

Suzlon Energy Limited
Quarter Three Earnings Conference Call, Financial Year 2010
February 1, 2010

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

Mr. Tulsi Tanti: Thanks Gaurav. Dear friends, I welcome you all to the conference call for third quarter FY 2009-10 results discussion for Suzlon Energy Limited. Also present are our COO Mr. Sumant Sinha, CFO Mr. Robin Banerjee, Mr. Kirti Vagadia– Head of Corporate Finance, and our Head of Investor Relations Mr. Samir Shah.

Looking at the big picture, climate change has been high on the world agenda. COP15 dominated the world's attention to find a global solution to the crisis, and the World Economic Forum Davos focused on defining our energy future. While we don't have a global agreement, we are seeing a lot of positive steps from most governments and policy-making bodies. Most developed countries have announced targets to reduce emissions over specific timelines, and achieve renewable energy penetration coming out of COP15. And wind power – both onshore and offshore – is a key instrument for achieving these goals.

Some of our important markets, such as India, Australia and China have already announced policy initiatives and incentives that create a favorable environment for medium to long-term growth in the industry. Other countries, the UK for instance, have announced very large, long term targets that promote the offshore wind industry. We expect REpower, which is a leader in offshore technology, to benefit from this tremendous opportunity. We expect the US to enact legislation in the coming months for increasing renewable energy penetration and cutting down on emissions. This will be a key development that will spur the growth in installations for most of the current decade, beyond markets like India and China.

Looking at the markers in the past year, during much of 2009 the industry was faced with a severe financial crunch, which led to project pipelines slowing down. We have now started to see some of those projects being restarted, on the back of various economic stimulus packages that have widened incentives and spurred credit formation for wind power.

However, the industry is not out of the woods yet. The lingering economic recession in the western hemisphere has led to a reduced demand for power and lower energy prices overall, which limits the short term appetite for green power in some cases. Due to this reason, we do not expect much growth in global installations in 2010 over 2009. In many of the developed wind power markets, project pipelines for 2010 are already in place. Despite this, given the long-term targets and an increasing demand for sustainable electricity generation, the year 2011 will see a good growth in demand for wind power. We expect that the industry will start to see order book replenishment from the second half of 2010 to service the demand in 2011 and beyond.

Specific to Suzlon, the last three quarters of FY2009-10 have been quite difficult due to reasons we have outlined often. On one hand, we contended with a push back from customers that affected our volumes, and therefore cash generation. On the other hand, we worked hard to meet this challenge by improving organizational efficiency and driving operational excellence. We are still facing some of the push back as a result of the financing environment, and this continues to create an overhang on our expected volume achievement. However, we have seen good order build up in India, and we also expect our Australian and South American businesses to generate fresh orders in the coming few months.

We have recently signed an agency agreement with REpower for the US and Australian markets, which will allow us to use our strength in these markets to accelerate REpower's growth. We have been able to improve the performance and reliability of our flagship wind turbines to industry standards, which has been well-appreciated by our customers.

We have also taken various steps to strengthen our balance sheet, by raising additional long-term resources, reducing working capital and divesting of our stake in Hansen Transmissions for a profit. We are currently working on refinancing our long-term and working capital loan facilities, which will provide us cash flow flexibility for two years by providing a moratorium on principal repayments. Our acquisition loan has already been refinanced, and various public and private sector banks from India have been quite supportive in this endeavour. We have achieved very good progress in refinancing the balance facilities, and hope to conclude by end-February.

Our efforts at controlling costs and working capital have also progressed well, and we continue to hold a very focused approach to further optimize our operations for a long-term, sustained profitability.

Last but not the least, an organization's real strength is the people who run it. We have continued our efforts to enhance our management bandwidth to strengthen ourselves as a professionally-oriented organization that is well capable of meeting the needs of a more diverse and more complex future. With this, I now invite Mr. Sumant Sinha and team to discuss the financial performance for Q3 FY10 in more detail with you through a Q&A session. Thank you very much. Thanks a lot.

Mr. Sumant Sinha: Yeah, hi. This is Sumant Sinha. I have of course the rest of the team here as well, including our CFO, Robin Banerjee. We will be happy to take any questions that may come up. So, moderator, if you can just take questions now please.

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

International Moderator: Thank you moderator. We will now begin the Q&A session for the participants connected to the WebEx International Bridge. Please press *1 to ask a question. The first question is from Arindam Basu from Barclays capital.

Mr. Arindam Basu: Good morning Sumant. This is Arindam from Barclays Capital in London. I have two questions. The first, with regards to your shipments for Q4. Looking at your 9-month results, you have done about 810 MW. I was wondering how confident you are in terms of getting to that 1900 to 2100 MW kind of guidance that you gave in the previous quarter, and the second, I just wanted some more details and comments that the CEO made regarding new orders from South America. What are you seeing in terms of activity there, and when can we expect some of the new orders to be announced. Thanks.

Mr. Sumant Sinha: Okay, thanks for these questions. Just to answer the first one, which was the issue around our guidance that we have given for the full year. You know, our current order book is about 1500 MW and that includes of course 314 MW for India, we expect to get some more orders out of the Indian market, which is typically a spot business as you know, over the next couple of months that is this month and next month, which we expect to service this year itself. So, I think when you look at the amount of orders that we have for servicing this year, and when you look at the additional business that we expect to get from India, we feel fairly confident that we will get somewhere close to the bottom end of our guidance. So, that is really what we believe will happen in the next couple of months, and with respect to your second question,

on South America, you know, recently in Brazil, there were these announcements of the auction that happened some time ago, which has been much delayed as well you are probably aware, and in that Suzlon supplied projects were shortlisted in a number of cases, so we are actually at this point in the process of working through with those customers who won those auctions to try and convert those in to firm orders, and as and when that happens of course we will get back to you, but certainly our visibility from Latin America, both as a result of specifically what is happening in Brazil and also the action that we are seeing in some of the other geographies is fairly good at this point of time.

Mr. Arindam Basu: If I can just ask a follow-on question to that, EDPR kind of pulled out of the auctions and the bid prices were not very attractive, so I just get the feeling that could you land up in a situation where pricing for your is not very favorable in South America on the back of not so attractive terms that your customers are able to secure?

Mr. Sumant Sinha: No, at this point, we are not seeing that. We have not sort of come across any undue pricing pressures in our discussions with those customers that have won the auctions. Of course, we will give you more details on some of these as and when the order gets finalized.

Mr. Arindam Basu: Great, thanks a lot, thanks for taking my questions.

Mr. Sumant Sinha: Thank you.

