competitive is the market now?

Tulsi Tanti: Market competition is not much concern, because mainly demand is much more and supply is

less. It is not the production capacity but how many Megawatt we can able to execute. That is the constraint what is there and because of the market, the requirement is very high. The demand part is very high because 3 segment of the market is there. One is the retail AD based captive customers, this is a 700-800 MW size market. Second group is the IPP, large private equity investors and financial investor is investing heavily, and the third group is all the state and national PSU because that is also coming out almost 1,000 MW of the tenders in the market compared to earlier that momentum is very high. So all the state government and center government is coming with some installation in that. So all 3 front, demand side is quite satisfactory in there. As you know the challenge on the ground is how many megawatt able to execute and build in financial year? I think that will become a size of market. So there is no

pricing, any pressure situations.

Sudhakar Prabhu: Sir in terms of execution other than the finance what would be hindering the execution?

Tulsi Tanti: I think major constraint is the continuous stability of the state-wise policy and the pricing of

the PPA is important because the project is viable, otherwise not viable. It is not a longer period is there. So we are trying to bring a longer period visibility of the policy and pricing both so that momentum can be maintained. So that is the one. Second area is more grid infrastructure availability. It takes time for the executions and other things to build the grid capacity by the state and by the company also. So that is the second challenge and third as you know which is very normal so many years, the acquisitions of the land and site, it always remain the challenge timing point of view. Availability is not a constraint but on volume availability in time. So it is the thing but the best part is that most of the state government after the central government initiatives in the last one year, the state government is going very positively and there are looking also to achieve some of the targets and that is supporting the industries very well. So we do not see much problems, industries will not grow but it will

continue to grow at least by 3-4 years, 30%-40% growth will remain in Indian market.

Sudhakar Prabhu: Sir coming back to Suzlon, right now what would the total capacity for Suzlon?

Tulsi Tanti: The capacity is two different numbers. One is the production capacity, this we have a large

capacity for domestic market and export market. So it is approximately the 5 GW we can able to produce turbine. So that is not a constraint but the ground capacity is depend on policy grid

infrastructure, then project execution capability. So that is the area of the capacity.

Sudhakar Prabhu: Out of your 1,100 MW of order book, how much would be domestic and how much would be

exports?



Kirti Vagadia: I think a major portion is domestic, export is even less than 50 MW.

Sudhakar Prabhu: How do you see the export market growing?

Tulsi Tanti: Export market is also the positively growing. Current financial year approximately 20% global

market growth is there and mainly growth driver is the US market, the one. The European market is more over the stagnant. It is not growing much more but most of the emerging economy market country like the China, Brazil, South Africa, then Mexico, and Turkey. Those

are the markets, are growing very well by 20%-25%.

Sudhakar Prabhu: Two last questions sir. One is out of this 1,100 MW of order book, you said most of this would

be executable in FY2016 right?

Kirti Vagadia: That is correct, right.

Sudhakar Prabhu: Secondly you said net debt as of now is Rs. 9,000 crores, what would be the average interest

cost?

Kirti Vagadia: I think I mentioned in one of the question that our interest cost would be roughly around Rs

800 crores.

Sudhakar Prabhu: Rs. 800 crores.

Management: Something between 800-900 because of the timing difference on repayment but on annual

basis going forward, it will be close to 800 rather than 900.

Sudhakar Prabhu: Sure. So let us assume if you execute 1,100 MW, you should be profitable this year right?

Kirti Vagadia: I would stay away from commenting on that.

Sudhakar Prabhu: No problem sir. Wish you all the best and thank you, thanks for the call.

Moderator: Thank you. Next question is from the line of Ankur Dewani from ABP Investments. Please go

ahead.

Ankur Dewani: Sir once again it is a sort of follow-up on the previous gentleman's question, do we have a

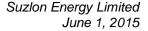
number which is like total projected volume number for the current financial year?

Kirti Vagadia: We do have for internal purpose but we would not be giving, you mean for Suzlon right?

Ankur Dewani: Yes sir, just total consolidated projection.

Kirti Vagadia: Consolidated projections we do have for our internal purpose but as the company policy, we

will not be guiding to market.





