



“Suzlon Energy Limited Q1 FY13 Earnings Conference Call”

August 14, 2012



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Moderator

Ladies and gentleman good day and welcome to the Q1 FY13 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 at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing * followed by 0 on your touch tone phone. Please note that this conference is being recorded. I would like to hand the conference to Mr. Tulsi Tanti, Chairman of Suzlon Energy Limited. Thank you and over to you sir.

Tulsi Tanti

A very good afternoon to everyone. Thank you for making the time to join us. As usual I am joined today by Kirti Vagadia, our group CFO and our investor relations team. I remind you that our comprehensive investor presentation is available on our website suzlon.com. I would first like to share some the key aspects of our Quarter one results. Then as usual we will be happy to take any questions from you.

Let me be clear, this has been a disappointing first quarter for us. The micro economic environment, policy uncertainties in key markets and the depreciating rupee impacted us significantly. And although quarter one is historically our weakest quarter, the company's performance was further impacted by the low volumes, adverse market mix, high interest cost and the notional Forex loss. Our volumes were affected by the constrained working capital facilities as well as the management focus on our near term liabilities. That said, we did meet our June FCCB liabilities in full - as we had communicated to do - and saw a 10% growth in the top line revenue. It is also important to remember that our core business fundamentals remain strong, firm \$7.2 millions order book, the healthy gross profit margin and the high turbine availability. We have announced "project transformation", a dynamic initiative to improve the efficiency across the company and reduce the opex and man power cost by 20% by the end of this fiscal year. We have also announced that we will reduce our working capital requirement from 27% to 20%. It is also encouraging that number of our senior secured lenders have reduced our interest rates by 250 basis point or 2.5%. I also want to mention that we successfully launched the S111, 2.1 megawatt turbine with 111 meter rotor diameter, specifically designed for the low wind sites. The turbine will deliver up to 29% increase in the power output over current design. This has been well received by the market. It is also to note worthy that the REpower successfully commissioned its tallest wind turbine to date. The turbine with the rated power of 3.2 megawatt Rotor diameter of 114 meters and 143 meter hybrid concrete and steel towers, standing at a total height of 200 meters. Our clear priorities are now to manage our near term liabilities, reduce fixed cost, strengthen our balance sheet by deleveraging in India, enhance our working capital facilities, realize the group synergy benefits, close the important orders, drive the volume, and execution at the earliest . Despite these challenges, we continue to be cautiously optimistic that we will end the fiscal in a satisfactory position. Thanks a lot. Now I request you to put forward your questions if any

- Moderator** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Bharat Gorasia from ICICI bank, please go ahead.
- Bharat Gorasia** Just wanted to understand on the cash position you have seen your stand alone cash position has reduced from 1037 to 455 on a consolidated from 2905 crores to 1372. Just wanted to understand how have we utilized repower cash, and why has the cash position reduced significantly? The second question was how do you intend to pay your bonds due in October, 209 million which are outstanding. You said you have identified funds, but just wanted more clarity on the same. Thank you.
- Kirti Vagadia** Good afternoon this is Kirti. On cash utilization, I just wanted to say that basically our gross working capital as well as net working capital both has increased almost by 1200 crores and that is the primary utilization of the cash. because we are expecting total 30% growth over what we have done in our last financial year at a group level. And to fund that growth definitely we need to increase our inventory and receivable for the time being.
- Bharat Gorasia** But then you are saying at your end you intend to get it down to 20% of sales. So I don't know how that pans out. Because on one hand you going ahead and increasing your net working capital and then is it not contrasting statement?
- Kirti Vagadia** See basically there are 2 facts. One is when you are in a built up case, your inventory need to increase during that period. Because I have delivered total 17% of my targeted annual volume in quarter one. So I need to build up the inventory. we are in a project business where the inventory built up and the receivable built up happens on the basis of cycle time and we are working on reducing our working capital cycle time and currently our net working capital which is NOWC is 27% of revenue which we are targeting to bring down to 20% by the year end. So it will happen by the process of reducing the cycle time.
- Bharat Gorasia** Okay and the second question on bond repayment, you said you have identified funds.
- Kirti Vagadia** Definitely, Vikas would you throw light on it?
- Vikas Rathee** On the bond payment which is obviously coming in a couple of months, I think as we very clearly said on the June time that we will honor our obligations. I think fundamentally we expect to do the same going forward, there are multiple initiatives we are working on. I think it's really premature for us to say which and how and I think we maintain that discipline even on the June side. So I think once we have full clarity and then we can actually demonstrate and communicate with the market in a public fashion, obviously we will do so.
- Bharat Goradia** Okay and what is your US or foreign currency debt of the total debt which you hold, just for understanding what your M-to-M would be?