International
Moderator:

At this moment, there are no further questions from participants at WebEx International Center. I would like to handover the proceedings back to India Moderator.

Moderator: Thank you. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, may please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first line basis. Participants are requested to use only handsets to ask a question. To ask a question, participants may please press *1 now. First in line, we have Mr. Harish from Tower Capital.

Mr. Harish: Sir, good afternoon, thanks for taking my questions. In the initial remarks, we were mentioning that we are seeing some push back of orders. Just wanted to get a sense of how many of the orders in the current order book are being pushed back to the end of 2011, so just wanted to know that, and the second question is in terms of Australia and South America are the two new geographies which you are bullish about, just wanted to get a sense of how many megawatts of order inflows are we likely to expect in FY'11, thanks.

Mr. Sumant Sinha: Thanks Harish, for your questions. I think the pushback that Tulsi Bhai referred to in his opening remarks were really those that have really already happened, and we have already to some extent dealt with. The second kind of pushback, although it is not explicitly a pushback from our order book is really where the orders are taking longer or projects are taking longer to get completed in terms of either financing requirements or PPA requirements or local permits and so on, and so we are seeing that the order closure time has in fact become a little bit longer and so those are some of the market based things that we are seeing with respect to our current order booking situation, but in terms of the specifics, I think those are already incorporated right now in whatever guidance and order book and past performance we have shared with you. With respect to giving you any order guidance for FY'11, Harish, that is something that we have not at this point in time doing because we still believe that it is a little bit early in the game for the next financial year, so what we will do is we will obviously be working on order bookings in various geographies, some of which we just talked about earlier, but we will give you a slightly better sense of that in our next call in terms of some guidance for how we expect FY'11 to shape up.

Mr. Harish: Okay, just a followup question on the particular order book currently that we have. In terms of US and China, close to about 1000 MW in total that we have. Do we expect that to complete it in FY'11?

Mr. Sumant Sinha: Yeah, most of that is going to be completed within Q4 and FY'11.

Mr. Harish: Okay, thank you so much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Pankaj Sharma from UBS.

Mr. Pankaj Sharma: Hi, good evening Mr. Sinha and good evening Mr. Tanti. Just one question, in terms of your domestic order inflow outlook, is there anything which you can share with us that can happen in the next 2 months by the year end and how much of the next orders which will come in, this quarter can be executed in domestic markets?

Mr. Sumant Sinha: Yeah, well you know, our view is that at this point the order flow in India has become quite robust and we are in number of discussions even at this point for closing orders for delivery in this financial year itself, and these are actually with some fairly large and reputable corporates as well as the normal spot business that we get. Those are orders that we will announce and service this year itself, but I guess the good news is that in general the Indian market is looking quite healthy, and for FY'11 particularly we expect a much better performance on back of some of the regulatory and policy changes that are taking place as compared to this current financial year.

Mr. Pankaj Sharma: And do you think that the one-third kind of gross profit which comes from gross realization would continue in domestic market?

Mr. Sumant Sinha: Yeah, I think so. I don't see that, you know, given the demand that we are seeing in the market right now that there is any specific requirements for reduction of pricing.

Mr. Pankaj Sharma: Okay fine, thank you sir. Thanks very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Ankush from KS Securities.

Mr. Ankush: Hello?

Mr. Sumant Sinha: Yeah, hello.

Mr. Ankush: Sir, could you give me a breakup of other expenses?

Mr. Sumant Sinha: Okay, Robin will get into that. Ankush, we are just trying to see what it is that we have disclosed in the past and just make sure that we stick to that specific kind of disclosure this time as well.

Mr. Ankush: Sir, there is one question that your other expenses have grown up to 26.6%, I am talking about Suzlon wind turbine generator business sir?

Mr. Sumant Sinha: You are talking about quarter on quarter or you are talking about....?

Mr. Ankush: Sir, quarter on quarter basis, 26.6% of the sales for the third quarter of FY'10.

Mr. Sumant Sinha: You are saying 26.6% of sales or ?

Mr. Ankush: Sales sir. Sir, I am talking of Q3 of FY'10, about sales sir, in the percentage of sales.

Mr. Sumant Sinha: Okay.

Mr. Ankush: So, sir, the other expenses are growing, can you give us a some sense in the coming quarters.

Mr. Samir Shah: I will reply to your question. You are talking about this number, 652 crores in Q3 FY'10, right.

Mr. Ankush: Yeah.

Mr. Samir Shah: Over the 440 of the previous quarter, right?

Mr. Ankush: Yeah.

Mr. Samir Shah: Yeah, the basic reason of the increase is the one, is the increase in the variable cost due to volume increase, which is about 40 to 50 crores. Then, there is another item about 50 crores which is in the bank charges where for our previous acquisition loan which we have repaid during this quarter, we have to charge the uncharged balance amount which was supposed to be normally amortized over the period of loan to P&L during the same quarter in which we repay and some of it is due to exchange fluctuations, where the Euro went down from 70 to 67, so that is the basic reason of this 212 crores increase.

Mr. Ankush: So, in the coming quarters, can you give us some sense of other expenses, would it decrease?

Mr. Sumant Sinha: No, I think that first of all there will be some decrease of course, and in percentage terms particularly.

Mr. Ankush: Yeah.

Mr. Sumant Sinha: I think as Samir just mentioned there are some one-off costs this time. Those will not recur again next time, and then you know the forex side will move as it will, so that we cannot really comment on specifically, but in terms of as a percentage of sales, certainly it will come down quite substantially.

Mr. Robin Banerjee: In fact, just to add, because of the Q4 sales are likely to be higher, chances are that percentage of other expenses to total sales will be under control and perhaps it would go down also.

Mr. Ankush: Okay, sir there is another one question. Can you give me capex for this year, what would be your capex for this year and FY'11?

Mr. Samir Shah: That given in slide 30 of the presentation which we have sent you. It is on the website also.

Mr. Ankush: Okay sir, thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Atul Tiwari from Citigroup.

Mr. Atul Tiwari: Hello sir, hello?

Mr. Sumant Sinha: Yeah, hello, Atul, carry on.

Mr. Atul Tiwari: Sir, I have just one question. Sir, out of your order book, how much is the foreign order book and what is the schedule of delivery in fourth quarter and next year?

Mr. Sumant Sinha: Yeah, you know, in our current order book, we have 314 MW from India, and the balance which is about 1170 MW is all from international.

Mr. Atul Tiwari: Okay sir.

Mr. Sumant Sinha: And of that, we expect about 600 or thereabouts to be carried forward into next year.

Mr. Atul Tiwari: Okay, and this 600 MW is all for delivery in FY'11 or it goes beyond that also?

