“Suzlon Energy Limited Q2 FY17 Earning Conference Call”

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Moderator: Good Day, Ladies and Gentlemen and Welcome to the Q2 FY17 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. J.P. Chalasani. Thank you and over to you sir.

J.P. Chalasani: Thank you. A Very Good Evening to each one of you and thank you for joining us on this call.

I have with me Shri Tulsi Tanti – our Chairman and Managing Director; Kirti Vagadia - Group CFO as well as our Investor Relations team.

I presume that you had a chance to go through the investor presentation which we uploaded last Friday.

I will share some key aspects of our overall performance and then Kirti will take you through financial performance in greater detail, post that we will be happy to take your questions.

At the outset, I wish to reiterate with all humility Suzlon is returning back to its preeminent position in the Indian Renewable sector as well as global. We have weathered the storm and emerged stronger and resilient. Our journey of resurgence is through concerted efforts to achieve operational efficiencies, ramp up of volume and maintain control over entire spectrum of cost, be it fixed or variable. We are glad to see that our efforts to achieve sustainable and profitable growth are fructified as can be evidenced in our Q2 results.

I wish to share our growth plans and priorities in near future as well as the long-term. We will continue to focus on the domestic market and select international geographies. We will maintain our leadership in India and further increase our market share. We believe that it is an opportune time to be in Renewable Energy business in India given the conducive policy environment. Specifically for Renewables, the government recent policy impetus in terms of repowering policy approval, revised RPO trajectory and 1 GW plus development through competitive bidding via Inter State Transmission System with zero transmission charges, we presume will further bolster and incremental demand for Renewable Energy will come up in India. We continue to focus aggressively on project pipeline development and execution. Our technology edge is a biggest asset and we will continue to invest and focus on it to bring innovative and high yield products which will unlock the market as well as reduce levelized cost of energy.

Here, we are happy to share that the prototype of our new product S111 120m hybrid tower wind turbine which we installed in April 2016 had just completed seven months and is performing extremely well. We are confident that it will deliver 40%+ plant load factor as we have been guiding from time-to-time. We are confident that we will maintain the growth momentum on all fronts and endeavor to become one of the best renewable energy companies in the world.
With this now I will ask Kirti to address the detail aspects of our financial performance. Kirti, over to you.

Kirti Vagadia: Thank you, JPC and Good Evening to all of you. I am delighted to share that Q2 FY17 financial results which demonstrate our sustainable and profitable growth. In Q2 our revenue at Rs.2,746 crores have increased 57% on YoY basis and 66% on QoQ basis. This has been the result of 73% QoQ jump and 56% YoY jump in volume at 353 MW. Volume ramp up led by new products and strict cost control measures enabled 21.3% EBITDA margin and net profit of Rs.238 crores in Q2. Our EBITDA margin for Q2 is additionally impacted favorably due to combination of various factors like higher portion of OMS and SE Forge business and lower portion of project business due to lower commissioning; the second factor is favorable product mix and third one is advantage of inventory purchase at lower commodity price level.

If you look at H1 FY17 sales volume is now at 557 MW which is 29% higher as compared to last year. Our strong order backlog of 1136 MW in wind and 280 MW in Solar for FY17 give us a clear visibility for H2. Net working capital now stands at 24% of LTM revenues primarily due to following factors - #1 is inventory built up to cater the strong H2 volumes, temporary receivable built up due to 66% quarter-on-quarter revenue growth in Q2. These are non-sticky regular outstanding being recovered in Q3. We believe net working capital as a percentage of revenue will decline with strong H2 performance resulting in higher trailing 12-month revenue base. Despite increasing NWC we have kept our interest cost in control and major portion of NWCs funded from creditor, advance from customers and internal accruals. We remain focused on tapping business efficiencies and execution and continue to monitor and control our fixed cost and long-term debt. We continue our efforts lowering COGS through help of technology to maintain our competitiveness.

I wish to conclude by sharing another good news that our efforts are being validated by upgraded credit rating for our domestic banking facility by Care to Investment Grade BBB from earlier BBB- and we have also announced for SE Forge credit grade upgradation today itself. Thank you.

J.P. Chalasani: Thank you, Kirti. We will now take any questions you may have.