Ankur Dewani: Sir could you tell us that what portion of that or what percentage of that projection, not the

absolute number but just a percentage would be from the overseas market assuming you would

just try to test new product in the US?

Kirti Vagadia: First of all let me clarify that we continue to have certain operation and maintenance revenue

from international market as a part of our revenue. So on OMS revenue, you can say that roughly about 40%-45% of OMS revenue or service revenue is coming from a global market, non-India market. That is one. So far as turbine business is concerned, it is fair to assume that

my export will be in the range of about 50 MW only in a current year.

Moderator: Thank you. Next question is from the line of Mr. Kai Ting Wong from Deutsche Bank. Please

go ahead.

Kai Ting Wong: The first question in terms of execution, should we expect big increase in order and delivery in

the first quarter of FY2016? Could the understanding Q3 and Q4 because of working capital constraint, the delivery is much lower, should we expect much better improvement in first

quarter this year given you have got all the funding?

Kirti Vagadia: Definitely we have been ramping up our operations. So naturally it will be better volume as

compared to Q4 because we have got enough working capital for executing Q1 related business volumes, however you cannot expect that it will be a very steep ramp up. It will be a gradual ramp up and naturally on an annual breakup if you see Q1 normally is lower

percentage of annual volume. It is not a straight, I would say simple average among all four

quarters. Naturally we will be ramping up in a hockey stick approach.

Kai Ting Wong: Understood and can I also understand about the seasonality for the order wins like which

quarter should we expect more order wins, is that going to be the second and third quarter?

Kirti Vagadia: Normally fourth quarter, which is January-March quarter is highest volume I would say.

Kai Ting Wong: Understood and in FY15, just a rough calculation that the order win is about 340 MW and just

want to know how it is if I compare with your peers in the industry and it seems like when you compare it to the other listed company, Inox order wins is slightly less, is there any reason for

that and how do you expect more orders in FY16?

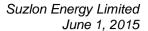
Kirti Vagadia: First of all we will stay away from commenting on any of our competitors. That is the first

related challenges were not aggressive in taking new orders. We have been extremely careful in taking new order because we wanted to maintain our policy of meeting our commitment to

thing. Secondly in previous year, we as a company mainly because of our working capital

our customer. So we have carefully chosen not to take certain order unless we have clarity on the resources to execute those orders. So it is not a question of we getting the order, it was a

question of we taking the order.





Kai Ting Wong: Understood and is there also risk for any order cancellation because in the last few years, you

obviously have about 1 GW of order in India but you did deliver about 500 MW of orders. So

if any order cancellation

Kirti Vagadia: Not any major order is cancelled as my previous answer was very clear that we have been

extremely careful in taking new order and that clearly indicate that I did not wanted to go into the trap of cancellation or liquidated damage. Basically company is careful in meeting its

commitment.

Kai Ting Wing: Understood and last question I saw from the news that you have actually won another

equipment contract for 98 MW from Mytrah Energy. So is that included in your 1123 MW that

you say if one order is not included.

Kirti Vagadia: It is included in my 1,123 MW which is already there because in case of Mytrah we had a long

term business purchase agreement backed up by advance and 1,123 MW include that as well.

Moderator: Thank you. Next question is from the line of Shubhankar Ojha from SKS Capital and

Research. Please go ahead.

Shubhankar Ojha: Just wanted to understand you mentioned that our current market share is 20% and we

visualize the next year, our market share will be jumping to 35% and the market size you

mentioned that currently is 2.5, it will grew to 3 GW next year.

Tulsi Tanti: Next year means current financial year?

Shubhankar Ojha: FY2016?

Tulsi Tanti: Yes, so current financial year, market size will be somewhere 3 GW plus.

Shubhankar Ojha: 3 Gigawatt that translates into around our share will be around 1,600-1,700 MW? Our target

basically you envisages that our market share to grow from 20%-35% next year?

Kirti Vagadia: Mathematically 35% of 3,000 comes to 1,050.

Shubhankar Ojha: 1050.

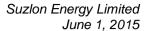
Kirti Vagadia: Mathematically, I am not committing any volume.

Shubhankar Ojha: Our execution will be around you mentioned that 1,100 MW will be executed this year itself.

Kirti Vagadia: No, I mentioned that our order backlog is 1,100 and we are winning more orders.