Mr. Sumant Sinha: No, it is pretty much everything is for FY'11.

Mr. Atul Tiwari: Okay sir, thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Bhavin from Enam Securities.

Mr. Bhavin: Sir, I had couple of questions. First is if you could just help me with what are the O&M revenues in 9 months last year?

Mr. Sumant Sinha: 9 months in FY'09?

Mr. Bhavin: Yeah, FY'09.

Mr. Sumant Sinha: Bhavin, we will have to get that number. Bhavin, can we give it that number offline?

Mr. Bhavin: Sure, basically what I was trying to get that is whether this gross margin per MW of around 2 crores that we have seen in the first 9 months is sustainable going forward or not?

Mr. Sumant Sinha: Yeah, I think our view is that it is going to be by and large sustainable, you know, but the OMS part certainly has some bearing on it, but that is not by any means the largest influencer of that number.

Mr. Bhavin: Okay, sir also wanted to understand the treatment of Hansen in the balance sheet as on December, now that it is classified as an associate, what would be the impact on the balance sheet of the same.

Mr. Robin Banerjee: This is Robin here. Because we are now holding less than 51% of the company, the way it will now get reflected in balance sheet is our portion of the net profit which is 26%, 26% of net profit of Hansen will be added to our P&L account. If our P&L is 100 and they make another 26, so it will be 126.

Mr. Bhavin: Okay, on the balance sheet how it will be reflected, that is on the P&L?

Mr. Robin Banerjee: It will come as P&L account only, so in reserves and surplus account.

Mr. Bhavin: Okay.

Mr. Robin Banerjee: Of course, our investments which is 26% will continue to be shown on the asset over the balance sheet as investment.

Mr. Bhavin: Okay okay. Sir, the key question was that there was a profit on sale of Hansen listing, how would that be accounted?

Mr. Robin Banerjee: Profit on sale of Hansen sale.

Mr. Bhavin: No, earlier there was a gain on listing which was there in the balance sheet.

Mr. Robin Banerjee: I am not too sure about your question. Are you saying that when we sold the earlier 10% of our share what happened, is that your question?

Mr. Bhavin: No, earlier, after the Hansen listing, there was balance sheet showed an unrealized gain on dilution of about 1200 odd crores, so how would that be accounted?

Mr. Sumant Sinha: See all accumulated profits which are lying in the balance sheet to the extent of 35% odd percent has all been taken as profit on sale of these assets, and therefore the 26% which is unrealized continues to be enhanced in books, so the current gain which we have shown at around 250 crores contains that portion of accumulated profits, which has been taken as part of profit and sale Hansen. However, in case, you have any specific questions, we have very well give you a working offline. That might help you to understand how we have made this treatment separately.

Mr. Bhavin: Okay, fair enough. The other question pertains to the net working capital, the observation was that debtor has remained more or less in the 4,000 odd crores band in the last 3 quarters, are there any particular slow moving debtors because we have seen the revenues decline, but the debtors have remained more or less constant.

Mr. Sumant Sinha: Yeah, you know, this is something that we have talked about in the past as well. There are, as a result of the changing external environment, there are some slow moving debtors that are sitting in our receivables at this point in time, and those in fact are to some extent impacting our ability to work down our working capital even more, but having said that, despite that, we have had a reduction of about 1000 crores in our working capital as you would observe, and almost 2500 crores is reduction in the current

assets, so clearly there is some amount of slow moving debtors that we have that we have talked about in the past as well, and that is something that we are working actively resolving with the customers that are involved with us on that.

Mr. Bhavin: Would a significant proportion of slow moving debtors be because of the blade crack?

Mr. Sumant Sinha: No, no, not at all. Let me very quickly and totally dispel that notion, and I don't know where you might have got that thought from, but there is nothing to do with that, all of those projects that were V2 projects have been fully paid for and dealt with, and there is nothing on account of those that is outstanding at this point.

Mr. Bhavin: Okay, so are these majorly the domestic customers or the international customers?

Mr. Sumant Sinha: No, these are not domestic customers, some of them are international customers, and we have talked about those in the past as well, there is one particular customer in North America, there are one and two in Latin America. As I said earlier, we are working actively on restoring them, and we are quite hopeful that some part of this at least will get resolved in the very, very short-term, and by next quarter, you will already see that number, actually although we do not disclose that specifically, you will see some reduction in some of those issues.

Mr. Bhavin: Okay, and last question is if I am not mistaken we are expecting volumes of close to 800 odd MW in the current quarter if I go by the implied numbers what you have?

Mr. Sumant Sinha: No, we have not implied that number. What I stated earlier in the call that we expect to get to close to the bottom end of our guidance that we had given earlier. So, we sort of not given any specific statements as to how much we expect to get, but I guess you can put it together.

Mr. Bhavin: You know, where I am coming from, out of that 1200 MW of international order book, you mentioned that 600 is to be carried forward next year, implying 600 to be installed in the current quarter, and about 300 MW of the domestic order book to be deliverable in the current quarter itself.

Mr. Sumant Sinha: That is right. In addition to which we also expect to get some more orders in India, in the next 2 months.

Mr. Bhavin: Okay sir, thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Bhargav from Noble.

Mr. Bhargav: Good evening sir.

Mr. Sumant Sinha: Hi, good evening.

Mr. Bhargav: Sir, could you give us details on the percentage cost of refinancing which you have incurred on that 465 million dollars of refinancing done?

Mr. Sumant Sinha: The percentage cost of refinancing?

Mr. Bhargav: Yeah, I mean, what is the bps that the bankers might have charged for this refinancing?

Mr. Robin Banerjee: No, that is not significant. It is a very small amount, and it all has been charged off in our books of accounts, so whatever costs you see, we have charged those costs which we have incurred, so it is not significant at all.

Mr. Bhargav: So, could you spell out in terms of what was that amount?

Mr. Robin Banerjee: We generally do not share this amount, as you know these are confidential information between our banker and the client, so banker also would not like us to share this information because these are very confidential, 1:1 understanding between two parties, but these are minor expenses, I just wanted to tell you that, and these are being charged off during the quarter.

Mr. Sumant Sinha: But why do you ask that question, anything specific on your mind?

Mr. Bhargav: No, because I thought that probably the quantum of other expenses might have included the bulk of the refinancing cost because in your presentation it has been given that 80% in the rupee-denominated liabilities have already been approved in terms of refinancing, so I was wondering whether cost is related to that refinancing has also been charged off in the P&L in the third quarter?

Mr. Sumant Sinha: No, not at this point in time, although the cost related to the 465 million dollars refinancing would have been charged.