Moderator: Thank you very much. We will now begin with Question-and-Answer Session. The first question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

Bhalchandra Shinde: Sir, regarding our post FY17, I would like to know your perspective like most of the incentives will get over by FY17 end, so probably current volumes may not be exact reflection for the kind of a volume growth or installations might happen after FY17. What kind of incentives or other features which provide that kind of confidence to continue with this kind of installation.

J.P. Chalasani: I do not know, but you are saying with certainty the concessions are going to end, but at least I am not aware that anywhere it is announced that concessions are going to end on this. There is a debate about what would happen to the GBI and for this and there are different versions coming
up and GBI would continue in different form and various aspects of it. But as we speak irrespective of what would happen to the policy support post 1st February, in the market when we are talking to the different clients, there is a strong demand for booking order for next year as well and we have been now talking to the various clients and we are now actually discussing the proposals for the next year, which at least we have not seen any decline in interest in terms of investors for adding capacity next year as well. So our current position is that the demand for wind power renewable energy for the next year in FY18 as well would continue in a similar manner like what it is today. Keeping in the long-term vision of India which is declared 175 GW of renewable energy and 60 MW of wind power, and looking at the Government of India’s recent policy announcement, now enlarging the whole canvass of wind power from just the wind resource states to all the states through Inter State Transmission System… interstate transmission charges being zero, in fact, in my opinion the canvass, the demand for the wind renewable capacity is going to actually increase, earlier it was only got restricted to those eight states where there was wind available on this.

Tulsi Tanti: So, just to add there is an uncertainty of the policy and that is why some of the speculation is there. But the demand is good and based on the technology evolution and competitive edge is increasing, reducing the levelized cost of energy, we are quite confident and comfortable at least compared to current financial year, next year market will grow at least by 20%.

Bhalchandra Shinde: Now there will be a competitive bidding on the tariff. So I guess we are not yet experiencing that kind of impact because we are really operating at a really good efficiency level, that is why our profitability is good. So what kind of an impact you see because of this competitive tariff? If at all if it is going to happen by when it will start reflecting into the everyone’s profitability.

J.P. Chalasani: First of all, our firm opinion is competitive bidding is going to enlarge the market as we said in my previous answer, the market will enlarge from those just eight states to all over India because now the non-windy states will start buying power as well and some of the windy states which are actually not doing much in the wind power now, from those states they can actually export power to the non-windy states and with zero transmission charges it has no commercial impact as well. So therefore #1 the market is going to significantly enlarge in terms of the demand as far as we are concerned. Second is in terms of the tariff I see the point you are coming from looking at what happened in the Solar sector. I think the Wind is a completely different sector. Even today you have a different tariff in different states, different FITs, so you are still going ahead and doing the market on this. It is a function of the wind resource which state you are bidding in and various aspects of it. So therefore because it is so site-specific on this, we expect that you do not see fluctuations in terms of the tariff what you are seeing in solar to that extent, this band is very-low. So our assumption at this stage is that the market will improve and you will not have a significant impact in terms of the tariffs, these are being extremely site-specific and wind resource-specific.

Moderator: Thank you. The next question is from the line of Umesh Raut from B&K Securities, please go ahead.
Umesh Raut: As you mentioned in our opening remarks, first of all on product launches that actually kind of help for the magnificent top line growth, so could you please elaborate more about this, I mean, what kind of initiatives you have taken during the quarter for the product launches, for the stricter control over the fixed cost or the variable cost?

J.P. Chalasani: On the product launch wise, as we announced earlier that the 111 90 which is already on the commercial thing and we launched the 111 120m the hybrid tower wind turbine which we commissioned prototype in April, we got a certification for that. Right now in fact the PLF is much higher because we just crossed the high wind season but evening out for the low wind season as well, we expect the PLF of that to be north of 40% which we have given a guidance earlier and the results whatever we got the first seven months reconfirm that this will be north of 40%. On top of it, we are also now developing the S128 which product as we guided earlier should come end of next year and this which we expect again should have somewhere around 10% the levelized cost of energy reduction on this. So, we have 111 120 which is now prototype tested, certificate issued, and we are expecting 40%, then we have S128 2.6 MW for the Indian market which will get launched and then we also have S128 3 MW capacity which will get launched for the international market.