Shubhankar Ojha: Of the current 1,100 orders, we are expecting that it will be executed this year itself that is

FY2016.





Kirti Vagadia: Yes, major portion of that will be executed this year, yes and there will be new order win also

for current year.

Shubhankar Ojha: Any guidance in terms of how we are looking at order inflows this year?

Kirti Vagadia: Unfortunately will not give guidance so far as any of our volume is concerned but generally I

would say that we will be comfortable in having about 12 months visibility on an order

backlog side.

Shubhankar Ojha: At any given point of time, every quarter will have that visibility.

Kirti Vagadia: Exactly.

Moderator: Thank you. Next question is from the line of Shabad Thadani from Arkkan Capital. Please go

ahead.

Shabad Thadani: Just a few questions, did I hear correctly that your EBITDA breakeven volume is 600 MW?

Amit Agarwal: Yes.

Shabad Thadani: Just on the order book you are sitting on over 1.1 GW now. What is the age of the order book?

Kirti Vagadia: Age of the order book, what do you mean by age of the order book?

Shabad Thadani: In terms of over what period of time have you accumulated those orders? Is that all been in the

last 12 months or is it?

Kirti Vagadia: No, some of the customers even waited for 3 years to get certain volumes executed. So it is not

something which we won in last 12 months. In last 12 months, we won about 350-400 MW. So

there are orders which we won long back also.

Shabad Thadani: So I guess what is the delay in executing those orders, is just been the working capital

constraints or is there something else?

Kirti Vagadia: It is working capital constraint and naturally certain customer chosen to wait for those

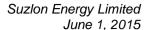
execution.

Shabad Thadani: Understood and in terms of customer concentration, how many customers makeup that order

book of 1.1 GW, is it fairly concentrated?

Kirti Vagadia: No, I think it is widespread. I would say that this 1,100 probably might be including more than

about 12 customers.





Shabad Thadani: Just on the on-shore debt obviously you repay some debt now with proceeds from this Senvion

sale and the equity infusion; is there an ability to reduce your cost of on-shore debt or is that

fixed at 11%?

Kirti Vagadia: I think majority of bank base rate is about 10.5. So I am getting one of the best rate today.

Shabad Thadani: If I just look at the Suzlon Wind business, it seems you have implied ASPs have been trending

in around Rs. 6-7 crores per megawatt over the last 3 or 4 quarters but in the last two quarters, it has been slightly higher than that. So can you just walk me through what a normalized

number would look like?

Kirti Vagadia: No, normalized number I think Amit has already mentioned that the normalized number on a

full scope basis would be around Rs. 7 crores. Last 2 quarter is something which is a disproportionately higher portion of maintenance or service revenue. As you know that we did lower megawatt in a volume that is why what happens that service portion which is steady

state business revenue that also kicks in and once you see both number in a combined basis,

then the per megawatt looks higher.

Shabad Thadani: That is fine. I will just follow up offline and if I look at the gross margin, you provided

obviously standalone numbers for this Suzlon Wind business. In FY2015, your gross margins were about 36% versus around 31.5% for the consolidated business. So can you walk me through what the gross margin difference is between your India volumes versus your overseas

volumes?

Amit Agarwal: Yes, basically on the consolidated margin, you may have considered also the Senvion and

other business and when you talk about the India Business that is just the Suzlon Wind

business.

Shabad Thadani: So If I think about just your Suzlon Wind business, right, but Suzlon Wind also has I guess

non-India installations. So what is the gross margin difference between what you are actually

doing domestically versus overseas?

Amit Agarwal: Which is very low for this year as Kirtibhai mentioned it is sub 50 MW orders for the

international business from Suzlon Wind. So primarily it is a domestic business.

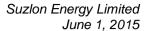
Shabad Thadani: So then it is safe to conclude that your Suzlon Wind business has a gross margin pickup of

about 400 odd basis points, is that fair?

Amit Agarwal: Yes, it is higher.

Shabad Thadani: Then in the slide that talks about your OMS business, it has contribution margins in the 50%

range, is that a gross margin or an EBITDA margin number?





Tulsi Tanti: 50% is gross.