Mr. Bhargav: Okay, fair enough, in terms of other expenses, is there any amount which has been included as provision for performance guarantees?

Mr. Sumant Sinha: No, typically we make a provision which is not in the opex, it is over GP line typically. There is also provision that we made in the opex which is a standard provision that is based on the general installed fleets, that the amount of sales that we have and so on, if you are trying to get at whether there is any provision for non-performance of our products, then that I can tell you categorically there is not any provision of that nature.

- Mr. Bhargav: No, because last quarter you had stated that probably Suzlon is looking at increasing the rate of provisioning for performance guarantees, so I was wondering.
- Mr. Sumant Sinha: No, we have not yet come to a determination of that, so we have not changed our policy with regards to provisioning for these sort of issues at this point. It is something that they are still working through and perhaps, it is something we will try and put in place over the course of the next financial year, but as and when we do it, we will certainly highlight that to all of you.
- Mr. Bhargav: Or probably if you can tell us what could be the one-off cost in other expenses, if you could share that detail?
- Mr. Sumant Sinha: No, there are no specific one-off costs this time in our opex cost, except for some of the forex charges that are there.
- Mr. Bhargav: Okay, and lastly in terms of the outlook on the domestic market, given that you mentioned the new policy initiatives which have happened, so do you foresee utility kind of players now entering aggressively as opposed to earlier HNIs.
- Mr. Sumant Sinha: I think that what you said is absolutely correct, that we expect utilities to come into the market as well, along with IPPs, but that will be in addition to the normal HNI investors. You know that market is a fairly good market, and will continue as well, because there is nothing that fundamentally changes in terms of rationale for the SMEs to carry on investing in wind turbine, and as you also know, we have a very large marks of relationship with a number of these SMEs, almost 500 or 600 of them that we do regular business with, so that will carry on. In addition to that, we will probably see lot of the utilities beginning to come into the market as well as some of the IPPs, and just to take a little bit of a step back and talk about the India market in general, you know, clearly if you look at the Prime Minister's National Action Plan for Climate Change, envisages a 15% renewable energy penetration of the total electricity mix, and that itself will lead to a total demand of almost something like 50,000 to 60,000 additional megawatts of wind over the next 10 years by 2020, so I were just to look at that, we should be looking at additions in India of anything between 3,000 and 5,000 MW on a year basis to come anywhere close to the target number, up from the current 1500 MW.
- Mr. Bhargav: Okay.
- Mr. Sumant Sinha: So, there is a very significant improvement that can happen in the India market itself, and as you know we have a 50% to 60% market share in India, so we will hopefully benefit quite substantially from this growth. Now, of course we will need to make sure that the supply side constraints, the entry into the

market of the new types of customers, all of that will take a little bit of time to come through fully, but we will start seeing already the benefits of that happening from next year itself, and even if there is a marginal increase in the total volume, it will be a big improvement in our total sales.

Mr. Bhargav: And lastly, in terms of competitive advantage, obviously Suzlon has an edge in terms of demand from SMEs as project management has been USP of Suzlon, but given that with the utilities coming up, do you see project management still continuing as USP or do you foresee project management to be done by these utilities?

Mr. Sumant Sinha: No, I think you have made a very appropriate point. I think project management is still the way the Indian market works, and at this point we are not really seeing any of these new sets of customers get backward integrating into project development activity. I think the Indian model is very different from that in the rest of the world, and I think that will probably continue, and you know, we have a fairly extensive pipeline that we have built up in India, and over the last many years, and I think that most likely it is going to be something that will then get exploited by future customers who come, so it will be easier for them to get a faster start by using existing pipelines that have already been developed by us.

Mr. Bhargav: Sir, would it be possible to share what is the pipeline currently Suzlon is sitting on?

Mr. Sumant Sinha: You know, we have not made that number public at this point, but what we will do is we will see if we can disclose at some point on a public basis.

Mr. Bhargav: Okay, fair enough, thank you very much.

Mr. Sumant Sinha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Somesh Agarwal from Macquarie Capital.

Mr. Indrajeet: Hi gentlemen, this is Indrajeet from Macquarie. Thanks for taking my question. My question was actually on the entire debt management and net working capital issue, you have managed to reduce net working capital by 1000 odd crores which primarily seems to be driven by lower volumes, and if you look at also the debt structure, you have close to 1000 odd crores or 1100 crores of debt coming from the promoter group in this year, now if the volumes pick up again from say quarter 4 and going into FY'11, it will definitely put demand for another 1000 to 2000 crores of working capital loans depending on how the volumes pick up, so how does company look at that situation and what is the sources of debt that you are looking at?

Mr. Sumant Sinha: Okay, I think to answer your fairly extensive question on our entire debt management strategy and working capital, you know, it is in fact, if you look at our numbers over the last 9 months, we reduced our working capital by about 1000 crores. As you have observed it is because we have not incurred sales and therefore our numbers have come down. To some extent, that is certainly the case. On a percentage of sales basis of the last 12 months, percentage of working capital has gone up, but nevertheless there is an absolute reduction in the number. Now, having said that, there are some very significant structural changes that we have made in the way that we manage and operate our working capital, and I will let Robin take you through some of those steps that we have taken to give you a really good handle on what are some of the changes that we made and why we believe fundamentally that our working capital will be better managed going forward, and then we will come back and address the debt issue as well.

Mr. Robin Banerjee: Hi, just to explain to you that, I think the question is will our working capital deployment will move up in future, the answer is it should not be because working capital should either be seen as percentage of sales or should be taken as number of days' cover. It is true that in rupees crores terms, the working capital deployment should go up because if our sales goes up, but as percent of the sales it should go down significantly. One of the reasons why our working capital currently looks to be high and shows high is because there are one or two debtors who have not paid us for some time, which was discussed during this call. There is one American debtor and there is one South American debtor who has not paid for sometime. All these debtors are now paying. There is movement taking place except for the American debt, which also we believe will also move in the short-term plus the way we handle our ordering and the way we convert our manufacturing cycle into production and then to sales, we have made significant changes in the processes, and therefore, we believe that the working capital cycle should come down significantly. So, to answer your question, while in rupee's growth terms, it might go up, and perhaps it should, but in the percentage of sales or in number of days' cover, we expect a significant reduction in times to come. As you have been seeing over the period of last one year, you should continue to see improvements going forward too.