Kirti Vagadia: Just to add on cost front, with the help of technology we are constantly working on value engineering and try to reduce our cost of goods sold on one hand, and other hand we continue to monitor our fixed cost very carefully on a monthly basis and try to see that it remains within budgeted levels.

Umesh Raut: For a full year basis FY17, so what kind of EBITDA margin one should expect and also for FY18?

Kirti Vagadia: First of all you need to remember that absolute amount of EBITDA will increase primarily due to volume; However, on a full year basis it is fair to estimate somewhere around 15% to 16% annual basis but that is including wind and solar both.

Umesh Raut: For separately, how much it will be?

Kirti Vagadia: It is very difficult to segregate at this juncture.

Umesh Raut: My second question pertains to working capital level. As you said in the opening remarks the faster ramp up in the second half you expect to kind of moderation happening in the inventory. So what kind of inventory level or account receivable levels you are looking at by the end of FY17?

Kirti Vagadia: The first thing what is going to happen in case of working capital, as we told in our opening remark, that current quarter inventory as well as receivable building is primarily due to specific factors, like inventory built up is primarily to cater the higher volume in H2 and receivable built up is primarily due to back ended supply which has happened. So we believe that since the execution which was key for our collection has been slower in monsoon quarter which is Q2 is
going to speed up in H2 and that will speed up the collection, which we have already seen in first 45-days of Q3 that whatever was outstanding was significant amount could get collected in first 45-days of Q3. So we believe that since revenue is going to increase on one end and inventory and receivable is going to remain stable or going to reduce which will bring down NWC level in percentage terms significantly.

Moderator: Thank you. The next question is from the line of Pawan Parakh from HDFC Securities, please go ahead.

Pawan Parekh: We have an order book of about 1136 MW. Of this how much is for FY17 execution?

Kirti Vagadia: Almost everything is for FY17, on top of that the Solar of 280 MW is also going to get executed in this financial year.

Pawan Parekh: So this should start getting booked in Q3 onwards?

Kirti Vagadia: Yes, that is correct.

Pawan Parekh: We might be well on track to do about 1500 MW for this year, when should we see build up in order book for FY18 execution?

J.P. Chalasani: FY18 is normally the order book you will see mainly building up in the Q4 of the previous fiscal. So therefore as I said sometime back we are now discussions with various clients for the next year. So you would see the significant portion of order booking happening in Q4.

Kirti Vagadia: Just as additional information, as you might remember that in Q4 last year we won almost 790 MW orders for FY17.

Pawan Parekh: So is it possible given that there is a policy uncertainty with respect to GBI which will get cleared in Q4, so possibly your FY18 execution of order book may get deferred from Q4 into Q1 and such kind of a thing?

J.P. Chalasani: As I said, we are now currently in the discussion with even these things with the clients, some of them are in the advanced stage. At least we are not seeing any trend of people wanting to hold up the order. All our major customers, IPPs and others are in serious discussions and in fact looking for the EPC offers.

Kirti Vagadia: Just to add on this, we have a strong pipeline discussion and we believe that at the end of this financial year we will be having order backlog of more than 1000 MW.

Pawan Parekh: Tanti sir said that he is expecting 20% growth in FY18. That is including the tender based orders?

Kirti Vagadia: Yes, total.
Pawan Parekh: So in the presentation earlier, we used to give the repayment schedule of our FOREX debt also, this has been discontinued this quarter. Has there been any change in that?

Kirti Vagadia: No, there is no change and that is why we just wanted to remove the burden on you to read number of slides.

Pawan Parekh: What is the CAPEX you have done so far and for this year and next year?

Kirti Vagadia: H1 CAPEX has been roughly about Rs.180 crores and annually we will be in a target of Rs.300 crores which we guided.

Pawan Parekh: This CAPEX is for primarily some new facilities?

Kirti Vagadia: New rotor blade facilities and R&Ds, both.

Pawan Parekh: For next year, sir, any indicative number?

Kirti Vagadia: I think trend will remain almost same.

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

Sudhakar Prabhu: So my first question is again on this S111-120 production. You mentioned that you already had 7- months of trial production. So just wanted to understand how far is it from commercial production, when can we see order booking for this product?

J.P. Chalasani: We will be installing and commissioning this year.

Sudhakar Prabhu: So we can expect order booking for this year?