Shabad Thadani: Great and previously you guys have talked about CAPEX for the Suzlon Wind business being

around Rs. 100 crores per year just on maintenance, any change to that number?

Amit Agarwal: We maintained that same maintenance CAPEX.

Shabad Thadani: Got it and just lastly on the EBITDA number, there is a liquidated damages for Rs. 173 crores

right? What exactly is that and which quarter was that recognized in the fiscal year? There is a

liquidated damages number of 173 crores that was backed out of EBITDA?

Amit Agarwal: Yes, these are some of the orders which have been executed in the overseas market which were

delayed because of liquidity challenges and that is the result of such delay the liquidated

damages has been incurred.

Shabad Thadani: So does that mean I guess you have to execute the order but you did not receive I guess the

pre-agreed amount for it or I just not understand what exactly liquidate damages means?

Amit Agarwal: It is delay in completion of those contracts.

Moderator: Thank you. Next question is from the line of Manjeet Buwaria from Solidarity Investment

Advisor. Please go ahead.

Manjeet Buwaria: I wanted to understand what is the revenue per megawatt for your O&M business?

Tulsi Tanti: No, it is very difficult because OMS is a cumulative megawatts, 14,000 MW are the total

installed basis there. So it is different contracts from the year 1 to year 20, so different rating is there but ballpark number Amit can give total of 14 GW is the installed base and total

revenue?

Amit Agarwal: So it is around Rs. 11 lakhs per megawatt across the geographies?

Manjeet Buwaria: Like on a steady state business the contribution margin in O&M could be expected to be in the

range of 50%?

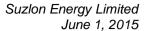
Tulsi Tanti: It is a gross margin.

Manjeet Buwaria: Yes, the contribution margin basically is 50% odd as the presentation mentioned. So that is the

steady state thing one can assume right?

Amit Agarwal: Yes, that is a steady state, yes you can assume that.

Manjeet Buwaria: In WTG what would be the steady state contribution margin?





Amit Agarwal: Only turbine we can consider comfortably 24%-26%, in that range.

Manjeet Buwaria: Amit in that case, I just wanted to get a sense on say maybe 2-3 years out, on a steady state

basis, EBITDA margins would we able to go up to 15-16% which is the industry norm or?

Amit Agarwal: Correct yes.

Tulsi Tanti: In the 3 years span, yes.

Amit Agarwal: Yes, we can consider that level.

Manjeet Buwaria: So over 3 years, a 15%-16% EBITDA margin could be possible?

Amit Agarwal: Yes.

Manjeet Buwaria: One question I had was on the Rs. 800 crores interest cost amount which was mentioned on

some gentleman's question. So what I was trying to figure out was your rupee debt today is Rs. 9,000 crores expected on steady state basis. So this Rs. 800 crores that does not tally up, is

your interest cost less than 10% basically?

Kirti Vagadia: Yes, it is first of all mix of rupee and FOREX debt, that is one. Secondly even this cost also

includes some of the bank charges on letter of credit and bank guarantee as well.

Manjeet Buwaria: Right but the Rs. 9,000 crores steady state debt that is just the rupee debt right excluding the

FCCBs?

Kirti Vagadia: Excluding FCCB, yes and I did not say that it is rupee, it is mix of rupee and dollar both.

Manjaeet Buwaria: The Rs. 9,000 crores.

Kirti Vagadia: Yes, that is correct.

Manjeet Buwaria: So after all, like paying back the debt which you have received the proceeds from Senvion plus

DSA, after that your rupee debt plus the FCCB debt would be around Rs. 9,000 crores?

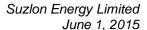
Kirti Vagadia: Foreign currency and rupee, FCCB is separate, what I mean.

Manjeet Buwaria: Foreign currency and rupee would be Rs. 9,000 crores.

Kirti Vagadia: Correct.

Manjeet Buwaria: FCCB would stay as per your presentation?

Kirti Vagadia: Interest cost include even interest on FCCB as well.





Manjeet Buwaria One question I had was like when you mentioned the industry is expected to grow around 30-

40% over 3-4 years and we would expect to gain market share further from this 20% in FY2015. So you are fairly confident that over 3-4 years, you will be growing faster than 30%-

40% on our volume front. Would that be a fair assumption in my part?