Mr. Sumant Sinha: And if I could just add to that, I think as these sticky debtor situation gets resolved, I think that will more or less compensate for whatever natural increase in working capital that might have happened as a result of higher volumes, so to sort of address your other question on the debt side, I think that the net increase in working capital actually will not be anything substantive, if anything our view is that as we continue to manage our working capital and get better systems in place, then we may actually be in

a position to release some further capital, some other further cash from this over the next 12 months or so. So, I think that is generally speaking our desire on the working capital front, and I think if you look at the fact that just on a pure current asset basis, so March 31st 2009, our total working capital at current assets have gone up by 2,600 crores. Now, as I said, if I exclude this sticky debtors, this would have been even more substantial, and so I think the changes that we are making on the working capital side are certainly bearing fruit, which should not result in a higher requirement of absolute cash also as we go forward. Now, in terms of the question that you asked on the overall debt side, what was your question exactly. Indrajeet, can you just repeat?

Mr. Indrajeet: Okay, just kind of one thing was that how do you...this loan from the promoter group which is 1200 crores, how does this get addressed, and can you just specify what amount, what is the exact amount of this sticky debtor to get a sense as to how much capital can be released out of that?

Mr. Sumant Sinha: Yeah, sure. The sticky debtors, just to fully complete that question, that is, in excess of 1000 crores at this point in time. So, as I said, that is in the process of getting resolved, and you can see the substantial free cash that will be coming up from working capital as a result of clearing up these one or two issues, and that should account for any other natural increases that might happen.

Mr. Indrajeet: Okay.

Mr. Sumant Sinha: Now, with respect to the issue of the promoter loan, we have stated in the past that, that is something that the promoters are willing to convert into equity and with the appropriate regulatory approvals and so on, and obviously keeping in mind the interest of all the other shareholders, we will look towards converting that promoter loan into equity.

Mr. Indrajeet: Okay. Any particular steps that you need to take to get that debt converted into equity, what are the milestones that need to be followed there?

Mr. Sumant Sinha: Well, we first of all obviously need to have an agreement with the promoters as to how that conversion will happen. Then, the board of the company will have to approve the new method, and of course we will have to make sure that we will get all the regulatory approvals prior to making any changes, so that process we will embark upon in the next short period of time. I can't give any specific timeline at this point, but I think you should assume that in a few months' time that will certainly take place.

Mr. Indrajeet: Okay, one last question from my side is what is your cost of the total debt that is at this point of time, and because of the

restructuring, has the cost of debt gone up and by how much basis points?

Mr. Robin Banerjee: After refinancing, the cost of debt will go up slight. There is a likelihood because a part of the foreign currency debt will be substituted by the Indian rupee debt, but as you know that we have also released a part of our debt by selling a portion of the Hansen stake of 35% at 1700 crore rupees, so overall while it might go up, which is very difficult to state the exact number as to what will be implications be, but there is a chance of that going up a bit of what we have today.

Mr. Indrajeet: Okay, what is the cost today?

Mr. Robin Banerjee: That is charged as interest in our books of accounts.

Mr. Indrajeet: Okay, so that the current cost, there is no one-time interest cost in this quarter that can be taken as a recurring cost of debt?

Mr. Robin Banerjee: Yeah, there is about 50 crores which my colleague Samir Shah has explained little earlier that because of our sale of Hansen stake, there was some unamortized bank charges which we had to charge it off. Apart from that, there is nothing else.

Mr. Indrajeet: But is that amount booked in the gross interest or is in the other expenses.

Mr. Robin Banerjee: It is in other expenses.

Mr. Indrajeet: Okay.

Mr. Sumant Sinha: See, I think we need to get some cadence on what is happening to our interest cost. If you look at our FY'09 numbers, the total interest cost between the total interest and this was at the Suzlon Wind level as well as at the acquisition loan, that came to about 900 crores, right?

Mr. Indrajeet: Right.

Mr. Sumant Sinha: Now, obviously there is some reduction in debt from that number, and at the same time an increase in the actual interest cost of the remaining debt, right?

Mr. Indrajeet: Okay.

Mr. Sumant Sinha: So, based on all of that, you should assume as Robin has said that there will be some minor increase in our interest costs compared to last year, and if you look at in fact the first three quarters, that number is actually about, close to about 600 crores.

Mr. Indrajeet: Okay, okay. Thanks a lot, thank you.

Mr. Sumant Sinha: Okay.

Moderator: Thank you very much sir. Next in line, we have Mr. Anand Jha from Anagram Capital.

Mr. Anand Jha: Sir, good evening. My question is, you know, on the budget. What are we expecting from the budget. Can you just elaborate on that?

Mr. Sumant Sinha: On the union budget, you mean?

Mr. Anand Jha: Yes sir. Any wind energy something of that sort?

Mr. Sumant Sinha: No, I don't think that we can give you any specific expectations because it is always the guessing in as to what the budget might include and what might not, but fundamentally we don't expect any significant changes is the only point I can make to you. I think that in a number of cases all the policy announcements with respect to wind and renewable in general have to some extent taken place outside of budget. So, frankly speaking, we don't expect any dramatic shifts in the policy environment through the budget.

Mr. Anand Jha: Thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Abhishek Puri from JM Financial.

Mr. Abhishek Puri: Hello?

Mr. Sumant Sinha: Hi Abhishek.

Mr. Abhishek Puri: Sir, first of all regarding the order book, I think we have 1450 MW roughly on the order book. We are talking of about 800 MW to be delivered in fourth quarter from the current order book, and at about 200 roughly is what would be expected from the Indian market in fourth quarter, hello?

Mr. Sumant Sinha: Yeah, we are here.

Mr. Abhishek Puri: So, will there be a scenario that three months down the line our order book will deplete severely to about 600 to 700 MW if we don't get any big orders in the meanwhile.

Mr. Sumant Sinha: Yeah, that's absolutely correct.

Mr. Abhishek Puri: Okay, so 800 MW is the firm delivery which we have as of now or is there any scope to delay that as well?

Mr. Sumant Sinha: Well, all I can tell you at this point, Abhishek, is that we don't and we hope there will not be any delays in supplying the numbers that we mentioned.

Mr. Abhishek Puri: Okay. Sir, secondly, regarding the debtors, I mean, I am aware that one of your customers had given a go-ahead for one of the large projects in October, that is the Edison Energy Mission.

Mr. Sumant Sinha: Right.

Mr. Abhishek Puri: So, when do we expect to recover the money from them?

Mr. Sumant Sinha: Well, you know, it is hard to give an exact timeline. It is something that is obviously we are working very closely with Edison on, and we are looking at various means of helping them get that project up and running. I should say that work on that is certainly carrying on at this point of time, so the project is moving forward, and I think as soon as Edison can get the financing side soon up as well, we would expect to get paid out.

Mr. Abhishek Puri: The financial tie-ups have been done for that project, and I believe you have delivered the equipments in fourth quarter of the last year.