J.P. Chalasani: We already have the order bookings for that, commissioning in Q4.

Sudhakar Prabhu: On your international order, so during the analyst meet, you had said that you will start building up the international book from Q4 onwards. So any progress on that…how can we see this order book building up going into next year?

J.P. Chalasani: We have now participated in a few bids in different parts of the world. So we are waiting for the results. As we guided earlier, we expect the order booking would start from this year onwards, but the execution will be next year and the following years, but order booking will commence from Q4, we did put in bids already.

Sudhakar Prabhu: My question is again on the EBITDA margins which you mentioned. Mr. Kirti Vagadia mentioned that the margin should be around 15-16% range. But if you look at the first half margin, it is already around 17%. So the margins for the full year would not be more than 17% range?
Kirti Vagadia: First of all, please remember two factors that H1 is a low volume half year as compared to H2. So, the proportion of a high margin business like SE Forge and OMS is going to drive our percentage. Thirdly the project execution which is a low margin business. That low margin business is going to increase in H2 and that is why we are telling the moderation.

Sudhakar Prabhu: On this Solar project, you mentioned you will do execution of 280 MW this year. So just wanted to understand what would be the margins in the Solar business?

Kirti Vagadia: Yes, it will be kind of a higher single-digit.

Sudhakar Prabhu: At the EBITDA level?

Kirti Vagadia: Whether contribution or EBITDA, we are not having major fixed cost in Solar. So it is almost same.

Sudhakar Prabhu: What is the tax benefit you have? Which year you will have tax benefit because you have taken some tax amount this quarter?

Kirti Vagadia: First of all, the tax benefit is primarily due to our carry forward losses, the minor tax which we have in this quarter is in some country where there was some small tax litigation and we paid that amount.

Sudhakar Prabhu: Just wanted to understand till which year will you have this benefit, what is the accumulated losses you have?

Kirti Vagadia: We have huge accumulated losses and I foresee that it will continue for at least next four to five years.

Moderator: Thank you. The next question is from the line of Rohit Potti from PPFAS Mutual Fund. Please go ahead.

Rohit Potti: On the wind power capacity addition, if you could help me with the capacity that was added in first quarter, second quarter and the pipeline for the rest of the year that would be great?

J.P. Chalasani: We added close to about 350 MW in the first half of this year in terms of commissioning and in terms of the supply we added 557 MW. As Kirti explained to you that we have an order backlog of 1136 MW in wind and 280 MW in solar so that much is expected to execute anyway for this year pending the further order booking.

Rohit Potti: Could it be possible for you to give us the number for the second quarter alone?

J.P. Chalasani: As normally we have seen the guidance we see our results on this. You are seeing 1:2 ratio of H1 and H2. That is the guidance what you can look at it rather than looking at quarter-to-quarter.

Kirti Vagadia: Q2 we have already given in the presentation. Q3 we will not be able to guide you separately.
Moderator: Thank you. The next question is from the line of Anand Agarwal from BlackRock, please go ahead.

Anand Agarwal: Just wanted to know, is there any further update on the interest recompense that we have had generally discussion with the bank?

Kirti Vagadia: We are continuing our dialogue with our lead bank for CDR exit and we are hopeful that during this financial year we will have exit from CDR and recompense is something which is positively under discussion with the set of lenders.

Anand Agarwal: So you think that will also crystallize by the end of this fiscal year?

Kirti Vagadia: Correct, we are hopeful for that.

Anand Agarwal: Second on 280 MW of Solar execution that you will do this year, what would be the let us say the order value or what will be the value of that?

Kirti Vagadia: Roughly you can calculate about Rs.7 crores MW

Moderator: Thank you. The next question is from the line of Moiz Tambawala from Florintree Advisors. Please go ahead.

Moiz Tambawala: My question is about your 120m wind mills, 40% PLF that you have discussion which are under development. Could you quantify in terms of megawatts what sort of orders we got or what percentage of order books are these towers?

Tulsi Tanti: That product is S111 120.

J P Chalasani: That we will add about 50-100 MW this year.

Moiz Tambawala: I guess these would be higher cost given the higher PLF as well, net-net are the IRR accretive to your customers or are the IRR neutral?

Tulsi Tanti: Levelized cost of energy will reduce by 5% than current product.