- Vikas Rathee** I think fundamentally once you have the US tag, comprises primarily of the FCCB which are maturing 360 basically has been paid and 200 is coming now, the remaining FCCBs we know are 2014 and 2016 that fundamentally will move up and down based on a non cash basis. Beyond that we have close to \$350 – 360 million of foreign currency term loan which we have or acquisition loan, as we call them, which amortize overtime. But again there are multiple years on the amortization. That's substantially all the debt, there may be small working capital we may have at subsidiaries, but that's very small. That's basically what we have.
- Kirti Vagadia** But if you make the sum total of that you are getting close to about \$1.1 billion.
- Moderator** Thank you. We have the next question from the line of Ankush Mahajan form KR Choksey, please go ahead.
- Ankush Mahajan** My question is that, we are still sticking to our guidance for 6% of EBIT that we have guided at the start of the year?
- Kirti Vagadia** We are cautiously optimistic about our guidance and we have not revised our guidance.
- Ankush Mahajan** Sir another thing is, as we have order backlog of O&M services, so can I get \$2 billion of order backlog. How much sales will be done in this quarter and in terms of volume, in terms of megawatt for the REpower, in Q1 FY13?
- Dhaval Vakil** We don't give the break up between RE power and Suzlon.
- Moderator** Thank you. The next question is from the line of Charanjit Singh from HSBC please go ahead.
- Charanjit Singh** One is, if you can kindly explain the reasons for drop in gross margin by 10% YOY basis and second is if you can help us understand when is this repayment of \$300 million which you have raised from the banks for FCCB payments. When is this loan due?
- Kirti Vagadia** On gross margin, let me give you the perspective that how the gross margin has moved over a different period. In quarter one last financial year, the gross margin was 35%. In quarter four last year gross margin was 31%. And in current year Q1, gross margin was 25%. Nothing has changed in the business but as you are aware that we are as a group are operating in multiple countries and few markets are above the average on margins and few markets are below the average in margin. So what happened that in Q1 last year we have been fortunate to have higher proportion of more profitable markets and that is why it was 35% gross margin. In Q1, we at a group level have executed orders in the market which are less profitable market and that is why we ended up with 25% margin. So we will be executing the orders in high margin market, in rest of the 9 months. Does that answer you question?
- Charanjit Singh** It does to certain extent but does it basically then what you are also saying is that if the average is coming to close to 35%, and in the current state where you have close to some 40 – 60 ratio

in India, and the other markets, so is the Indian market gross margin over 40%, is that what you are trying to say?

Kirti Vagadia No let me clarify 3 things. One is you need not look at just India versus overseas, you need to look at India, US and Europe and I will be adding South Africa which is the fourth continent. So India is profitable, above average. Europe is also in profitability it is above average. Whereas North American market is below the average profit and my average is not 35% but my average is something between 31 – 33 and last year we delivered 33% gross margin.

Charanjit Singh So on the second question, when is this \$300 million due?

Kirti Vagadia \$300 million which we have funded for repayment of FCCB obligation, is that correct?

Charanjit Singh Yes sir.