Mr. Sumant Sinha: That is right.

Mr. Abhishek Puri: So, would there be significant delays in recovering the amount or we can expect that in this financial year as well.

Mr. Sumant Sinha: In this financial year, I can't say for sure.

Mr. Abhishek Puri: Okay.

Mr. Sumant Sinha: But certainly in the next financial year, yes.

Mr. Abhishek Puri: Say, first half of next financial year is we could assume.

Mr. Sumant Sinha: Well, I don't want to give you specific number because this is something that we are working on with the customer, and there are other external parties involved, so I don't want to really commit a specific timeline to you.

Mr. Abhishek Puri: Fair enough, I agree, it is fine, and sir, my last and final question will be fourth quarter of the last year had some one-time expenses of 400 to 450 crores with regards to O&M provisioning and consultancy fees which was paid out, so I mean because of such higher charges would we see a significant reduction in this year as well in terms of other expenses or?

Mr. Sumant Sinha: No, in Q4 of last year, our total opex was about 1260 crores or thereabouts, which included a number of one-off costs as you

said. Clearly, if you look at our run-rate of opex costs this year, it is clearly going at a much lower number than that, and we expect the current year's run-rate really to continue, we don't really expect to see anything close to the numbers that we had last time.

Mr. Abhishek Puri: That we have seen last year. Okay, so....

Mr. Sumant Sinha: There were a lot of a one-off items, and if you see really our opex over the last few quarters, it has really been, you know, at a much lower level than that, and even the changes that we have had in opex in Q1, Q2, Q3 this year, have been as a result mostly of one is the variable cost on account of freight, and the second is some forex fluctuations, and third is the point that Samir mentioned which is some of the unamortized bank charges have been written off in this quarter or have been taken in this quarter.

Mr. Abhishek Puri: Right.

Mr. Sumant Sinha: But other than that, there is nothing of a one-off nature that has impacted us this time, and that is the point that we made earlier also, which is that a lot of the...in a way our operating performance has got smoothened out with respect to our delivery of projects, performance of our products, and so on, and that in fact is one of the big gains that we have made over the last several quarters, which is that the operating side of the business is now reasonably smooth, and the financial side will hopefully become smooth as well once we have done the closure of the debt refinancing that we are doing, and therefore the predictability or the operating results will really then depend only on the topline.

Mr. Abhishek Puri: Sir, one small data point if you could provide us, in the third quarter, what was the availability based provisioning or O&M based provisioning if any?

Mr. Sumant Sinha: No, typically, we take OMS based provision, that is for whenever we sell any products, obviously we have a warranty period, and for that we always make a provision, and that goes into the provision in the balance sheet, that gets written off over time. Other than time, I am looking for....in Q3, there was almost nothing.

Mr. Abhishek Puri: For O&M?

Mr. Sumant Sinha: For availability charges.

Mr. Abhishek Puri: Not even for availability.

Mr. Sumant Sinha: Not for availability. I mean, something very, very minor. Nothing to write about, I mean less than 10 crores kind of number.

Mr. Abhishek Puri: Fair enough. Thank you so much for your comments.

Moderator: Thank you very much sir. Next, we have Mr. Vinay Nair from Rare Enterprises.

Mr. Amit Goela: Hello?

Moderator: Please go ahead sir.

Mr. Sumant Sinha: Yeah.

Mr. Amit Goela: Hi, this is Amit Goela from Rare Enterprises.

Mr. Sumant Sinha: Hi Amit.

Mr. Amit Goela: Hi Sumant. Two questions. This relates to REpower. REpower seems to have a fairly robust order book, whereas there is a reasonable amount of slack in the supply chain of Suzlon. Is there some way like the two you are planning to integrate the two, so that some of the slack in the Suzlon supply chain can be reduced for the time being at least?

Mr. Sumant Sinha: Yeah, Amit, that is actually a very important issue that we have raised. I think that at this point in time, we have started supplying blades to REpower. It is at a point where it is not a huge amount, but it is an important amount because it allows the two companies from operating standpoint to start getting closer to each other, and for the Suzlon team and the REpower teams to start working with each other and understand various issues, so I think that process has started off. In terms of the how this progresses in the future, we need to some extent depend on the timeline of the combination between the two companies, and that we talked about in the past is subject to a number of factors which includes the refinancing of the current facility at REpower as well as following after that all the regulatory requirements within the German jurisdiction and making sure that you follow all of those appropriately.

Mr. Amit Goela: Okay, and Sumant, one more question, in terms of suppose this order which was announced for REpower today of 300 odd MW and about 48 odd turbines, so what would be the value of transaction like this?

Mr. Sumant Sinha: You know, we have not really disclosed specifically, I think, the per order number, but if you were to just look at the offshore market in general, I think in general offshore requires approximately about almost 2 times the cost of the onshore installations.

Mr. Amit Goela: Okay, okay.

Mr. Sumant Sinha: You know about 1-1/2 to 2 times.

Mr. Amit Goela: Okay.

Mr. Sumant Sinha: Therefore, the size from these is also that much larger.

Mr. Amit Goela: Fine, fine. Okay, thanks Sumant, all the best.

Mr. Sumant Sinha: Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Laxminarayana from BNP Paribas.

Mr. Laxminarayana: Hi everyone, most of my questions have been answered, but just listening to your presentation, you have kind of guided to 900 MW volume or 800-900 as a megawatt volume number for the last quarter, and excluding India, which is around 350, you would need to get around 200 each from US and China, and given the run-rate for the 9 months of being around that level, would that be something we can expect?

Mr. Sumant Sinha: Laxmi, you know, it is a function of the orders that we have currently, and throughout the course of this year, we had consistently maintained that our sales volume this year are more back-ended than front-ended, and so you know what we have stated earlier is what we at this point in time we certainly expect to happen.

Mr. Laxminarayana: Okay. One quick question on slide 29, looks like your Europe and Rest of the World realizations, crores per megawatt, Europe particular has jumped, it is almost like 14.7 crores of megawatt for the 9 months of this year, and it has been steadily climbing, is there something to read from here or how should we look at it.

Mr. Sumant Sinha: There is nothing specific to read from here, Laxmi. To be honest with you, it is not that realizations in Europe are...I mean, realization in Europe generally has been higher than the other geographies for sure. There is no sort of trend change per se to guide you to, but Nishit wants to add something to that.

Mr. Laxminarayana: Number almost jumped out like an outlier, 14 crores versus other regions around 6 to 6-1/2.

Mr. Nishit: The correct reason is that there is a large amount of project related revenue that has been recognized in the current quarter.