Tulsi Tanti: Yes naturally.

Manjeet Buwaria: Right and one final question for me would be the maintenance CAPEX of Rs. 100 crores.

Other than that, is there any CAPEX expected by the company over the next 3-4 years?

Amit Agarwal: Yes, the maintenance CAPEX is around the Rs. 100 crores. That is correct.

Manjeet Buwaria: Excluding that is there any substantial CAPEX which the company has?

Amit Agarwal: Yes, the other CAPEXs as we talked about that we are building for our newer product the

blade facilities. So that would also be required to incur in this year and next year which is in

the range of Rs. 150-175 crores.

Manjeet Buwaria: Spread over 2 years.

Amit Agarwal: Yes.

Moderator: Thank you. Next question is from the line of Dipen Seth from HDFC Securities. Please go

ahead.

Dipen Seth: So when I look at some of the numbers there is just a little query I have, your reported

EBITDA for the full year is Rs. -833 crores, correct and your adjusted EBITDA as you call it before special items is Rs. -166 crores, right. So the difference is 667. So I am assuming that you are treating the entire exchange loss of Rs. 495 crores as a special or an exceptional item. I do not know whether you are doing that but it is still not enough to fulfill 667. So I have been a little lazy and not taken a look at your formally declared financials on the stock exchange, I am just looking at the table you put in the presentation but it might help if you kind of explain

what the Rs. 667 crores special items are if you have a breakup or if you can reconcile it for

me?

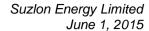
Kirti Vagadia: Dipen if you can see our Slide number 12 where we have mentioned the breakup that 495 is

coming from Forex and liquidity damage is Rs. 173 crores.

Dipen Seth: That answers my question. So this is one part. Now the second thing is that your services

revenues out of Rs. 4,883 crores for the full year is as much as Rs. 1,454 crores, right?

Kirti Vagadia: That is correct.





Dipen Seth: That comes at more than a 50% gross margin. So maybe more than Rs. 700 odd crores or 727

or whatever at the bear minimum would be the gross profit coming in from the services

business right?

Kirti Vagadia: Right.

Dipen Seth: So ex-services you are at about a Rs. 1,000 crores of gross profit, right?

Kirti Vagadia: Right.

Dipen Seth: Now what that means for me is that I mean it looks to me that you are a very high fixed cost

business that you should still be reporting an adjusted EBITDA loss if I take away the services part of the business, then on the Wind business ex-services, you are still running very high fixed cost and while they may look smaller as you ramp up volumes, is there an absolute

reduction possible in the fixed cost?

Kirti Vagadia: It is first of all I think I will not agree with your statement because the fixed cost is not only for

one business, fixed cost is for both the businesses which is Turbine business as well as Service business and Service business is also having that fixed cost on manpower and OPEX which is already part of our fixed cost. So that is number one and number two statement I would make that, there has been a significant amount of reduction so far as fixed cost is concerned in the company in last three years. So there is a less amount of scope. During this challenging period,

definitely we worked very hard on fixed cost.

Dipen Seth: It might also help if you are able to specify an EBITDA earning that you made on the Services

business that is not clear.

Kirti Vagadia: It is possible but it will be partly inaccurate because how do I specify that corporate service

which is being used by Service business as well as Turbine business, how do I segregate? So I need to do a lot of assumption work for doing that and I do not want to do that just to misguide

or giving some inaccurate number because it need to be on the basis of several assumptions.

Dipen Seth: So if I just assume a 50% gross margin on the Services business, can I at least safely assume

that at least your salary cost are much below this.

Kirti Vagadia: Yes, definitely.

Moderator: Thank you. The next question is from the line of Alok Katre from Societe Generale. Please go

ahead.