Kirti Vagadia It is purely commercially confidential between company and lenders. So we will not be able to divulge that detail.

Moderator Thank you. We have the next question from the line of Rosita D'souza, from Elara capital. Please go ahead.

Rosita D'souza I just had a larger question on the SOPs for the wind sector, where do we stand on that today? Are discussions on with the government on that and what is the likely outlook on the same?

Tulsi Tanti You are talking about Indian market or global market?

Rosita D'souza No I am talking for the SOPs for the Indian markets.

Tulsi Tanti So Indian market is, there are 2 types of market, one is captive, second is the retail market and third is namely for the IPP investor market. So IPP market is very strongly growing and so many IPP investors are in the Indian market and also lot of central and state PSU investment is increasing in the Indian market. So the opportunities are growing these days. Compared to last year, this year we are expecting Indian market to grow approximately 10 – 15%. Within India, there are some constraints but market is still growing, irrespective of accelerated depreciation and GBI is not available currently, but demand in market growth will continue. We have not seen any downward trend because of the accelerated depreciation and the GBI, but the same time government is also looking very positively to bring back the accelerated depreciation and GBI and so that is the proposal with the government currently.

Rosita D'souza I have another question on the \$300 million facility that you have taken, I understand the confidentiality clause have to be met. Just on a modeling perspective to figure out how your cash flows are going to look like in the next couple of years. If you could just give us an

indication as to even a broad based indication as to how the repayment of the loan will be done. That will really help us.

Kirti Vagadia Its event based situation, so probably you should not model it on a particular period base. It is an event base liquidation. So I think in a modeling, you can afford to ignore it.

Rosita D'souza The other thing I had is on the working capital which has been increasing and one of the reasons you have given for challenges and execution this time around has been working capital as far as I see, you have cash and you have been using cash to fulfill your working capital requirement. So am just not able to tie the ends together?

Kirti Vagadia What is the query exactly, what number you are not able to tie basically?

Rosita D'souza What I am not able to understand is you are attributing the execution faltering to working capital challenges. But at the same time you are using cash in your books for working capital. So I am just not able to understand where exactly is the challenge?

Kirti Vagadia I got it. So basically its the difference between working capital and working capital facilities. So what we have attributed the reason is that, our working capital facilities which are not commensurate with the size of business we are handling, and that is the primary reason which we have told you, normally in India the working capital facility is increased depending on business volumes you are targeting at the beginning of the year. normally happens in June. But since in this year, we were busy with our FCCB related arrangement with our senior lenders, it got delayed by couple of months on a working capital appraisal.

Rosita D'souza Sure. Just one final question, before your FCCB repayment in October, do you have any other loan that is coming up for repayment?

Kirti Vagadia Nothing significant other than small installments of term loan which is very insignificant.

Moderator Thank you. We have the next question from the line of Sandeep Tulsian from JM Financials, please go ahead.

Shubhadeep Mitra This is Shubhadeep Mitra from JM financials. My question pertains to your guidance for revenue growth has been 30% in the current fiscal. Given the fact that Q1 has not been so robust in terms of revenue growth are we looking at any particular quarter wherein we will have higher than normal revenue growth or would it be back ended towards the last quarter?

Kirti Vagadia Normally it is always in H2, in past also you have seen that H2 is something between 60 – 65% of annual volumes and quarter one is closer to about 15%. In this year we have done about 17% of whatever we are targeting. So as far as revenue is concerned probably we are not off the track as compared to history.