Mr. Laxminarayana: Okay.

Mr. Nishit: Thank you.

Mr. Laxminarayana: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Krishnakant Thakur from Quant Capital.

Mr. Krishnakant Thakur: Good evening sir.

Mr. Sumant Sinha: Good evening.

Mr. Krishnakant Thakur: Sir, my question was regarding if you can just give us a number about the cost and tenure of the USD denominated facility of SBI.?

Mr. Robin Banerjee: It is at 2 plus 3 years. 2 years moratorium and 3 years to be paid, and there is a payment schedule of those 3 years.

Mr. Krishnakant Thakur: Okay, and sir, what would be the cost.

Mr. Robin Banerjee: Cost as I told you this is something which cannot be disclosed. We are bound by an agreement between the two organizations not to disclose in the public domain.

Mr. Krishnakant Thakur: Sure sir, no issues.

Mr. Samir Shah: As we incurred for this facility as we explained little earlier, has been charged in the P&L account this quarter already.

Mr. Krishnakant Thakur: Sir, this time, suppose was the refinancing cost that one gentleman asked, but is it possible if you can give us the sense on the total cost of this debt?

Mr. Robin Banerjee: Total cost of this debt means what?

Mr. Krishnakant Thakur: Interest rate, yeah.

Mr. Samir Shah: That also we will not be able to disclose at this point of time. Once this refinancing is over, we will try to ask the banking system, can we disclose it or not, but at this point of time, we are unable to disclose it.

Mr. Krishnakant Thakur: Sure sir, no issues.

Mr. Sumant Sinha: We talked about the interest cost, and I think we have already made certain sort of general disclosures about our expectation on what is going to happen to interest cost next year.

Mr. Krishnakant Thakur: Correct sir, I got that. Sir, my second question was regarding the accounting method of this Hansen stake sale, the profit of 250 crores that we have booked, I suppose acquisition costs of this was around close to 456 million Euros, so if we take that figure into account, the profit should have been much higher, if you can just explain this figure.

Mr. Robin Banerjee: Original cost as you said is 436 million Euros.

Mr. Krishnakant Thakur: Okay.

Mr. Robin Banerjee: What is correct, but what we can do, it is a long calculation, then send you the calculation to you to show it to you how we have booked 250 crores profit, but just for information, yes you are right, 436 million Euros was original cost of acquisition, proportionate cost and proportionate profit of selling 36% as in books. We will send you. If you kindly contact Nishit or Nishit will send you the details.

Mr. Krishnakant Thakur: No issues sir, I will definitely get in touch.

Mr. Samir Shah: Thank you.

Mr. Krishnakant Thakur: Sir, my third question was regarding any timeline or any thought process on buying out remaining stake in REpower and any thought process on the funding of the same.

Mr. Sumant Sinha: No, we can't give any specific guideline at this point in time on when that is going to happen. As I said earlier, we need to refinance the loan facility at the REpower level, so that is something that will need to happen as a precursor. Now, after that, typically domination process within Germany could take anywhere from 6 to 12 months, so we could embark on that process. It would be our intention to embark on that process if and after refinancing is done. In terms of the actual cost of the refund of the balance acquisition, that is hard for me to comment on at this point of time. It will depend on so many factors with regard to timing, what is happening to share prices and so on and so forth.

Mr. Krishnakant Thakur: Okay, got it sir. Sir, a question again on the macro side, if you look at the Chinese market, that is most talked about. It has been a fastest growing market, but again the competition has been increasing at a faster pace. More important to that, there have been articles that say that 40% to 50% of the installed capacities

are not even connected to the grid, now if that cognizance happens in the Chinese market, I mean, what kind of outlook can you give on the Chinese market.

Mr. Sumant Sinha: You know, the Chinese market has grown very rapidly over the last 2 to 3 years, and clearly, the focus has been to some extent on the growth aspect and number of new companies that we have observed have entered the market from a turbine supply standpoint, and Chinese government has given a very significant promotion, incentive and impetus to the whole area of renewable energy, and has continued to give it. So, when you have growth at that rapid a pace, it might be there in certain areas projects have been set up where grid connectivity has gotten delayed to come up or installations are dragging a little bit behind the actual sale process, so that kind of thing certainly is happening in the Chinese market, and that is actually natural in the market that has grown so rapidly.

Mr. Krishnakant Thakur: Okay.

Mr. Sumant Sinha: I don't see that there is any fundamental dysfunctionality in the Chinese market. I think as we go forward, and as capacities get increased on the installation side, and as grid connectivity increases, some of those issues will naturally redress themselves. I also think that the Chinese government is continuing to use or continuing to push renewable energy as a very strategic thrust, so I don't think that there is going to be any lessening of the growth in the Chinese market, and if you look at the targets of the Chinese government has set now for 2020, it is almost at about 120,000 to 150,000 MW levels, and the reason I give you a range is because you know they keep changing or increasing the range every several months as the installations keep going at a fairly rapid pace.

Mr. Krishnakant Thakur: Okay.

Mr. Sumant Sinha: So, the Chinese government has ambitious plans. To drive the installations of renewable energy, and we are certainly seeing that in the field.

Mr. Krishnakant Thakur: Okay. Sir, but on a broader level, does not payment based on the installation depends on the final connectivity that you provide for the grid.

Mr. Sumant Sinha: It does depend upon that. That is absolutely correct.

Mr. Krishnakant Thakur: Okay, got it.

Mr. Sumant Sinha: The final payment.

Mr. Krishnakant Thakur: The final payment, yeah, and just moving on to the second question. If you can just give us a number for the EPC sales that we have booked for this quarter as well as 9 months?

Mr. Sumant Sinha: Okay, we don't have it handy, we will have that sent to you.

Mr. Krishnakant Thakur: No issues sir, and sir, just the final question. There was some disconnect that our finding in the REpower numbers. For example, if you look at what they have reported in the first half against what we are reporting in our presentation. So, I mean, just to give the numbers, first half they have reported around 31.3 million Euros, whereas we are reporting around 3190 million rupees, so just could not connect in terms of exchange rate.

Mr. Sumant Sinha: You are talking about 9-month numbers or 6-month numbers?

Mr. Krishnakant Thakur: 6 months and similar discrepancy is there in the 9 months as well.

Mr. Sumant Sinha: You know, we will get back. This is probably some accounting issues that is lying at the heart of this.

Mr. Nishit Dave: See, Krishnakant, we have to realign the REpower results according to our accounting policies before we report them, plus it is also the effect of translation of Euro into Rupees because quarterly rates would vary, between balance sheet date and that would have impact on the stock value.