Alok Katre: I had three questions really around the market and Suzlon strategy if I may. Firstly on India,

some of the competitors have gained significant market share primarily because of course and

the financial difficulties and therefore lower volumes at Suzlon. Now you said you are

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targeting returning to 50% market share in 3 years. What I am trying to understand is first and foremost what should drive that market share gain from some of the competitors and then should that gain really be from some of the smaller OEMs where sort of let us say mushroomed over the last few years or do you see taking shares from all your competitors including the foreign or domestic player. So that was the first question and then I will ask the other two later

Tulsi Tanti:

First of all we are not targeting to eat my competition share. Market size itself is increasing substantially. So I am more targeting to grab the growth of the market which is more possible for me because we are well positioned on Indian market last 20 years. We are not just started business in Indian market. The second is we have in house full value chain manufacturing capability and capacity in the country which is capacity utilization is very low. The third is 9,000 MW installed base capacity, 1,600 customer base, and in 8 state our project is running and under construction of the projects. So we have a very much risk on execution side and the major bottleneck over the last three years, we are working for the liability management because of the lots of uncertainty of the global market and our financial instability. I think we have spent a lot of time on that. Now we have a huge positive liquidity, bankers support are excellent, customers are extremely interested because any financial investor or any local investor is coming to India, Suzlon is the only Indian company as a global player. They are very comfortable to go ahead with us to work on that. Same time it is tailwind from the government side. So I think all this put together I am very much interested to expand the market, increase the cake of the market and grab that faster that everybody get some good business and same time I can increase my market share. I think that is our strategy for Indian market.

Alok Katre:

Right, I completely appreciate but then let us say the market goes 2-2.3 GW in FY2015 to let us say on an optimistic basis assuming the government's target is met and let us say 5 GW in let us say 3 years' time or 4 years or 5 years' time.

Tulsi Tanti:

Yes, it will go 3, 4, or 5.

Alok Katre:

Yes, somewhere around that. If Suzlon's market share has to increase from 20-50 even between let us say 2.5-5 GW sort of market, somebody has to also lose out right. So I am just trying to understand okay let me put in this different way is there or do you see some of the smaller companies at risk saying okay you know now that Suzlon's balance sheet is strong and therefore you can take the orders that customers were coming to you for more comfortably and then the customers itself will not let us say be forced to go to the other companies because they now have accesses to your let us say execution. So is it essentially I was trying to understand is okay, if Suzlon has to gain, then somebody has to lose and because it is ultimately sum total has to be 100. So do you see let us say the smaller company is at risk of losing their customers or do you essentially see okay the market expands and then everyone sort of makes a little bit more but Suzlon just makes a lot more and therefore...



Tulsi Tanti:

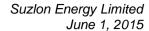
I think the Suzlon coming back, two impact will be coming in the market. First of all most of the large IPP will be comfortable to get the certain capacity so that I can able to satisfy them very well. So they do not require to go here and there because they need volumes, they need enough speed so which is one of the things. The second is it is state-wise, suppose some companies are depend on some states, depend on those policy situation, it can affect not because of the market. Third we have the next generation turbine which is S111 giving a 20% more energy output which will create market pricing pressures. So that will become an impact on not just on the market share but it also a margin impact will come and the if the company like us we have to invest continuously in a huge budget in R&D and technology area to bring down the cost of energy down in continuously and which we have a huge strength on that area because of the full integrated supply chain in India and fully established technology expertise on a value chain. So we can bring down cost of energy, so we can maintain our margin positions but same time we can utilize the inefficient or low wind site in the market place so that we can expand the size of the market by that way. So that is a continuous challenge for any OEMs, will remain. So it maybe some impact on our market share, some impact on our margin, the growth will come I agree.

Alok Katre:

The second sort of question was generally in terms of capacities in the market and therefore is there sort of a normal capacity? That is where I am coming from because I think from what I read the overall production capacity is India is around 9-10 GW and even if you assume as I said optimistically that we reach 5 GW per annum as the government sort of implied numbers suggest, we are still saying okay on average range, the industry will be operating still at 50% utilization levels. Again if you look at the Suzlon's own capacities, I think you mentioned the number of 5 GW, maybe you can correct me if I am wrong and if you assume a 50% sort of share of the 5 GW market size, then still means at best the domestic volumes will only satisfy 50% of your capacities. So what I am trying to sort of guess is there a need therefore to for either for Suzlon and/or for the industry to perhaps reduce some of this excess capacity because all this excess capacity obviously can create a pricing pressure as well at some point even if not today.