- Shubhadeep Mitra** Secondly with regard to the asset sale in China with regard to a manufacturing facility where we had a term sheet, I understand that there has been an auditor note which says that at that price there might be a loss to the tune of Rs.119 odd crores. Will you please throw some light on it?
- Kirti Vagadia** I think you are right that on a consolidated basis, there will be a loss of about 119 crores and on a stand alone basis, there will be a profit because I am not getting full book value of that asset. We have built up that asset in different period. So we are not realizing the full book value, whatever Sales price I am realizing is a fair market price. So the meaning is whatever is my accumulated profit in China, I am not fully realizing it but whatever was my original investment in China, I am getting more than that, because my stand alone is profitable. If you read both the notes, on a stand alone basis I am making profit. On consolidated basis I will be making a loss.
- Shubhadeep Mitra** Sir by when are we looking at asset sale getting completed?
- Kirti Vagadia** We are targeting end September or October.
- Shubhadeep Mitra** Okay and sir lastly, with regard to the fresh loans of 300 million, are we free to share, what is the cost of this incremental debt?
- Kirti Vagadia** Cost I can share generally that cost is fortunately one of the lowest things in our debt basket. It is around 6% per annum.
- Sandeep Tulsian** Sir this is Sandeep Tulsian here, I have one additional question. During the last quarter con call you had mentioned that there were projects worth from 280 megawatt primarily in US and Brazil region which were postponed and you were not able to deliver due to various issues from client side, so if you look at the volumes that you have reported in this quarter, it doesn't exactly match up to the same numbers that you had mentioned earlier.
- Kirti Vagadia** Yes there is one correction that we mentioned about 180 megawatt, not 280. Out of 180, we delivered about 100 megawatt and 80 will be delivered in this quarter.
- Sandeep Tulsian** You had some strikes in Suzlon Forge for the additional 100 MW pertaining to that?
- Kirti Vagadia** Correct.
- Sandeep Tulsian** So volumes even in India were not in line with 100 MW that you were estimating or probably additional sales that you would have generated in the first quarter, its only about 60 MW.
- Kirti Vagadia** In India we have done about 50 MW but that is primarily a conscious decisions because we have inventory at site which is basically under erection and commissioning so we have something more than 500 MW at site under erection and commissioning and if I send more

200 – 300 MW it will result into a pile up and that is not advisable particularly in a monsoon season.

Sandeep Tulsian Can you briefly tell us how much do you target from India volumes and international volumes for the full year? And how much of service income pertains to this particular quarter out of your revenues that you have mentioned?

Dhaval Vakil We target about 1,500 MW in India for the full year and 500 MW from the international market.

Sandeep Tulsian And sir how much would be the service income as percentage of the total revenue for full year?

Dhaval Vakil In absolute terms we are looking at about 1,000 crores of service revenue at consolidated level.

Moderator Thank you. We have the next question from the line of Balchandran Shinde from B&K Securities. Please go ahead.

Balchandran Shinde Sir I would like to know why exactly the other expense has increased by so much percentage. Is there any one off cost or it's the normal cost which have increased?

Kirti Vagadia There are major two reasons broadly. One is the freight part of our operating expenses and secondly the other operating expenses if you are comparing it with quarter one definitely we are talking at a different volume in Suzlon and in REpower but if you compare my other operating expenses with Q4 then probably we are in line with that.

Balchandran Shinde And sir if we see the percentage of domestic and international, is it that mix has actually impacted our gross profit, means can we say that US business is actually very less profitable and in the next quarter also since you are executing 100 MW you see a kind of EBITDA loss because of that?

Kirti Vagadia Let's try to see in totality that is Suzlon plus REpower. You are just focusing on a Suzlon number of MW which is available so in total it is a group as a whole. US has been a larger portion of our revenues in Quarter one and yes as I mentioned earlier that US is something which is below average on a profitability front. That's the fact and that has moved the needles on downward side.

Balchandran Shinde Sir in the next quarter also we will expect the same kind of numbers or EBITDA loss?

Kirti Vagadia EBITDA should be higher because in the next quarter we are executing in other countries as well as India also.

Balchandran Shinde How is the order book in India you see, what is the outlook after this isolated depreciation program and if you consider that won't be considered again in the other government for the whole year and how you see the order book increasing in Indian operations?