Kirti Vagadia: Just to add on what Mr. Tanti said that whenever we launch any new product we do techno-commercial analysis and it need to be win-win for both our customer as well as for us. It need to add profitability for us as well as same way it need to add value for our customer. Thirdly, over a period of time you will see that the quality of site get deteriorated. So we need to fight against that also.

Moiz Tambawala: I am just trying to understand that if we do lose the GBI, these higher PLFs would they still offer the same kind of IRRs to the customers?
The whole idea is why do we invest so much in terms of R&D, in terms of technology and we have been successful in different conditions is that if we keep improving or leapfrogging our efficiency comes up in new R&D products. They will help in various factors -- one is to improve our margin, second thing is to cater to any sort of fluctuations coming in the commercial market in terms of the policy initiatives getting withdrawn and the new policy initiative coming in, third is also making the sites which are less windy, more viable. There are multiplicity of benefits of new technology coming in. That is the reason that is one place we constantly we keep investing. Even when we were down in terms of financially at, that is one place we did not stop our investment, we continued with our R&D investment. That is the reason today we are still with the new products which are of the best in the world.

Could you give like an indicative what would be the pricing differential between regular and the higher towers?

It is all factor of what is the efficiency it gives, depending on site-to-site.

Thank you. The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.

Regarding the CAPEX you mentioned that you will spend around Rs.300 crores this year and similar figure for next year. I understand for the R&D you could keep spending more. But where is the more manufacturing facility coming up next year?

First of all, in current year as you are aware that we added manufacturing in Rajasthan, Madhya Pradesh and Andhra Pradesh, part of the facility will get capitalized also next year. Then what happens that whatever mould we are using for blade manufacturing it has a finite life. So what happens that once it has produced certain number of blades, we need to replace it with a new mould. So those kind of a mould investment we need to do continuous basis and similar the two new products which we have already announced in our investor presentation those new products also will require investment.

Yes, but it is not a setting up for new plant, it is just in the existing plant you get a new mould and you change the prototypes?

Correct.

It is a major investment in R&D because all the prototype product and everything goes in technology is in CAPEX indirectly, second is new product is required new mould and existing product required replacement of the mould. That is the major investment comes for the CAPEX which is recurring types of the CAPEX rather than the new plant and machinery.

I like to go back to some quarters back, Suzlon was doing great margins of 14-15-16% but continuous guidance was that margin guided should be in the range of 12% and 14-15% is a
little higher. Today, you have actually upgraded and come up to 15-16% margin. So what has led to this change?

**Kirti Vagadia:** No, I think we are consistent. In the beginning of the year we said that we will be at about 15% margin.

**Mayur Gathani:** Because I thought that in the prior to this you were at 12% margin and you were delivering 15-16% margin but you said that 12% margin is a better number to take forward?

**Kirti Vagadia:** No, that may be for last financial year not in current financial year, current financial year we have been consistent for 15%.

**Moderator:** Thank you. The next question is from the line of Shirish Rane from IDFC Securities. Please go ahead.

**Shirish Rane:** My question is basically on this competitive bidding which has been put in place. So the first question is, in the competitive bidding, is it that the only PPAs get auctioned and the land and where you put up the project has to be identified by us as an equipment supplier or whosoever wins the bid, is that the understanding correct?

**J.P. Chalasani:** Yes, the competitive bidding is based on the power availability at the CTU connection point. So you are supposed to provide the power, the sale point for the power is interconnection point at the CTU. So they are least bothered about where you are setting up your plants and how far is it and where it is, you need to quote saying that I am going to give power at this particular point and also thereafter the long-term open access to wherever the PPA ultimately we sign through the trader is your responsibility. But though the tariff is at the interconnection point, but the responsibility to take the power on the CTU through a long-term open access also remains with the developer. Therefore, whosoever is bidding for it, they are bidding for supply of power like conventional power, it is exactly like what is in the conventional power. Whosoever is offering the power, it is up to them to tie up the land and everything else and also they bring up to the CTU.

**Shirish Rane:** A related question is, then the offtaker, is it pre-specified while you bid for the project as in there is a PTC which is a counterparty but the eventual buyer as you said is the responsibility of the bidder who wins the bid, so do we know upfront where we have to supply or once we win then when the PPAs are tied up, then only we will know where we have to supply?