Tulsi Tanti:

I think production capacity is not much important in our industry because anybody can build any size of the capacity and put on some CAPEX. The most important, how many megawatt possible to execute and commission within the 365 days, I think that is the important capacity of the country is there. In that three huge barriers are there, one consistent state level policy not only the framework but also the pricing to make a project viable, second is the availability of grid infrastructure, the capacity in a time, and the third is execution of the projects and land acquisitions process. So these are some of the constraints if you can able to reduce which is the efforts we in industries are doing so that we can go from 3 GW to 5-6 GW level. It is possible to go like that. So that will go, then that is the right capacity. Production capacity is not much important.



SUZLON POWERING A GREENER TOMORROW

Alok Katre:

Lastly really just wanted to try and understand a bit more on your strategy in the US, the reason why I sort of ask is over the last sort of couple of years, there has been a lot of volatility because of the PTC and you know the way it is sort of maybe renewed, may not be renewed than last minute expansion and so and so forth. So my question in that sort of case is first and foremost where do you see the opportunity in the US given of course we know GE, Siemens and Vestas being so strong as they are historically as well and then second is looking at it a little bit from a big picture sort of thing is whether Suzlon really needs to be in the US or is it just going to be the opportunistic sort of contracts that you are going to be looking at?

Tulsi Tanti:

No after India, we are seriously looking second market as US which has remained earlier also. Today we have a 2.7 GW running assets and service revenue is coming from USA. We have developed the S111 60 Hz cycles turbine, already we have commissioned in the US also the one turbine and we have already started our sales process and actions in the US market to provide this product because it is very good suitable product for the US markets and it is very competitive and as you know the oil prices gone down, also the shipping cost has reduced substantially down. So for me is a very good the viable because the currency of rupee-dollar is also good level. So it is a good opportunity for Suzlon to export the manufacturing capacity from India to US. So we are again back in the US market to start working but current financial year, our all the capacity will be utilized for India and from next year, the US export will start.

Alok Katre:

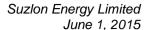
So is it fair if I say that outside of India, US is your key market and you would prioritize the US over any other and sort of market opportunities that might come up?

Tulsi Tanti:

It is not just the US we have focus market. We are going four hub strategy. One is the India hub, with India and surrounding country. Second hub is the North America, is US, Canada, and Mexico will be taken care from that hub and third hub is Latin American market hub and fourth, we are going again back to China more aggressively in fourth hub in China because it is 20 GW size market and now we have a product which is extremely competitive and I can able to compete with the Chinese player within the China and 1.2 GW is already running assets we have in China and because of that performance, customers are extremely interested the Suzlon product where they are looking we should come back. So as a joint venture partners, we are going in China. So these are the four hubs, is our aggressive strategy. The first year, current year is India, the second year we will focus more aggressively India and USA and Brazil and the third year, we will go India, US, Latin American, and China. So this is the three years of our strategy to consolidate our position in the global market and these are the hubs, are almost 70% of the global market. We are focusing more aggressively. Next three years, we are not looking any business for the European market because it is more stagnant and extremely competitive market but these are the growing economy markets is there but within Europe, we will focus only one Turkey market.

Alok Katre:

These are sales hubs there you are talking about, not production. Production will still be in India completely?





Tulsi Tanti: No, production partly like in Latin American market, production will be in the Latin American

market. China hub, the production will be in China. India hub, India and US, we supply from India but maybe because of the bigger rotor dia of the next generation of machines, the rotor

productions will be there but not in-house, outsource strategy.

Moderator: Thank you. Next question is from the line of Ruchit Mehta from SBI Mutual Fund. Please go

ahead.

Ruchit Mehta: Just to better understand for you to execute the 1,100-1,200 MW of order book that you have

in terms of the ancillary services such as the contractors on the ground, cranes etc., what is the extent of tie ups that we already have and secondly on a run rate basis, how many can you actually execute on a month-wide basis because I guess in the monsoons it will get a little more difficult to sort of erect the towers and you would probably to do a little more back-

ended into say in the third and the fourth quarter.

Tulsi Tanti: I think it is more on a seasonal situation because quarter two is partly because of the monsoon

and other thing, it is lower, but capability of the infrastructure execution is between 50 MW to

150 MW per month is possible to execute.

Ruchit Mehta: That will be say roughly about say 75 installations in a month and I guess you need what at

least about 150-200 cranes to install something like that. So do we have such infrastructure in

place?