Tulsi Tanti In Indian operations the total current order book is 1,100 MW and we are continuously getting orders. In Quarter one also we have closed about 200 MW. IPP investment interest is quite positive and the need and demand is quiet satisfactory irrespective of the accelerated depreciation unavailability. If you really see nearly more than 20 IPP companies have established their shops in India and nearly 15 Gigawatt they have planned for the investment in India. So it is quite a promising growth with India irrespective of accelerated depreciation.

Balchandran Shinde In how much time it will get installed, 15 gigawatt?

Tulsi Tanti That's all that the IPP investors have planned. It is the investment they are looking and I feel it is approximately in the 5 years that the plan must be ready for them. Also more and more investors are entering in the Indian market to invest in the IPP segment because it is a very positive regulatory frame work and a policy framework is there. It is called APPC and REC mechanism that is driving good opportunity for the investment in the Indian market.

Kirti Vagadia And just to substantiate what Mr. Tanti said if you can refer to our Investor's presentation Slide No. 21 and 22 which will basically give you some third party data validation also on that.

Balchandran Shinde Sir one last question about Edison Mission dues, is there any chances of preponing the receivables?

Vikas Rathee It is a good question. At the end of the day I think we have excellent relation with Edison and there is the payments are due on early February. I think we all explore all options of getting the payment earlier but as of now there is nothing that I can comment on that side. I think we should expect it February or sooner.

Balchandran Shinde But not before February.

Vikas Rathee I am not saying that. We have to have another dialogue with them. We continue to have a dialogue overtime. There were certain performance conditions that we had to fulfill which we have now fully fulfilled so there is no more a doubt in terms of the payment coming in February. I think this time we have an agreement which is fully signed and done I think it is difficult for us to share with you to exactly what is going to look like. We are not going to make same mistake we made last time about committing to March and not being able to get there because not everything is in our control

Kirti Vagadia So basically we continue to make effort but we don't want to build expectation among our stakeholders.

- Balchandran Shinde** Okay but can we expect, at least by the Second Quarter end any clarity?
- Vikas Rathee** I think it is difficult to comment on timing. What we can assure you is that sooner we have some kind of agreement on that perspective. I think it is going to be a major news item that we have to disclose it publicly.
- Moderator** Thank you. We have the next question from the line of Bhavin Vitalani from Enam Securities. Please go ahead.
- Bhavin Vitalani** I have three questions. One is of the order book. If you can help us what is deliverable in the current fiscal in India and International Suzlon wind and Repower? Second question is on the debt profile, if you can help us the cost of debt of the other debt as well? And the third you spoke about other non-core asset sales so if you can help us which are the other non-core assets that you are targeting for?
- Dhaval Vakil** Our order book delivery scheduling all our India book delivery this year which is about 1.1 giga watt is scheduled for this year and of our International order book of about 660 MW, about 400 MW is scheduled for delivery this year and the balance in the next year.
- Kirti Vagadia** On debt let me give you what is my average cost of debt which is closer to about 11% blended average cost. So far as non-core asset is concerned I will not go into specifics of any asset but generally they are into 2 – 3 different buckets. One is few of our component manufacturing facilities and few of our offices.
- Bhavin Vitalani** Sir first question is of the 3,800 MW of REpower order book how much is deliverable in the current fiscal?
- Dhaval Vakil** REpower for full year is expected to do more than 2- 2.2 billion Euros of sale and about 90% – 95% is already covered by the existing order book.
- Bhavin Vitalani** And in the first quarter volumes, if you can help us break up between India volume sales and the REpower volume sales?
- Kirti Vagadia** Unfortunately as we decided, we will not give the detailed break up of both the companies so we would urge you to respect that thing.
- Bhavin Vitalani** And the restructuring which you highlighted that you are targeting 20% restructuring of manpower and other cost, would there be any separation cost which you would need to pay and is that being budgeted in the annual exercise and if you can share what is that cost?
- Kirti Vagadia** No there would be some of the cost on that area and we are working on those numbers. Right now I would not expect that it will be a very big number.