**J.P. Chalasani:** Today, it is still a vague point on this. Right now, only thing what the bid document says is the PTC is the trader and the PTC will enter into back-to-back agreements with the distribution utilities, they have not mentioned which distribution utility. In my opinion I think they need to mention because the LTOA depends upon who is offtaker for the distribution utility. Being the first bidding I think there will be some issues which will get settled over a period of time. But most important factor as I mentioned again earlier was that this opens up the market, makes the canvas for the all India rather than just limiting it to those eight windy states. What was
happening is that these eight windy states were shrinking like for example Maharashtra, nothing was happening, Rajasthan, nothing was happening. With this Inter State Transmission Charges becoming zero because there is no additional commercial liability and the non-windy states start taking the power, the market geographies are getting expanded throughout India. That is a big-big advantage as far as we are concerned.

Shirish Rane: The related question is receivable risk is PTC for the bidder or is the eventual Discom the receivable risk?

J.P. Chalasani: PTC

Shirish Rane: If Discom does not pay PTC, it is PTC’s problem, but PTC has to pay the winning bidder?

J.P. Chalasani: It is like in a conventional power PTC also had the system of buying the power and selling it. Invariably, my experience I have seen is that the credit rating for selling it to PTC was always a notch higher than the ultimate distribution entity, because the PTC is also selling lots of other power, therefore you expect the credit risk of PTC is better than let us say X distribution company or Y distribution company. At least they did the credit enhancement in terms of the conventional power, I am assuming the similar thing will happen in this power as well.

Shirish Rane: As far as Suzlon is concerned, we will bid for these competitive bidding projects and then we will divest it in favor of people who want to buy it or what would be our strategy

J.P. Chalasani: We have multiplicity of options to participate in the bidding. #1, there are developers who have rights and they want to tie up with us for supply and installation equipment, pre-bid on this so, they take the price and they win and we get that order, that is #1. Option #2 is that we have sites and we give an EPC offer upfront to different developers and they go and bid and we get back-to-back EPC. I am not committing that we are going to do that, we are exploring all possible options, I am only telling you the options at this stage, option #3 is that like a solar model we can bid and we can develop and divest later. So we will explore all possible options and our aim would be to see how much can we get the share out of this competitive bidding market.

Shirish Rane: There is no restriction on how much you can bid in this 1 GW tender assuming it is…?

J.P. Chalasani: No, no, if you ask the developer, there is a restriction of 250 MW maximum, but here our objective is to provide our services in terms of the equipment and the EPC services. So there is no restriction, we can take the entire 1000 MW also, provided we are competitive and with the developers. So therefore for us there is no restriction.

Shirish Rane: You expect incrementally more projects to come on this route rather than conventional route or what is your sort of logical expectation on this competitive bid route from two-three years standpoint?
J.P. Chalasani: I think the best time is next results call because by that time the competitive bidding we would have known the behavior of how the bidder is bidding and what is going to happen and my firm belief is that it will only expand the market.

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

H R Gala: Looking at the All India numbers which have been there, in August and September, as much as 642 MW of wind power was installed, whereas in April to July it was about 664 MW. Same is not true in case of Solar. So, do you think is there any change likely to happen between what is going to be added in Solar and Wind?

J.P. Chalasani: I think you people are better judges, you keep watching the market much better than us on this. I really cannot say what will happen to the Solar market vis-à-vis the Wind.

Tulsi Tanti: The overall solar market our prediction is almost 8 GW installation will happen based on the certain bidding timeline also is fixed, otherwise people are not installing and commissioning then it is penalty and some cancellations will be there, so nobody can afford that. Total 8 GW will be Solar and 4 GW plus something will be the wind. That is the 12 GW will come. So, compared to last year I think it is quite 6 GW was Wind and Solar is going to 12 GW, so all India basis it is 100% growth will happen.

H R Gala: Sir, another statistic which you have shared is that your pending order position of 1136 MW nearly 79% is IPP, 9% PSU and 12% others. Now going ahead, looking to the new orders that you are booking, do you see any variation in this pattern?

J.P. Chalasani: No, IPP will continue to be a strong thing, but we are seeing significant increase in interest in terms of retail segment as well and PSUs are more and more coming up with the tenders. I do not know the percentage changes wise, but in absolute terms, in terms of the capacity wise, each one of them are showing larger interest, both PSU and retail.