Tulsi Tanti: Crane is not a bottleneck in the industries today.

Moderator: Thank you. Next question is from the line of H. R. Gala from Panav Advisors. Please go

ahead.

H. R. Gala: One of my questions related to CAPEX which you have already answered, sir the growth

profile etc which we are talking about does not take care of these products and hub because I think that may take some time to set up and for that what kind of CAPEX will require to set up

the Latin America and Chinese production basis?

Tulsi Tanti: First of all India we have a full manufacturing capability. Just we are adding three production

facility for the rotor blade in three different state because of the bigger rotor and to reduce my

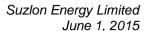
logistic cost substantially. So that is one CAPEX.

H. R. Gala: That is included in your normal CAPEX of 100 crores and you said about 150-175 crores for

setting up the new facilities.

Tulsi Tanti: Yes, that is in the two years we can build. China we do not require immediate any CAPEX, we

have a full-fledged production capacity in China, we have already. So there is no need there.





The US also we are not doing any immediate investment but for the rotor blade and tower, we have to outsource within the USA. So that is the vendor development activity only will come.

H. R. Gala: Rotor blade and which is the other item?

Tulsi Tanti: Tower. Brazil, it is mandatory because of the country's regulations and the policy point of

view we have to produce 100% within the Brazil. So for that some CAPEX investment comes

but not in current year but it is second and third year.

H. R. Gala: How much would be that CAPEX be roughly for Brazil?

Tulsi Tanti: It is early to predict but approximately it will be 100-150.

H. R. Gala: That would be more or less manageable. So that will give tremendous fillip to our growth

plans, is it not, beyond what we are talking about is possible on the India?

Tulsi Tanti: First our aggressive strategy is to satisfy my Indian customers to deliver the project in time. So

that is the highest priority and that is why we are not taking too much orders and the customer wants also the project should be completed by March because of some of the state policy is

changing year-on-year. So they do not have second financial year policy visibility, some state policy visibility is there and some of the state is coming like Maharashtra policy yet to come.

Like Gujarat is also waiting to change, so all this uncertainty of the policy, customer is looking

this financial year. So this financial year whatever we want to deliver we are going ahead.

Same time the retail, the customer which is AD based, they will come after the September so we are keeping some capacity for them to execute. So number one priority to deliver project in

time. Number two is to ramp up the volumes of the projects, infrastructure and everything. So

current financial year, we are investing good pipelines because we have not invested last two

years and whatever the liquidity we have, we are going aggressively building the capacity for

next two years to invest in the land and infrastructure pipelines. So the capacity should be available and our target is to reach at least 50% market share within the next 3 years so that is

the first approach. Same time, simultaneously once we satisfy all this things, we can focus on

where our setups are very strong China, US, and South America, these hubs are very strong we

have and to leverage that and prepare ourselves in the next 2 years to be ready for the next phase of the emerging economy market growth of US, Brazil, and Mexico and those markets.

So that will bring us the additional volumes and also to focus on Indian market of wind and

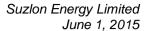
solar hybrid projects so we can increase our topline by setting up the integrated and we are

preparing ourselves for the offshore wind in Indian market.

H. R. Gala: Sir what kind of EBITDA margin we will be looking at in these markets?

Tulsi Tanti: Which market?

H. R. Gala: I mean this China, US, Brazil, Mexico etc.





Tulsi Tanti: So China is low, US is low compared to India. Brazil is equal to India.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I would

now like to hand over the floor back to Mr. Tulsi Tanti for his closing comments. Over to you

sir.

Tulsi Tanti: Thank you very much. I would like to conclude by saying that the road ahead is very clear and

have a good tailwind. The various steps taken by us have permanently corrected our balance sheet and will enable us to ramp up our volumes and increase the business efficiency across the board. With the ressurgence of Indian wind history, given the government's thrust on the clean energy and the energy security, the favorable condition in place, we are confident that we will play a significant role in Indian missions to clean and affordable energy to all. So thank you

very much for joining with us today. Thanks a lot.

Moderator: Thank you very much sir. Ladies and gentlemen with that we conclude today's conference call.

Thank you for joining us. You may now disconnect your lines.