- Bhavin Vitalani** Benefit would largely be realized next fiscal rather than current fiscal. Would that be a fair assumption?
- Kirti Vagadia** Yeah it is a fair assumption that 100% of the benefit work that we are talking about may not come in this year. It will be run rate on a monthly basis that suppose I am operating at 100 in current month then by March probably I will be operating at 80.
- Moderator** Thank you. We will take the next question from the line of Kenneth Chui from Longitude Group. Please go ahead.
- Kenneth Chui** I have few questions. The first one is can you comment on the current cash level of Suzlon and REpower. And the second is further to the question previously asked how much asset sale do you expect before the next quarter end?
- Vikas Rathee** In terms of the first part of the question I think we disclosed you the cash around at the end of the quarter. We cannot comment on what the cash levels as of now. Can you repeat the second part of the question again?
- Kenneth Chui** About the asset sale, how much asset sale can we expect before the next quarter end?
- Kirti Vagadia** Quarterly it will be a difficult target but as I have given my range that we are targeting between 100 to 200 million during this fiscal of which we have already achieved 40 and completed the transaction, 60 million is work in progress and balance 100 is something which is within the range of 100 to 200. So to reach the upper end of our earlier range probably we need to sell something closer 100 million more.
- Moderator** Thank you. We have the next follow up question from the line of Bharat Gorosia from ICICI Bank. Please go ahead.
- Bharat Gorosia** In the current year International and domestic what did you target guided the sales guidance?
- Vikas Rathee** I think already we mentioned 1,500 in India and 500 in International.
- Kirti Vagadia** Around €2.2 billion in REpower.
- Moderator** Thank you. The next question is from the line of Prashant Sawant from KNG Securities. Please go ahead.
- Prashant Sawant** I did not get much on the cash position. It is about 80 million of cash at the end of the quarter with you, right?
- Dhaval Vakil** Yeah that's correct. We have about 455 crores as on 30th June in Suzlon.

Prashant Sawant And with regard to the FCCB repayment which is due in two months' time, you have got 40 million already from the sales of wind farms and you are expecting 60 from which is work under progress. So you are short by about 100 million. Are you going to use the cash which you have right now to redeem the bonds or any other solutions?

Vikas Rathee I think it is highlighted to another participant earlier. As of this point in time I think it is going to be inappropriate for us to comments as to what are the different sources or what exactly we are going to be using. I think we had a similar discipline as we had in terms of the June repayments. At that time we continue to maintain that we expect to fulfill our obligations and the debt. And at the appropriate time when they are absolutely certain about exactly the source of capital we are going to use to fulfill these obligations I think we will be able to make a more public announcement at that point of time and as of now I would urge you not to look at specifics which already might exist in the balance sheet or the assets sales. Obviously the assets sales are an important part of the liquidity but the capital and the cash that moves up and down dramatically based on the working capital realization. As we said earlier there is a lot of money that we pumped into working capital during the quarter in terms of building up for the deliveries in the remaining part of the year. Obviously we expect some of the realizations to come to as well. So there are multiple sources both internal and external that we are pursuing and I think at the right time we will be able to come out and make a public statement more definitely.

Prashant Sawant And in terms of the order back log we have got 7.2 billion this year. Looking at your client profile how much is the new client addition as you have on an average every quarter?

Dhaval Vakil Prashant I think we have to get back to you with the number. We don't have it readily available.

Vikas Rathee But I think it is less about new clients. There are lot of existing clients to give us repeat orders and obviously new clients coming in. That is something we obviously know. It is not the statistic that we monitor but probably we can get it. At the end of the day an order from our existing customers is as good as an order from a new customer. We continue to expand our customer base which is an important metric if we look at but at the end of the day you should look at in terms of the new megawatt that we have announced and look at around order book on a quarterly basis.