H R Gala: So, you believe that say probably next one or two years, even if these incentives are diluted, you think that the addition to the Wind and Solar will continue at something similar base, as Mr. Tanti said that you know we are expecting only about 20% growth, whereas at one point in time we were talking about 30% to 35% type of CAGR. So, how do you see the things shaping up over the next few years?

Tulsi Tanti: No, if you ask me, we mentioned earlier also the five-years Wind CAGR will remain by 15% to 16%, which can be delivered by 2022, 60 GW the capacity in all India basis from current 27 GW to 60 GW. So that will be continued. The average CAGR Wind will continue 15% to 16%, whereas Solar will remain little bit higher, but we want to see how dynamics can change from this year to next year, it is very difficult to predict. We have to understand that Solar is heavily dependent on the market and business is overseas import strategy, where Wind is the domestic,
make in India, it is produced in India. So it is less volatility in Wind and more volatility will remain in the Solar.

**Moderator:** Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Funds. Please go ahead.

**Abhinav Bhandari:** Just one question on the current interest rate on our term loans and working capital. Post this rating upgrade, what could be the expected savings on interest cost next fiscal?

**Kirti Vagadia:** Right now we are under CDR and under CDR we are having fixed rate of 11% right now. Rating upgrade which is right now at BBB we should be in a banking system around 25 basis points lower than current rate.

**Abhinav Bhandari:** Sir, what would be the expected debt repayment his fiscal and next either on the term loans or on the working capital? If I understand correctly, term loan you have repaid something in the first half also.

**Kirti Vagadia:** In current year, we are expecting about Rs.45 crores we need to pay, and next financial year we have about Rs.138 crores, scheduled repayment of long-term liabilities.

**Moderator:** Thank you. The next question is from the line of Gautam Prasad from Deutsche Bank, please go ahead.

**Gautam Prasad:** Last earnings call, you guys mentioned 4,000 MW order from Andhra Pradesh, that it was already approved by the cabinet. Any progress on that?

**J.P. Chalasani:** We are implementing some projects as we said earlier. So, as I mentioned last time, this is an agreement with Government of AP where we have an opportunity to develop 4000 MW where they have promised us to give the power evacuation, they approved most of it and also they will sign the PPA at the rate of certain MW per year and we are to develop this 4000 MW over the next six-year period, but it is up to us… six is the maximum on this. So year-to-year we will keep implementing on this and in fact we are now in the market selling of some other capacity as well. In fact, this year if you see that our major capacity addition in this financial year would be in Andhra Pradesh.

**Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Tulsi Tanti for closing comments.

**Tulsi Tanti:** Thank you all for your keen interest and continuous faith in the company. I assure you we will continue the growth momentum and we are relentlessly working towards the sustainable and profitable growth. We are geared with the requisite resource to capitalize on the tremendous market opportunity in India and focused on international market. Our market leadership, R&D capabilities, technological advanced products, our two decades of the operating history in India, diversified customer portfolio, robust service segments, strong presence across the value chain...
give us the extremely competitive edge in the marketplace. We are committed to drive the growth and unlock the market with our technological innovations and continue to drive the growth. Our new product under development, that is S128m rotor dia, 120m tower height and 2.6 MW and 3 MW products are on the track and this is likely to reduce the 10% levelized cost of energy which will bring us the competitive edge in the marketplace and also give better return to our customers. Our priority in the forthcoming quarter in FY17 is very high focus on rapidly ramp up the volumes to achieve the 40% market share, through operational efficiency reduce our NWC to a level of 15% end of the year as well as maintain the full control on the fixed cost so that we can able to unlock more margin, the focus on net debt reduction plan and interest cost optimizations, leverage technology to the future, optimize the product, the reduced cost and bring higher return on investment to our customers, to improve the service margin through the development of the new value-added product to enhance margin for us, preparing organization for the next phase of our growth from India to international market. We look forward to your continuous support in our endeavors and to be the best renewable energy company in the world. I would like to appreciate my management team has really done the hard working and delivering the best sets of number and everybody, all of you have also appreciated, we congratulate our team to continue such numbers going forward. Thank you very much.

Moderator: Thank you. On behalf of Suzlon Energy Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.