Mr. Krishnakant Thakur: Sir, I understand this translation figure because if you look at the first half as well as nine months, the exchange rate is working out to close to more than 100 plus, so that was the translation accounting I was not able to figure out.

Mr. Nishit Dave: It would be a bit too extensive to talk about this right now, so we will get back to you on that.

Mr. Krishnakant Thakur: Fine, not an issue, and that so that is about it from my side. Thanks a lot.

Mr. Sumant Sinha: Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Kamlesh Kotak from Asian Securities.

Mr. Kamlesh Kotak: Hello?

Mr. Sumant Sinha: Hello.

Mr. Kamlesh Kotak: Good evening sir.

Mr. Sumant Sinha: Good evening.

Mr. Kamlesh Kotak: Just wanted to understand sir, how is offshore wind market you are seeing, I mean, how much of the proportion we are expecting it to contribute to our revenue going forward and what is the size of opportunity across geographies we are looking at?

Mr. Sumant Sinha: You know, I think Tulsi Bhai is going to answer that question.

Mr. Kamlesh Kotak: Sorry?

Mr. Tulsi Tanti: Yeah, hello.

Mr. Kamlesh Kotak: Yes sir.

Mr. Tulsi Tanti: Regarding the offshore market, current high concentration is only on the European market and British market.

Mr. Kamlesh Kotak: Okay.

Mr. Tulsi Tanti: Also, the development in nearby country, it is Belgium and Netherlands. So, these are the countries. Nearly, if you think on a 2020 point of view, nearly 50 GW, means 50,000 MW across the sites identified and some of the permit and other progress is going on. In this process, England is quite advanced stage is there, and second country is Germany. Other countries are following. So, high concentration is currently in offshore. Why it is there because European Union by 2020 has 20% target, and I think European Union is striving very aggressively and feed-in-tariff is available in the German market, and it is very good lucrative tariff is there. No doubt, the project cost compared to the onshore to the offshore, it is 1.5 to 2 times is there depending on the location and depending on the size of the project and distance from the coast. These are the concentrations. Secondly, the development may start very fast in the Chinese market because most of the Chinese cities which is a very high base load are available on the coast side. We have a very good windy sites are available in the offshore.

Mr. Kamlesh Kotak: Okay.

Mr. Tulsi Tanti: That is the large capacity can be possible because onshore takes sometimes 100 kilometers to 2000 kilometers distance to bring the energy on the high load cities, where 30 to 40 km in the sea, the energy can be brought faster, and also the lower cost of

transmission and other things. So, that is the biggest advantage. So, second concentration will start not immediately but after 3 to 4 years will be China, and the third phase after 5 years, we are expecting the good development will start in the US market, and after that, it will move to the Canada market also because there is a lot of not just sea, but there are a lot of lakes that are available, so within that lake also there is a high potentiality if the high wind is there, and that will bring because on the lake also there is a large base load is there of the large cities, some in the US market, and also in Canada, so it is a two combination is very good. One is the high wind, and there is a very close large power base, I mean, load base of the city, that is giving good economics on those offshore project and development, but no doubt if we see the global resources of the wind site, the 25% sites are available in onshore, 75% sites are available in offshore. There is a large opportunity after we see 3 to 4 years after that, it will go in a big and larger way that development, but no doubt, same time, first 3 years, it is a lot of challenge on to build the project in offshore, lot of challenges are there, and the same time the technology and other development is also very important. We are fortunate because REpower has invested in the last 5 to 6 years very high focus on offshore technology development and truly offshore machine and everything and recently what we have built is a 6.15 MW machines, commercialized product is available in the market, so there is a great future for REpower because that is most reliable and very high and good performance technology products are available with REpower.

Mr. Kamlesh Kotak: Okay, so sir, how much order book they have in terms of offshore windmills?

Mr. Tulsi Tanti: Offshore, even today also we have announced one of the order because normally there are two levels are there, one is a frame agreement, and then gradually it should be converted into the firm planning.

Mr. Kamlesh Kotak: Right.

Mr. Tulsi Tanti: Because normally these are the long-term planning, say 2 to 3 years. So, very good order book with received from RWE, it is 250 machines of 5 to 6 MW but now all the 6 MW machines will go, so that is the frame and out of that the 48 turbines already the order is announced today, and that development will start, but REpower is discussing and negotiating based on the large utility planning and other things, so there is a good potentiality in the future.

Mr. Kamlesh Kotak: Okay, thank you sir.

Moderator: Thank you very much sir. Participants who wish to ask questions, may please press *1 now. Next in line, we have Mr. Anuj Upadhyay from Wallfort Finance.

Mr. Anuj Upadhyay: Good evening sir. My question is related to, you know, the company had said it has booked high levels of orders from big PSUs and huge corporate like ACC, GAIL, and ITC. May I know the proportion of the orders being booked by these companies, and execution period for the same?

Mr. Sumant Sinha: You know, we have actually announced every time we have got the orders from these large customers. We have actually announced it. I think we can send it to you, but certainly if you just do a website search, you will find all of those order announcements.

Mr. Anuj Upadhyay: Okay, you had said that REpower has an order book 1.7 billion Euros, could we have details in terms of the megawatt?

Mr. Sumant Sinha: No, I don't think, first of all actually the better people to ask that question is REpower, but just to help you a little bit, I don't think that they disclosed megawattage of the order book.

Mr. Anuj Upadhyay: And the execution period of the same?

Mr. Sumant Sinha: You will have to check with REpower.

Mr. Anuj Upadhyay: Okay, and sir, your gross margin has actually been declined for this quarter. Any specific reason?

Mr. Sumant Sinha: No, the gross margin has not really declined. It is actually at about 33% for the quarter, but having said that, we have always guided the fact that don't look at performance of all these numbers on a quarter by quarter basis, look at the longer term trends because in fact ours is a lumpy business, you know, if you sell more in a certain geography or do more project business, then those numbers tend to get skewed, so look at on a more longer term basis, and just in that respect, I would tell you that our gross profit for the last several quarters has remained pretty flat at about 2 crores on average per megawatt.

Mr. Anuj Upadhyay: I was just a bit of worried as in whether it was a raw material concern or the decline in the realization part which has resulted in the gross margin decline.

Mr. Sumant Sinha: Okay, I understand.

Mr. Anuj Upadhyay: Okay, thank you sir. That is all from my side.

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

Mr. Tulsi Tanti: Thank you. In short-term industry has a good challenge for the next 1 year, but in the long-term perspective it is a great opportunity and great benefits of the industries are there, and we appreciate everybody's time and their support. Thank you very much. Thanks a lot.

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