Prashant Sawant How much of Rs. 7.2 billion will be used this year in terms of order backlog? How much yet to provide this year?

Dhaval vakil Prashant the total order book is about \$7.2 billion. We have given our breakup in terms of how much we hold between Suzlon India, Suzlon International and REpower. So let me give you a breakup one by one. So out of the Suzlon India order book of about 1.1 gigawatt the full entire order book is scheduled for delivery in the current year. Out of the Suzlon International Order book of about \$1 billion about 400 MW which is about 60% - 70% will be deliverable in this

year and the balance in the next year and out of the balance order book of about \$5 billion of REpower we are as of now planning out \$2.5 billion of delivery in the current year.

Prashant Sawant Talking about REpower does Suzlon have access to the cash position for REpower or can we raise money through REpower?

Kirti Vagadia See it is our 100% subsidiary so we need to decide when to use which subsidiary for fund raising plan. Definitely there are certain disciplines that we need to follow and we need to fund the growth which REpower is having because you know that REpower is growing their top-line almost by 50%.

Prashant Sawant There was news about Companies planning to do a high yield bond issuance. Could you please shed some more light on that?

Vikas Rathee There are multiple routs we are obviously pursuing in relation to balancing our debt. 1) Balancing our debt profile between domestic and international assets. 2) Reducing the interest cost burden given how the interest rates in India are much higher than they are internationally and we have decent asset base there. Given how much the volatility we have in the global markets and domestic markets there is volatility I think the global markets have even more volatility. A company like us used to be prepared to be able to access different pools of capital on an opportunistic perspective. So depending on the market conditions and how it fits in our overall plan I think high yield bond is just one piece of the puzzle but it is not the only thing we are counting on or there is a deadline on our minds to be able to execute it. We should think about debt and equity capital, domestic and international asset sales and internal cash accruals we will look at all of that as pool of capital available to be able to address our upcoming liabilities and to fund the business growth.

Moderator Thank you. We have the next question from the line of Balchandran Shinde from B&K Securities. Please go ahead.

Balchandran Shinde Sir since we are selling the Chinese assets, are we going to bid for any of further orders in the Chinese market? And if yes, then do we see a kind of an increase in expenses because of that? And same might happen for the other regions also where we will sell the non-core assets?

Kirti Vagadia No. First of all at present we are servicing whatever OMS obligation we have in China as of now. So far as our new order things are concerned basically we are focusing more on the market where we are very strongly positioned.

Balchandran Shinde So we can say that wherever we are strongly present we will not sell those assets?

Vikas Rathee See I think what you need to understand is we don't necessarily need to have manufacturing facilities in every geography that we are. As of the global business we are in almost 30+ countries. Obviously we don't have manufacturing facilities everywhere. We have to evaluate

the cost benefit analysis of having facilities in each market versus shipping it from place or getting it done on a contract perspective. We foresee that on the China markets there are certain challenges at least in the near terms to may be medium-term and fundamentally we have to take a view on: is it important for us to have manufacturing facilities there as opposed to be able to service it through other means. So I think as of now we believe we are very comfortable with the business in China. The sale of the asset is providing good liquidity and I think reducing our cost fundamentally over the next 12+ months because the people cost also are going to come down. It will not impact our ability to be able to service the market for new orders going forward in a competitive basis.

Moderator

Thank you. That was the last question from the participants. I would now like to hand the floor back to Mr. Tulsi Tanti for closing comments. Over to you, sir.

Tulsi Tanti

Thank you. I would like to reiterate what I said in the beginning of this call. This has been a disappointing first quarter for the reason I stated earlier. However, we remain confident that by managing our near term liabilities, reducing our operation and manpower cost under project transformation, bringing down our working capital requirements from 27% to 20%, deleveraging in India and strengthening our balance sheet, closing important orders, driving volume execution, and realizing group synergy benefits, we can and we will end the fiscal in a satisfactory position. Many thank for joining us today. Thank you.

Moderator

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